

***BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT***

**FINANCIAL STATEMENTS  
INCLUDING INDEPENDENT AUDITORS' REPORTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**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, 2015, 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, 2015, 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, the schedule of other post-employment benefits funding progress on page 6-12, the schedule of the District's proportionate share of the net pension liability on page 6-13, and the schedule of the District's pension contributions on page 6-14 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, the schedule of other post-employment benefits funding progress, the schedule of the District's proportionate share of the net pension liability, and the schedule of the District's pension contributions 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 November 24, 2015, 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

November 24, 2015

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2015

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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, 2015. 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 and the deferred outflow of resources of the District exceeded its liabilities at the end of the fiscal year by \$7,673,654 (see Exhibit A).
- The District restated its beginning net position by a \$1,877,901 reduction due to the implementation of GASB 68.
- The District's total net position decreased by \$2,648,645. The recognition of an increase in the other post-employment obligation of \$2,372,679 and the recognition of \$1,142,250 of depreciation expense were significant factors causing this decrease. (Exhibit B)
- The District's bond obligations decreased by \$1,175,000 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 \$2,373,451 (Exhibit C), a decrease of \$310,882 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 \$482,962 (Exhibit C), or 2.00% of next year's budgeted general fund expenditures of \$24,138,728.

**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, 2015

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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 and the fy15 various capital projects fund, both 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 12 of this report.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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, 2015**

**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 and deferred outflow of resources exceeded liabilities by \$7,673,654 and by \$10,322,299 at the close of fiscal year 2015 and 2014, 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	
	2015	2014
Current assets . . . . .	\$ 5,120,997	\$ 5,240,893
Noncurrent assets . . . . .	31,826,919	33,427,812
Subtotal assets . . . . .	36,947,916	38,668,705
Deferred outflow of resources . . . . .	73,243	54,938
Current liabilities . . . . .	1,713,108	1,525,758
Noncurrent liabilities . . . . .	27,634,397	26,875,586
Subtotal liabilities . . . . .	29,347,505	28,401,344
Net position:		
Invested in capital assets, net of related debt . . . . .	11,786,974	11,497,392
Restricted . . . . .	7,738,998	8,168,882
Unrestricted . . . . .	(11,852,318)	(9,343,975)
Total net position . . . . .	\$ 7,673,654	\$ 10,322,299

A portion of the District's net position at June 30, 2015 and at June 30, 2014 of \$7,738,998 and \$8,168,882, respectively, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$(11,852,318) and \$(9,343,975) at June 30, 2015 and June 30, 2014, respectively, is further segregated by internal designations as shown below.

Description	2015	2014
Assigned to finance next year's operations. . . . .	\$ 350,000	\$ 350,000
Assigned for encumbrances . . . . .	168,877	23,048
Undesignated and unreserved . . . . .	(12,371,195)	(9,717,023)
Total unrestricted net assets . . . . .	\$ (11,852,318)	\$ (9,343,975)



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Governmental activities decreased the District's net position by \$2,648,645 (Exhibit B) in 2015 and by \$3,086,006 in 2014. Key elements of these changes are as follows:

Description	Amount	
	2015	2014
DISTRICT'S CHANGES IN NET POSITION		
Revenues:		
Program revenues:		
Charges for services . . . . .	\$ 298,559	\$ 313,753
Member town assessments . . . . .	1,627,856	1,526,165
Operating grants and contributions . . . . .	5,443,067	8,683,489
Capital grants and contributions . . . . .	401,963	409,503
Investment income and other . . . . .	113,831	147,610
General revenues:		
Assessments to member towns . . . . .	16,493,767	15,544,056
Grants and contributions not restricted to specific programs . . . . .	2,753,513	2,726,838
Tuition fees and charges. . . . .	1,009,120	994,273
Amortization of bond and serial note premiums . . . . .	220,291	-
Investment income and other. . . . .	22,431	40,655
Total revenues . . . . .	<u>28,384,398</u>	<u>30,386,342</u>
Expenses:		
Administration . . . . .	1,166,767	1,091,615
Instruction . . . . .	13,552,241	13,311,480
Ancillary school services . . . . .	1,641,770	1,708,168
Transportation . . . . .	1,520,265	1,503,135
Maintenance and operations . . . . .	2,158,722	2,014,449
Insurance and employee benefits . . . . .	8,787,878	10,660,606
Programs with other schools . . . . .	1,513,293	1,318,655
Interest on revenue anticipation notes. . . . .	10,774	7,637
Payment of prior year encumbrances . . . . .	23,048	21,006
Scholarships . . . . .	3,300	1,300
Debt service - interest on bonds and debt refunding costs . . . . .	654,985	794,382
Total expenses . . . . .	<u>31,033,043</u>	<u>32,432,433</u>
Special item - reduction in MSBA receivable due to refunding . . . . .	<u>-</u>	<u>1,039,915</u>
Change in net position . . . . .	<u>\$ (2,648,645)</u>	<u>\$ (3,086,006)</u>

- Operating grant program revenues decreased by \$3,240,422 during the year caused by an on-behalf payment revenue decrease of \$2,927,722.
- Member town assessments increased by \$1,051,402 during the year; an increase of 6.16%.
- Ignoring the \$2,927,722 decrease in on-behalf payments to the MTRS, expenses increased by \$1,528,332 during the year; and increase of 4.71%.
- 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, 2015**

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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 2015 and fiscal year 2014, the District's governmental funds reported combined ending fund balances of \$2,373,451 (Exhibit C), and of \$2,684,333, respectively, a decrease of \$310,882 in comparison with the prior year (Exhibit D). A summary of the components comprising these fund balances is described below.

Description	2015	2014
Nonspendable food services inventory and prepaid tuition . . . . .	\$ 9,993	\$ 12,175
Restricted by grantors or by enabling legislation . . . . .	1,607,795	1,538,457
Committed by school committee vote . . . . .	-	16,228
Assigned to finance next year's operations. . . . .	350,000	350,000
Assigned for encumbrances . . . . .	168,877	23,048
Unassigned - available for spending at the government's discretion . . . . .	236,786	744,425
<b>Total fund balances . . . . .</b>	<b>\$ 2,373,451</b>	<b>\$ 2,684,333</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 \$1,001,839 of which \$482,962 (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 2.00% of the total general fund's budget for the next fiscal year, while total fund balance represents 4.15% of that same amount.

The fund balance of the District's general fund decreased by \$122,403 during the current fiscal year (Exhibits D and E). Key factors in this increase are:

- Total expenditures were \$57,852 less than budgeted.
- Total revenues and other financing sources were \$23,916 more than budgeted.
- The District used \$350,000 of the general fund's beginning fund balance to finance its operations.
- The District's current year encumbrances are \$145,829 greater than last year's encumbrances.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's original budget of \$23,014,386 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, 2015**

**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 \$24,806,974 (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 \$256,832 of capital assets, disposed of \$164,887 of fully depreciated capital assets, and recognized \$1,142,250 of depreciation expense during the current fiscal year. A detailed schedule of capital assets for both fiscal years 2015 and fiscal year 2014 is presented below.

DISTRICT'S CAPITAL ASSETS		
Description	Amount	
	2015	2014
Land . . . . .	\$ 744,000	\$ 744,000
Land improvements . . . . .	884,980	884,980
Buildings . . . . .	32,184,026	32,184,026
Building improvements . . . . .	159,999	138,256
Leasehold improvements . . . . .	81,682	81,682
Furnishings, machinery and equipment . . . . .	5,459,964	5,446,684
Library books . . . . .	378,000	378,000
Computers . . . . .	639,920	637,776
Vehicles . . . . .	156,988	102,210
Total capital assets . . . . .	40,689,559	40,597,614
Accumulated depreciation . . . . .	15,882,585	14,905,222
Capital assets - net . . . . .	\$ 24,806,974	\$ 25,692,392

**Debt.** At the end of the current fiscal year, the District had total outstanding bond obligations of \$13,020,000; which is backed by the full faith and credit of the District and its member towns. The detail of its long-term obligations at the end of fiscal 2015 and 2014 is shown below.

DISTRICT'S OUTSTANDING LONG-TERM DEBT		
Description	Amount	
	2015	2014
Middle and elementary school construction bonds . . . . .	\$ 13,020,000	\$ 14,195,000
Other post-employment benefits obligation . . . . .	10,818,454	8,445,775
Premiums on debt issuance . . . . .	1,982,619	2,202,910
Berkshire county pension obligation . . . . .	1,675,324	1,877,901
Compensated absences . . . . .	138,000	154,000
Total outstanding debt . . . . .	\$ 27,634,397	\$ 26,875,586

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, 2015

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The District issued and redeemed revenue anticipation notes totaling \$2,500,000 during fiscal 2015. The District paid \$10,774 of interest expense on these notes during the fiscal year.

On April 10, 2015 the District issued a \$245,734 bond anticipation note with an annual interest rate of 0.40%. This note, which matures on August 14, 2015, is reported in the fy15 various capital projects fund.

**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 FY2015 and FY2016 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 for FY16 are as follows:
  - Great Barrington – 504,735
  - Stockbridge – \$106,068
  - West Stockbridge – \$108,263
- \$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 was received from MSBA for reimbursement for the school construction projects and used to offset assessments. The reimbursement from MSBA for FY16 will be \$1,120,934.
- The District borrowed \$245,734 of bond anticipation notes (ban's) for capital projects in FY15 with an anticipated rollover in FY16 resulting in additional interest payment of \$10,000 in the FY16 capital budget.
- The District plans to issue an additional ban of \$275,000 in FY16 to finance more various small capital projects.

In addition to the items above, the factors below were considered in preparing the District's budget for the 2016 fiscal year.

- The District budgeted Chapter 70 based on House 1, the Governor's budget, in January. Actual payments are anticipated to be \$2,775,233 representing a \$21,720 increase from FY15 budgeted amounts, or less than a 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 level funding of revenue in FY16. Any Chapter 71 reimbursements received that exceed budget will be recorded in the District's transportation revolving fund.
- The combined effect of changes to Chapter 70 and Chapter 71 state revenue is a net increase to budgeted funding of \$21,720.
- The District used \$350,000 from excess and deficiency to reduce assessments. The District's net FY16 operating and capital budget financed by town assessments is \$18,975,183 or an average increase of 4.71% from FY15.

**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.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**

GOVERNMENT-WIDE

## STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
<b>Assets:</b>	
Current assets:	
Pooled cash . . . . .	3,943,229
Due from other governments . . . . .	1,167,775
Inventory . . . . .	9,993
Total current assets . . . . .	5,120,997
Noncurrent assets:	
Due from other governments . . . . .	7,019,945
Capital assets (net of accumulated depreciation) . . . . .	24,806,974
Total noncurrent assets . . . . .	31,826,919
Total assets . . . . .	36,947,916
<b>Deferred outflow of resources:</b>	
Loss on refunding bonds . . . . .	49,446
Related to pensions . . . . .	23,797
Total deferred outflow of resources . . . . .	73,243
<b>Liabilities:</b>	
Current liabilities:	
Accounts and other payables . . . . .	84,759
Accrued interest payable . . . . .	133,337
Accrued payroll . . . . .	1,125,436
Payroll withholdings . . . . .	123,842
Bond anticipation note . . . . .	245,734
Total current liabilities . . . . .	1,713,108
Noncurrent liabilities:	
Due within one year:	
Premiums on debt issuance . . . . .	220,291
Bonds payable . . . . .	1,200,000
Total due within one year . . . . .	1,420,291
Due in more than one year:	
Premiums on debt issuance . . . . .	1,762,328
Bonds payable . . . . .	11,820,000
Other post-employment benefits ("OPEB") obligation . . . . .	10,818,454
Berkshire pension obligation . . . . .	1,675,324
Compensated absences . . . . .	138,000
Total due in more than one year . . . . .	26,214,106
Total liabilities . . . . .	29,347,505
<b>Net position:</b>	
Invested in capital assets, net of related debt . . . . .	11,786,974
Restricted for:	
Debt service . . . . .	6,121,210
Grants and revolving activity . . . . .	1,399,675
Scholarship endowment . . . . .	206,368
Scholarship awards . . . . .	1,752
Inventory . . . . .	9,993
Total restricted . . . . .	7,738,998
Unrestricted . . . . .	(11,852,318)
Total net position . . . . .	7,673,654

See accompanying notes to the basic financial statements.

## BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT

## GOVERNMENT-WIDE

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

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 .....	1,166,767	-	-	-	-	-	-	(1,166,767)	
Instruction .....	13,552,241	-	-	2,510,244	-	-	11,525	(11,030,472)	
Ancillary school services .....	1,641,770	287,747	-	483,175	-	-	40,000	(830,848)	
Transportation .....	1,520,265	-	907,165	647,251	-	-	-	34,151	
Maintenance and operations .....	2,158,722	10,812	-	-	-	-	33,514	(2,114,396)	
Insurance and employee benefits .....	8,787,878	-	-	1,790,638	-	-	27,852	(6,969,388)	
Programs with other schools .....	1,513,293	-	-	-	-	-	-	(1,513,293)	
Interest on revenue anticipation notes .....	10,774	-	-	-	-	-	-	(10,774)	
Payment of prior year encumbrances .....	23,048	-	-	-	-	-	-	(23,048)	
Capital improvements .....	-	-	-	11,759	-	-	-	11,759	
Scholarships .....	3,300	-	-	-	-	320	620	(2,360)	
Debt service - principal .....	-	-	720,691	-	-	-	-	720,691	
Debt service - interest on long-term debt .....	649,493	-	-	-	401,963	-	-	(247,530)	
Debt service - debt refunding loss .....	5,492	-	-	-	-	-	-	(5,492)	
<b>Total activities .....</b>	<b>31,033,043</b>	<b>298,559</b>	<b>1,627,856</b>	<b>5,443,067</b>	<b>401,963</b>	<b>320</b>	<b>113,511</b>	<b>(23,147,767)</b>	
General revenues:									
Assessments to member towns .....								16,493,767	
Grants and contributions not restricted to specific purposes .....								2,753,513	
Tuition fees and charges .....								1,009,120	
Amortization of bond and serial note premiums .....								220,291	
Miscellaneous .....								16,399	
Investment income .....								6,032	
<b>Total general revenues .....</b>								<b>20,499,122</b>	
Changes in net position .....								<b>(2,648,645)</b>	
Net position - beginning of the year before restatement .....								12,206,218	
Restatement of beginning of the year net position:									
Berkshire county pension obligation .....							(1,877,901)		
Bubriski scholarship .....							(6,018)		
<b>Total restatement of beginning on the year net position .....</b>								<b>(1,883,919)</b>	
<b>Net position - beginning of the year after restatement .....</b>								<b>10,322,299</b>	
Net position - end of the year .....								<b>7,673,654</b>	

(\*) - Imbedded within these function and program costs are depreciation and other post-employment expenses of \$1,142,250 and \$2,372,649, respectively.

See accompanying notes to the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	General Fund	FY15 Various Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Pooled cash . . . . .	2,325,162	-	1,618,067	3,943,229
Due from other governments . . . . .	8,140,879	-	-	8,140,879
Inventory . . . . .	-	-	9,993	9,993
<b>Total assets . . . . .</b>	<b>10,466,041</b>	<b>-</b>	<b>1,628,060</b>	<b>12,094,101</b>
<b>Liabilities, deferred inflow of resources, and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable and other liabilities . . . . .	74,045	-	10,714	84,759
Accrued payroll . . . . .	1,125,436	-	-	1,125,436
Payroll withholdings . . . . .	123,842	-	-	123,842
Bond anticipation note . . . . .	-	245,734	-	245,734
<b>Total liabilities . . . . .</b>	<b>1,323,323</b>	<b>245,734</b>	<b>10,714</b>	<b>1,579,771</b>
Deferred inflow of resources - unavailable revenues . . . . .	8,140,879	-	-	8,140,879
<b>Fund balances:</b>				
Nonspendable . . . . .	-	-	9,993	9,993
<b>Spendable:</b>				
Restricted . . . . .	-	-	1,607,795	1,607,795
Assigned . . . . .	518,877	-	-	518,877
Unassigned - available for appropriation . . . . .	482,962	(245,734)	(442)	236,786
<b>Total fund balances . . . . .</b>	<b>1,001,839</b>	<b>(245,734)</b>	<b>1,617,346</b>	<b>2,373,451</b>
<b>Total liabilities, deferred inflow of resources, and fund balances . . . . .</b>	<b>10,466,041</b>	<b>-</b>	<b>1,628,060</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 . . . . .			40,689,559	
Less: Accumulated depreciation . . . . .			15,882,585	
Subtotal . . . . .				24,806,974
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 . . . . .			(13,020,000)	
Other post-employment benefits obligation . . . . .			(10,818,454)	
Berkshire county pension obligation . . . . .			(1,675,324)	
Compensated absences . . . . .			(138,000)	
Unamortized premiums associated with bonds . . . . .			(1,982,619)	
Subtotal . . . . .				(27,634,397)
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 . . . . .			8,140,879	
Receivable from the Massachusetts School Building Authority for accrued interest reimbursements . . . . .			46,841	
Subtotal . . . . .				8,187,720
Accrued interest payable is not recognized as an expenditure and therefore is not reported in the governmental funds statements . . . . .				
				(133,337)
Unamortized net debt refunding reacquisition price over the net carrying amount of the refunded debt . . . . .				49,446
Unamortized deferred outflow of resources related to pensions . . . . .				23,797
<b>Net position . . . . .</b>				<b>7,673,654</b>

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, 2015**

	General Fund	Fy15 Various Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Town assessments	18,121,623	-	-	18,121,623
Intergovernmental	4,531,534	-	4,785,980	9,317,514
Fees and charges for services	-	-	1,307,679	1,307,679
Investment income	6,032	-	320	6,352
Other	16,399	-	113,511	129,910
<b>Total revenues</b>	<b>22,675,588</b>	<b>-</b>	<b>6,207,490</b>	<b>28,883,078</b>
<b>Other financing sources:</b>				
Transfers from high school construction feasibility fund	12,714	-	-	12,714
<b>Total revenues and other financing sources</b>	<b>22,688,302</b>	<b>-</b>	<b>6,207,490</b>	<b>28,895,792</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	1,160,286	-	-	1,160,286
Instruction	9,268,822	-	3,475,143	12,743,965
Ancillary school services	818,362	-	791,735	1,610,097
Transportation	1,520,265	-	-	1,520,265
Maintenance and operations	1,843,510	-	42,976	1,886,486
Insurance and employee benefits	4,820,720	-	1,820,853	6,641,573
Programs with other schools	1,513,293	-	-	1,513,293
Interest on revenue anticipation notes	10,774	-	-	10,774
Payment of prior year encumbrances	23,048	-	-	23,048
Capital improvements	-	245,734	3,514	249,248
Scholarships	-	-	3,300	3,300
<b>Debt Service:</b>				
Principal	1,175,000	-	-	1,175,000
Interest on long-term debt	656,625	-	-	656,625
<b>Total expenditures</b>	<b>22,810,705</b>	<b>245,734</b>	<b>6,137,521</b>	<b>29,193,960</b>
Other financing uses - transfers to the general fund	-	-	12,714	12,714
<b>Total expenditures and other financing uses</b>	<b>22,810,705</b>	<b>245,734</b>	<b>6,150,235</b>	<b>29,206,674</b>
<b>Net changes in fund balances</b>	<b>(122,403)</b>	<b>(245,734)</b>	<b>57,255</b>	<b>(310,882)</b>
Fund balance - beginning of the year before restatement	1,124,242	-	1,566,109	
Restatement - bubrisky scholarship	-	-	(6,018)	
Fund balance - beginning of the year after restatement	1,124,242	-	1,560,091	
Fund balance - end of the year	1,001,839	(245,734)	1,617,346	
<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				(885,418)
Net change in certain accrued liabilities				(751,679)
Net change in certain receivables				(718,971)
Changes in deferred outflow of resources				18,305
<b>Change in net position of the government-wide statement of activities (Exhibit B)</b>				<b>(2,648,645)</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, 2015**

	Original Budget	Revised Budget	Actual			Favorable / (Unfavorable) Budget
			Revenues or Expenditures	Encumbrances	Total	
<b>Revenue:</b>						
<b>Operating town assessments:</b>						
Great Barrington .....	12,113,258	12,113,258	12,113,258	-	12,113,258	-
Stockbridge .....	2,492,989	2,492,989	2,492,989	-	2,492,989	-
West Stockbridge .....	2,794,685	2,794,685	2,794,685	-	2,794,685	-
<b>Total operating town assessments .....</b>	<b>17,400,932</b>	<b>17,400,932</b>	<b>17,400,932</b>	<b>-</b>	<b>17,400,932</b>	<b>-</b>
<b>State:</b>						
Chapter 70 .....	2,753,513	2,753,513	2,753,513	-	2,753,513	-
Transportation .....	557,460	557,460	557,460	-	557,460	-
Medicaid reimbursement .....	65,000	65,000	87,868	-	87,868	22,868
Massachusetts school building assistance .....	-	-	11,759	-	11,759	11,759
<b>Total state .....</b>	<b>3,375,973</b>	<b>3,375,973</b>	<b>3,410,600</b>	<b>-</b>	<b>3,410,600</b>	<b>34,627</b>
Local other .....	35,856	35,856	16,399	-	16,399	(19,457)
Investment income .....	10,000	10,000	6,032	-	6,032	(3,968)
<b>Total operating revenue .....</b>	<b>20,822,761</b>	<b>20,822,761</b>	<b>20,833,963</b>	<b>-</b>	<b>20,833,963</b>	<b>11,202</b>
<b>Capital town assessments:</b>						
Great Barrington .....	499,905	499,905	499,905	-	499,905	-
Stockbridge .....	101,163	101,163	101,163	-	101,163	-
West Stockbridge .....	119,623	119,623	119,623	-	119,623	-
<b>Total capital town assessments .....</b>	<b>720,691</b>	<b>720,691</b>	<b>720,691</b>	<b>-</b>	<b>720,691</b>	<b>-</b>
Massachusetts school building assistance .....	1,120,934	1,120,934	1,120,934	-	1,120,934	-
<b>Total capital revenue .....</b>	<b>1,841,625</b>	<b>1,841,625</b>	<b>1,841,625</b>	<b>-</b>	<b>1,841,625</b>	<b>-</b>
<b>Total revenue .....</b>	<b>22,664,386</b>	<b>22,664,386</b>	<b>22,675,588</b>	<b>-</b>	<b>22,675,588</b>	<b>11,202</b>
<b>Other financing sources:</b>						
Transfers from beginning fund balance .....	350,000	350,000	350,000	-	350,000	-
Transfers from high school construction feasibility fund .....	-	-	12,714	-	12,714	12,714
<b>Total other financing sources .....</b>	<b>350,000</b>	<b>350,000</b>	<b>362,714</b>	<b>-</b>	<b>362,714</b>	<b>12,714</b>
<b>Total revenue and other financing sources .....</b>	<b>23,014,386</b>	<b>23,014,386</b>	<b>23,038,302</b>	<b>-</b>	<b>23,038,302</b>	<b>23,916</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, 2015**

	Original Budget	Revised Budget	Actual			Favorable / (Unfavorable) Budget
			Revenues or Expenditures	Encumbrances	Total	
<b>Expenditures:</b>						
<b>Operating expenses:</b>						
Administration .....	1,149,304	1,101,631	1,160,286	3,371	1,163,657	(62,026)
Instruction .....	8,960,790	9,280,390	9,268,822	129,573	9,398,395	(118,005)
Ancillary school services .....	716,762	819,763	818,362	1,400	819,762	1
Transportation .....	1,464,625	1,520,265	1,520,265	-	1,520,265	-
Maintenance and operations .....	1,881,342	1,867,041	1,843,510	23,532	1,867,042	(1)
Insurance and employee benefits .....	5,023,337	4,868,899	4,820,720	11,001	4,831,721	37,178
Programs with other districts .....	1,587,358	1,524,294	1,513,293	-	1,513,293	11,001
Interest associated with revenue anticipation notes .....	10,000	10,774	10,774	-	10,774	-
Contingencies .....	379,243	179,704	-	-	-	179,704
Total operating expenditures .....	<u>21,172,761</u>	<u>21,172,761</u>	<u>20,956,032</u>	<u>168,877</u>	<u>21,124,909</u>	<u>47,852</u>
<b>Debt service expenses:</b>						
Bond principal .....	1,175,000	1,175,000	1,175,000	-	1,175,000	-
Bond interest .....	656,625	656,625	656,625	-	656,625	-
Other .....	10,000	10,000	-	-	-	10,000
Total debt service .....	<u>1,841,625</u>	<u>1,841,625</u>	<u>1,831,625</u>	<u>-</u>	<u>1,831,625</u>	<u>10,000</u>
Total expenditures .....	<u>23,014,386</u>	<u>23,014,386</u>	<u>22,787,657</u>	<u>168,877</u>	<u>22,956,534</u>	<u>57,852</u>
Net changes in fund balances - budgetary basis .....	-	-	250,645	(168,877)	81,768	81,768

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

Description	(See Exhibit D) GAAP Basis	Transfers from Beginning Fund Balance	Prior Year Encumbrances Expended	Current Year Encumbrances	Budgetary Basis
Expenditures and other financing uses .....	22,810,705	-	(23,048)	168,877	22,956,534
Net changes in fund balances .....	<u>(122,403)</u>	<u>350,000</u>	<u>23,048</u>	<u>(168,877)</u>	<u>81,768</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, 2015

	Private- Purpose Trust Funds	Agency Funds	Totals
Assets:			
Pooled cash . . . . .	126,787	199,590	326,377
Liabilities:			
Accounts payable . . . . .	21,450	121	21,571
Due to students groups . . . . .	-	199,469	199,469
Total liabilities . . . . .	21,450	199,590	221,040
Net position - reserved for scholarship expenditures . . . . .	105,337	-	105,337

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, 2015

	Private- Purpose Trust Funds
Additions:	
Donations . . . . .	8,468
Rescinded scholarship awards . . . . .	1,300
Investment income . . . . .	191
Total additions . . . . .	9,959
Deductions - scholarship awards . . . . .	15,150
Change in net position . . . . .	(5,191)
Net position - beginning of the year before restatement . . . . .	104,510
Restatement - bubriski scholarship . . . . .	6,018
Net position - beginning of the year before restatement . . . . .	110,528
Net position - end of the year . . . . .	105,337

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, 2015

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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, 2015

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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, 2015

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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, 2015

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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
- Fy15 various capital projects 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, 2015

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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, 2015

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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**

Inventories 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.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

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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:

<u>Assets</u>	<u>Years</u>
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 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, if material, 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, 2015

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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, 2015

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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, 2015**

**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 and county pension obligations, the calculation of the receivable from the MSBA, 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) . . . . .	\$	(310,882)	
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 . . . . .	\$	256,832	
Depreciation expense . . . . .		<u>(1,142,250)</u>	
Totals . . . . .			(885,418)
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 . . . . .	\$	(2,372,679)	
Decrease in long-term compensated absence obligations . . . . .		16,000	
Decrease in berkshire county pension obligation . . . . .		202,577	
Payment of debt service principal . . . . .		1,175,000	
Decrease in unamortized premiums associated with the issuance of bonds . . . . .		220,291	
Decrease in interest payable accrual . . . . .		<u>7,132</u>	
Totals . . . . .			(751,679)
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 . . . . .	\$	(715,475)	
Decrease in interest receivable associated with MSBA reimbursement . . . . .		<u>(3,496)</u>	
Totals . . . . .			(718,971)
Changes in deferred outflow of resources:			
Increase in pension related deferred outflow of resources . . . . .		23,797	
Changes in the balance of unamortized debt refunding reacquisition price over the net carrying amount of the refunded debt . . . . .		<u>(5,492)</u>	
Totals . . . . .			<u>18,305</u>
Change in net assets of the government-wide statement of activities (Exhibit B) . . . . .	\$		<u><u>(2,648,645)</u></u>

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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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, 2015

**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, 2015 the general fund has \$168,877 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	
Insured (FDIC) (SDIC) . . . . .	\$ 801,544	\$ 125,917	\$ 927,461
Fully collateralized . . . . .	3,530,814	186,728	3,717,542
Subtotal - amount in banks . . . . .	4,332,358	312,645	4,645,003
Various reconciling items . . . . .	(389,129)	13,732	(375,397)
Total pooled cash . . . . .	\$ 3,943,229	\$ 326,377	\$ 4,269,606

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

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

**B. Receivables**

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

Description	(Exhibit C) Fund Financial Statements General Fund	(Exhibit A) Government- Wide Financial Statements
Massachusetts school building authority:		
Reimbursement of future bond principal payments (*) . . . . .	\$ 8,140,879	\$ 8,140,879
Reimbursement of bond interest due currently . . . . .	-	46,841
Total due from the other governments . . . . .	\$ 8,140,879	\$ 8,187,720
Exhibit A - classification of due from other governments:		
Current assets . . . . .		\$ 1,167,775
Noncurrent assets . . . . .		7,019,945
Total . . . . .		\$ 8,187,720

(\*) - 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 . . . . .	819,994
Ancillary school services . . . . .	281,555
Maintenance and operations . . . . .	33,153
Total depreciation expense . . . . .	\$ 1,142,250



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**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, 2015 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	21,743	-	159,999
Leasehold improvements .....	81,682	-	-	81,682
Furnishings, machinery and equipment ...	5,446,684	24,109	(10,829)	5,459,964
Library books .....	378,000	-	-	378,000
Computers .....	637,776	127,702	(125,558)	639,920
Vehicles .....	102,210	83,278	(28,500)	156,988
Total capital assets, being depreciated .....	39,853,614	256,832	(164,887)	39,945,559
Total capital assets, gross .....	40,597,614	256,832	(164,887)	40,689,559
Less accumulated depreciation for:				
Land improvements .....	(810,407)	(29,829)	-	(840,236)
Buildings .....	(8,258,520)	(670,686)	-	(8,929,206)
Building improvements .....	(25,942)	(9,942)	-	(35,884)
Leasehold improvements .....	(22,463)	(4,084)	-	(26,547)
Furnishings, machinery and equipment ...	(4,954,077)	(304,205)	10,829	(5,247,453)
Library books .....	(378,000)	-	-	(378,000)
Computers .....	(370,672)	(114,506)	125,558	(359,620)
Vehicles .....	(85,141)	(8,998)	28,500	(65,639)
Total accumulated depreciation .....	(14,905,222)	(1,142,250)	164,887	(15,882,585)
Total capital assets, net .....	\$ 25,692,392	\$ (885,418)	\$ -	\$ 24,806,974

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**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 2015 the District also authorized the closing of the high school construction feasibility capital project fund and the transfer of its residual fund balance totaling \$12,714 to the District's general fund.

**E. Short-term debt**

A schedule of changes to revenue anticipation notes ("RAN.s") and to bond anticipation notes ("BAN's") for the year ended June 30, 2015 is presented below.

Debt Type	Date Issued	Maturity Date	Interest Rate	Balance June 30 14	Additions	Reductions	Balance Jun 30 15	Interest Expense
Ran . . .	09/17/14	06/30/15	0.55%	\$ -	\$ 2,500,000	\$ 2,500,000	\$ -	\$ 10,774
Ban . . .	04/10/15	08/14/15	0.40%	-	245,734	-	245,734	-
Totals . . . . .				\$ -	\$ 2,745,734	\$ 2,500,000	\$ 245,734	\$ 10,774

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2015 is presented below.

Description	Beginning Balance	Additions	Reductions	Ending Balance	Exhibit A	
					Due Within One Year	Due After One Year
Bonds - middle & elem school . . . . .	\$ 14,195,000	\$ -	\$ 1,175,000	\$ 13,020,000	\$ 1,200,000	\$ 11,820,000
Other post-employment benefits . . . . .	8,445,775	3,993,758	1,621,079	10,818,454	-	10,818,454
Berkshire county pension obligation . . . . .	1,877,901	307,717	510,294	1,675,324	-	1,675,324
Premiums on debt issuance . . . . .	2,202,910	-	220,291	1,982,619	220,291	1,762,328
Compensated absences . . . . .	154,000	-	16,000	138,000	-	138,000
Total long-term liabilities . . . . .	\$ 26,875,586	\$ 4,301,475	\$ 3,542,664	\$ 27,634,397	\$ 1,420,291	\$ 26,214,106

In fiscal 2015 bond interest of \$656.625 was paid by the general fund.

The \$2,202,910 of premiums on debt issuance is being amortized over the life of the refunding debt in ten equal annual installments of \$220,291 ending in fiscal 2024. This annual amortization expense is being reported in the District's government-wide statement of activities (Exhibit B).

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

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

**F. Long-term obligations**

Debt service payments

The following is a schedule of long-term debt maturities and interest payments as of June 30, 2015.

Fiscal Year	Principal	Interest	Total	MSBA Reimbursements	District Share
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 . . . . .	<u>\$ 13,020,000</u>	<u>\$ 3,114,750</u>	<u>\$ 16,134,750</u>	<u>\$ 10,088,406</u>	<u>\$ 6,046,344</u>

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 . . . . .	\$ 8,140,879
Interest . . . . .	1,947,527
Total . . . . .	<u>\$ 10,088,406</u>

**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 \$8,140,879 receivable reported in the general fund.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

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

In fiscal 2014 the District refunded \$15,990,000 of bonds. The loss of \$54,938 resulting from the difference between the reacquisition price and the carrying amount of the refunded debt was reported as a deferred outflow of resources in the District's governmental wide statement of net position (Exhibit A) and is being amortized over the life of the refunding debt which matures, in serial installments through fiscal 2024. At June 30, 2015 this unamortized balance is \$49,446.

**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 Fund Balances	Net Position (Exhibit A)		
		Invested in capital assets net of related debt	Restricted	Unrestricted
General fund:				
Unassigned - available for appropriation . . . . .	\$ 482,962	\$ -	\$ -	\$ 482,962
Assigned to finance next year's operations . . . . .	350,000	-	-	350,000
Assigned for encumbrances . . . . .	168,877	-	-	168,877
Fy15 various capital projects fund:				
Unassigned - available for appropriation . . . . .	(245,734)	-	-	(245,734)
Other nonmajor funds:				
Nonspendable - inventory . . . . .	9,993	-	9,993	-
Restricted . . . . .	1,607,795	-	1,607,795	-
Unassigned - available for appropriation . . . . .	(442)	-	-	(442)
Subtotals . . . . .	2,373,451	-	1,617,788	755,663
Adjustments and reclassifications required by GASB #34:				
Capital assets . . . . .	-	24,806,974	-	-
Outstanding obligations associated with capital assets . . . . .	-	(13,020,000)	-	-
Compensated absences . . . . .	-	-	-	(138,000)
Other post-employment obligations . . . . .	-	-	-	(10,818,454)
Berkshire county pension obligation . . . . .	-	-	-	(1,675,324)
Deferred outflow of resources - related to pensions . . . . .	-	-	-	23,797
MSBA receivable for reimbursement of principal payments . . . . .	-	-	8,140,879	-
MSBA accrued interest receivable . . . . .	-	-	46,841	-
Accrued interest . . . . .	-	-	(133,337)	-
Unamortized bond premiums . . . . .	-	-	(1,982,619)	-
Unamortized net debt refunding loss . . . . .	-	-	49,446	-
Total . . . . .	\$ 2,373,451	\$ 11,786,974	\$ 7,738,998	\$ (11,852,318)

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**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	Fy15 Various Capital Projects Fund	Other Nonmajor Funds	Total
Restricted for:				
Instruction . . . . .	\$ -	\$ -	\$ 944,941	\$ 944,941
Ancillary school services . . . . .	-	-	356,796	356,796
Maintenance and operations . . . . .	-	-	8,147	8,147
Transportation . . . . .	-	-	89,791	89,791
Scholarships . . . . .	-	-	208,120	208,120
Total restricted . . . . .	-	-	1,607,795	1,607,795
Assigned for:				
Financing next year's operations . . . . .	350,000	-	-	350,000
Encumbrances . . . . .	168,877	-	-	168,877
Total assigned . . . . .	518,877	-	-	518,877
Unassigned - available for appropriations . . . . .	482,962	(245,734)	(442)	236,786
Nonspendable - inventory . . . . .	-	-	9,993	9,993
Total fund balances . . . . .	\$ 1,001,839	\$ (245,734)	\$ 1,617,346	\$ 2,373,451

**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, 2015

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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, 2015 has yet to be issued. The Health Group's unaudited financial statements at June 30, 2015 report a fund balance of \$6,292,773.

**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, 2015

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**5. OTHER INFORMATION (continued)**

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

Berkshire County Retirement System (BCRS) Pension Obligation

Plan Description. The BCRS plan is a defined benefit multiple employer cost sharing pension plan covering the employees of 45 member units, except for school department employees who serve in a teaching capacity. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 320 of the Massachusetts General Laws establishes the authority of the BCRS, contribution percentages and benefits paid. The BCRS board does not have the authority to amend benefit provisions.

Significant Accounting Policies For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BCRS and additions to/deductions from BCRS's fiduciary net position have been determined on the same basis as they are reported by the BCRS. Investments are reported at fair value.

Contributions Both employer and employee contributions are actuarially determined as directed by the Public Employee Retirement Administration commission ("PERAC"). 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 January 1, 1979. The District's contractually required contribution rate for the year ended June 30, 2015 was 19.8% of its covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$510,294 for the year ended June 30, 2015.

Pension Liability. At June 30, 2015, the District reported a liability of \$1,675,324, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2013 rolled forward to December 31, 2014. The District's proportion of the net pension liability (NPL), of deferred outflows and inflows, as well as its pension expense were calculated based upon its percentage of member contributions to the BCRS. At June 30, 2015, the District's proportion of the NPL was 6.38 percent.

Pension Expense. For the year ended June 30, 2015 the District recognized a pension expense of \$309,940.

Deferred Outflows of Resources Related to Pensions. At June 30, 2015 the District reported deferred outflows of resources related to pensions for the net difference between projected and actual earnings on pension plan investments of \$23,797. This deferred outflow of resources will be recognized in pension expense as follows:

Year	Amount
2016 . . . .	\$ 5,949
2017 . . . .	5,949
2018 . . . .	5,949
2019 . . . .	5,950
Total . . . .	<u>\$ 23,797</u>

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

## 5. OTHER INFORMATION (continued)

## C. Employee retirement systems and pension plans (continued)

Berkshire County Retirement System (BCRS) Pension Obligation (continued)

Actuarial Assumptions. The NPL in the January 1, 2013 actuarial valuation, rolled forward to December 31, 2014, was determined using the following actuarial assumptions:

Description	Assumption
Investment Rate of Return . . . . .	7.750%
Inflation . . . . .	Not Explicitly Assumed
Cost of Living Adjustment . . . . .	3% of First \$14,000
Actuarial Cost Method . . . . .	Entry Age Normal
Amortization Method . . . . .	Total Payments Increase 4.75% Annually
Remaining Amortization Period . . . . .	10 Years for July 1, 2015

Membership. Membership in the BCRS consist of the following at December 31, 2014.

Description	Amount
Active plan members . . . . .	1,165
Retirees and beneficiaries receiving benefits . . . . .	697
Terminated plan members entitled to but not yet receiving benefit:	247
Totals . . . . .	<u>2,109</u>
Number of participating employers . . . . .	<u>45</u>

Target Allocations. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in BCRS' targeted asset allocation as of December 31, 2014 are summarized as follows:



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

## 5. OTHER INFORMATION (continued)

## C. Employee retirement systems and pension plans (continued)

Berkshire County Retirement System (BCRS) Pension Obligation (continued)Target Allocations (continued)

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Large Cap Equities .....	14.50%	7.75%	1.12%
Small / Mid Cap Equities .....	3.50%	8.00%	0.28%
International Equities .....	16.00%	8.25%	1.32%
Emerging International Equities .....	6.00%	9.50%	0.57%
High-Yield Bonds .....	1.50%	6.00%	0.09%
Bank Loans .....	1.50%	6.25%	0.09%
EMD (External) .....	1.00%	7.00%	0.07%
EMD (Local Currency) .....	2.00%	7.25%	0.15%
TIPS .....	3.00%	4.50%	0.14%
Long Treasuries .....	10.00%	4.25%	0.43%
Private Equity .....	10.00%	9.75%	0.98%
Private Debt .....	4.00%	8.25%	0.33%
Real Estate (Core) .....	10.00%	6.50%	0.65%
Hedge Funds .....	9.00%	7.00%	0.63%
Timber/Natural Resources .....	4.00%	6.88%	0.28%
Portfolio Completion Strategies .....	4.00%	N/A	N/A
Totals .....	<u>100.00%</u>		<u>7.13%</u>

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**5. OTHER INFORMATION (continued)**

**C. Employee retirement systems and pension plans (continued)**

Berkshire County Retirement System (BCRS) Pension Obligation (continued)

*Discount Rate.* The discount rate used to measure the total pension liability (TPL) was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the BCRS's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the BCRS's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

*Sensitivity of the District's Proportionate Share of the NPL to Changes in the Discount Rate.* The following presents the District's proportionate share of the NPL calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the NPL would be if it were calculated using a valuation discount rate the is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

Description	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the NPL . . . . .	\$ 3,244,294	\$ 1,675,324	\$ 322,445

*Pension Plan Fiduciary Net Position.* The BCRS administers this defined benefit, multi-employer plan that provides pension benefits, deferred allowances, and death and disability benefits. Detailed information about the pension plan's fiduciary net position is available in the separately issued BCRS financial report. This report can be obtained by writing to the Berkshire County Retirement System, 29 Dunham Hall, Pittsfield, Massachusetts 01201.

Massachusetts Teachers' Retirement System (MTRS) Pension Obligation

*Plan Description.* MTRS is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

*Benefits Provided.* MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**5. OTHER INFORMATION (continued)**

**C. Employee retirement systems and pension plans (continued)**

Massachusetts Teachers' Retirement System (MTRS) Pension Obligation (continued)

Members become vested after ten-years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

Contributions. The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. 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 Commonwealth is a non-employer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer. At June 30, 2015, the Commonwealth's is responsible for 100% of the \$25,773,917 which represents the net pension liability associated with the District. For the fiscal year ended June 30, 2015, the District's pension expense and revenue provided by the Commonwealth on-behalf of the District was \$1,790.638. The District reports these "on-behalf" payments as both revenues and expenditures in a special revenue revolving fund and also in its government-wide financial statements.

Actuarial Assumptions. The net pension liability ("NPL") for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. This valuation used the following assumptions:

1. (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
  - Pre-retirement – reflects RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender district).
  - Post-retirement – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender district)
  - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender district) set forward 3 years for males.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**5. OTHER INFORMATION (continued)**

**C. Employee retirement systems and pension plans (continued)**

Massachusetts Teachers' Retirement System (MTRS) Pension Obligation (continued)

Target Allocations. Investment assets of the MTRS are with the Pension Reserves Investment Trust ("PRIT") Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity .....	43.00%	7.20%
Core Fixed Income .....	13.00%	2.50%
Hedge Funds .....	10.00%	5.50%
Private Equity .....	10.00%	8.80%
Real Estate .....	10.00%	6.30%
Value Added Fixed Income .....	10.00%	6.30%
Timber/Natural Resources .....	4.00%	5.00%
Totals .....	100.00%	

Discount Rate. The discount rate used to measure the total pension liability (TPL) was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the State's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity of the State's Responsibility for the District's Proportionate Share of the NPL to Changes in the Discount Rate. The following presents the State's Responsibility for the District's proportionate share of the NPL calculated using the discount rate of 8%, as well as what the State's responsibility for the District's proportionate share of the NPL would be if it were calculated using a valuation discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

Description	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
State's Responsibility for the District's proportionate share of the NPL .....	\$ 32,827,878	\$ 25,773,917	\$ 19,780,714

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**5. OTHER INFORMATION (continued)**

**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 HMO, Blue Choice 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.

Cost Sharing. The District is responsible for between 80.00% - 87.25% 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, 2015.

Description	Amount
Annual Required Contribution (ARC) . . . . .	\$ 3,943,402
Interest on Net OPEB Obligation . . . . .	380,060
Adjustment to ARC . . . . .	(329,704)
Annual OPEB Cost (Expense) . . . . .	3,993,758
Expected Benefit Payouts (assumed middle of year) . . . . .	1,621,079
Increase in Net OPEB Obligation . . . . .	2,372,679
Net OPEB Obligation - Beginning of the Year . . . . .	8,445,775
Net OPEB Obligation - End of the Year (Exhibit A) . . . . .	<u>\$ 10,818,454</u>

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**5. OTHER INFORMATION (continued)**

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

Funding Status. The funded status of the plan as of June 30, 2014 (the actuarial valuation date) is shown below.

Description	Amount
Actuarial Accrued Liability (AAL) . . . . .	\$ 54,123,236
Actuarial Value of Plan Assets . . . . .	-
Unfunded Actuarial Accrued Liability (UAAL) . . . . .	<u>\$ 54,123,236</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL) . . . . .	0.0%
Covered Payroll . . . . .	N/A
UAAL as a Percentage of Covered Payroll . . . . .	N/A

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
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%
2015	\$ 3,993,758	\$ 1,621,079	40.59%	\$ 10,818,454	N/A	N/A

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.

- Per capita health care costs were recalculated based on more recent data.
- The medical/prescription drug and Part B trend assumptions were revised to reflect current experience and future expectations.
- The excise tax on high cost health plans beginning in 2015 was revised.
- The discount rate was changed from 7.75% to 7.50%.
- The mortality, withdrawal, retirement and disability rates for non-teachers and teachers were updated to match the rates used in Commonwealth of Massachusetts Actuarial Valuation Report as of January 1, 2015 dated August 28, 2015.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2015

**5. OTHER INFORMATION (continued)**

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

In the June 30, 2014 actuarial valuation the following methods and assumptions were used.

Description	Assumption
Funding Interest Rate . . . . .	4.50%
2014 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.

Membership in the Plans. Plan memberships consist of the following as of June 30, 2014.

Description	Active Employees	Current Retirees
Number . . . . .	194.0	291.0
Average Age . . . . .	48.9	70.9
Average Service . . . . .	11.3	N/A

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

During fiscal year 2015 the following GASB pronouncements were implemented.

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. This pronouncement did 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. This pronouncement did not have a significant impact on the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**5. OTHER INFORMATION (continued)**

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

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. This pronouncement did not have a significant impact on the basic financial statements.

Other Future GASB Pronouncements

GASB Statement No. 72, "Fair Value Measurement and Application" issued February 2015. The objective of this statement is to address accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for periods beginning after June 15, 2015. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans that are Not Administered Through Trusts That Meet Specified Criteria" issued June 2015. The objective of this statement is to extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. This statement is effective for periods beginning after June 15, 2015 for the amendments to GASB-67 and 68, and for requirements related to assets held for pension plans that are not administered through trust that meet the specified criteria; and is effective for periods beginning after June 15, 2016 for all other requirements related to pensions provide through pension plans that are not administered through trust that meet the specified criteria. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" issued June 2015. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for periods beginning after June 15, 2016. Management does not believe this pronouncement will have a significant impact on the basic financial statements.



**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**5. OTHER INFORMATION (continued)**

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

Other Future GASB Pronouncements (continued)

GASB Statement No. 75, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans - Employers" issued June 2015. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for periods beginning after June 15, 2017. Management believes this pronouncement will have a significant impact on the basic financial statements.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" issued June 2015. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for periods beginning after June 15, 2015. Management does not believe this pronouncement will have a significant impact on the basic financial statements.

**F. Fund Deficits**

As of June 30, 2015, the fy15 various capital projects fund had a deficit balance of \$245,734. This deficit balance results from the accounting convention of recognizing revenue associated with debt only upon the issuance of permanent financing. As of June 30, 2015, bond anticipation notes (temporary debt) for \$245,734 had been issued to finance the activity in this fund. Additionally, the flexible spending revolving fund has a deficit balance at year-end of \$442. The District anticipates that withholdings from employees in the next fiscal year will eliminate this deficit.

**G. Restatement of Beginning Net Position and Beginning Fund Balance**

The District adopted the provisions of Governmental Accounting Standards Board Pronouncement No. 68 "Accounting and Financial Reporting for Pension" in fiscal year 2015. The effect of adopting this pronouncement was to reduce the District's beginning net position, reported in Exhibit B, by \$1,877,901 which represents the District proportionate share of the Berkshire County Retirement System's net pension liability as of June 30, 2014. Because information associated with deferred inflows and deferred outflows related to pensions as of June 30, 2014 was not available, the \$1,877,901 restatement does not include this information.

During fiscal 2015, donors of the Bubriski scholarship informed the District that the corpus of \$6,018 was available for distribution. As a result, the District reduced both its beginning net position and its beginning fund balance, reported in Exhibit B and Exhibit D, by \$6,018. The District also increased its beginning fiduciary net position, reported in Exhibit G, by \$6,018.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**5. OTHER INFORMATION (continued)**

**H. Subsequent Events**

On August 14, 2015 the District issued a \$245,734 bond anticipation note bearing an interest rate of 0.75% with an August 12, 2016 maturity date. The proceeds were used to retire a \$245,734 bond anticipation note.

On November 5, 2015 the District issued a \$275,000 bond anticipation note bearing an interest rate of 0.75% with an August 12, 2016 maturity date. The proceeds will be used to finance various capital projects.

**SCHEDULE 1**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF BALANCE SHEETS  
AS OF JUNE 30, 2015

	Special Revenue Funds	Permanent Trust Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>			
Pooled cash .....	1,406,347	211,720	1,618,067
Inventory .....	9,993	-	9,993
<b>Total assets.....</b>	<b>1,416,340</b>	<b>211,720</b>	<b>1,628,060</b>
<b>Liabilities and fund balances:</b>			
Liabilities - accounts payable .....	7,114	3,600	10,714
<b>Fund balances:</b>			
Nonspendable.....	9,993	-	9,993
Restricted .....	1,399,675	208,120	1,607,795
Unassigned .....	(442)	-	(442)
<b>Total fund balances.....</b>	<b>1,409,226</b>	<b>208,120</b>	<b>1,617,346</b>
<b>Total liabilities and fund balances.....</b>	<b>1,416,340</b>	<b>211,720</b>	<b>1,628,060</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, 2015**

	Special Revenue Funds	Capital Project - High School Construction Feasibility Fund	Permanent Trust Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Intergovernmental . . . . .	4,785,980	-	-	4,785,980
Fees and charges for services . . . . .	1,307,679	-	-	1,307,679
Investment income . . . . .	-	-	320	320
Other . . . . .	112,891	-	620	113,511
<b>Total revenues . . . . .</b>	<b>6,206,550</b>	<b>-</b>	<b>940</b>	<b>6,207,490</b>
<b>Expenditures:</b>				
Instruction . . . . .	3,475,143	-	-	3,475,143
Ancillary school services . . . . .	791,735	-	-	791,735
Maintenance and operations . . . . .	42,976	-	-	42,976
Insurance and employee benefits . . . . .	1,820,853	-	-	1,820,853
Capital improvements . . . . .	-	3,514	-	3,514
Scholarships . . . . .	-	-	3,300	3,300
<b>Total expenditures . . . . .</b>	<b>6,130,707</b>	<b>3,514</b>	<b>3,300</b>	<b>6,137,521</b>
<b>Other financing uses:</b>				
Transfers to the general fund . . . . .	-	12,714	-	12,714
<b>Total expenditures and other financing uses . . . . .</b>	<b>6,130,707</b>	<b>16,228</b>	<b>3,300</b>	<b>6,150,235</b>
<b>Net changes in fund balances . . . . .</b>	<b>75,843</b>	<b>(16,228)</b>	<b>(2,360)</b>	<b>57,255</b>
Fund balance - beginning of the year before restatement . . .	1,333,383	16,228	216,498	1,566,109
Restatement - bubriski scholarship . . . . .	-	-	(6,018)	(6,018)
Fund balance - beginning of the year after restatement . . . .	1,333,383	16,228	210,480	1,560,091
<b>Fund balance - end of the year . . . . .</b>	<b>1,409,226</b>	<b>-</b>	<b>208,120</b>	<b>1,617,346</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, 2015**

	Assets			Liabilities	Fund Balances				Total
	Pooled Cash	Inventory	Total	Accounts Payable	Non-Spendable	Restricted (See page 6-4 for details)	Unassigned	Total	Liabilities and Fund Balances
<u>Revolving funds:</u>									
Athletic .....	17,884	-	17,884	-	-	17,884	-	17,884	17,884
Circuit breaker .....	215,047	-	215,047	-	-	215,047	-	215,047	215,047
Collaborative .....	3,364	-	3,364	-	-	3,364	-	3,364	3,364
Donations .....	125	-	125	-	-	125	-	125	125
Elementary rental .....	2,375	-	2,375	-	-	2,375	-	2,375	2,375
Flexible spending .....	(442)	-	(442)	-	-	-	(442)	(442)	(442)
Food service .....	53	9,993	10,046	53	9,993	-	-	9,993	10,046
Future farmers .....	338,166	-	338,166	-	-	338,166	-	338,166	338,166
High school rental .....	2,222	-	2,222	-	-	2,222	-	2,222	2,222
Middle school rental .....	3,550	-	3,550	-	-	3,550	-	3,550	3,550
Regional transportation .....	89,791	-	89,791	-	-	89,791	-	89,791	89,791
School choice .....	226,586	-	226,586	-	-	226,586	-	226,586	226,586
Tridian art .....	5,295	-	5,295	-	-	5,295	-	5,295	5,295
Tuition .....	373,770	-	373,770	-	-	373,770	-	373,770	373,770
Wellness .....	746	-	746	-	-	746	-	746	746
<u>Federal/state grants/other:</u>									
Academic support fy15 .....	12	-	12	12	-	-	-	-	12
Berkshire taconic fy15 .....	3,855	-	3,855	-	-	3,855	-	3,855	3,855
Mass creativity innovation fy15 .....	3,528	-	3,528	3,528	-	-	-	-	3,528
Title I fy15 .....	108,874	-	108,874	3,521	-	105,353	-	105,353	108,874
Title II fy15 .....	11,546	-	11,546	-	-	11,546	-	11,546	11,546
<b>Total .....</b>	<b>1,406,347</b>	<b>9,993</b>	<b>1,416,340</b>	<b>7,114</b>	<b>9,993</b>	<b>1,399,675</b>	<b>(442)</b>	<b>1,409,226</b>	<b>1,416,340</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, 2015

	Fund Balance Restricted for				Totals (See page 6-3)
	Instruction	Ancillary School Services	Maintenance and Operations	Transportation	
<b>Revolving funds:</b>					
Athletic . . . . .	-	17,884	-	-	17,884
Circuit breaker . . . . .	215,047	-	-	-	215,047
Collaborative . . . . .	3,364	-	-	-	3,364
Donations . . . . .	125	-	-	-	125
Elementary rental . . . . .	-	-	2,375	-	2,375
Future farmers . . . . .	-	338,166	-	-	338,166
High school rental . . . . .	-	-	2,222	-	2,222
Middle school rental . . . . .	-	-	3,550	-	3,550
Regional transportation . . . . .	-	-	-	89,791	89,791
School choice . . . . .	226,586	-	-	-	226,586
Tridian art . . . . .	5,295	-	-	-	5,295
Tuition . . . . .	373,770	-	-	-	373,770
Wellness . . . . .	-	746	-	-	746
<b>Federal/state/other grants:</b>					
Berkshire taconic fy15 . . . . .	3,855	-	-	-	3,855
Title I fy15 . . . . .	105,353	-	-	-	105,353
Title II fy15 . . . . .	11,546	-	-	-	11,546
<b>Total . . . . .</b>	<b>944,941</b>	<b>356,796</b>	<b>8,147</b>	<b>89,791</b>	<b>1,399,675</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, 2015

	Revenues (See page 6-6 for details)	Expenditures (See page 6-7 for details)	Net	Fund Balance	
			Changes in Fund Balances	June 30, 2014	June 30, 2015
<b>Revolving funds:</b>					
Athletic . . . . .	64,996	74,881	(9,885)	27,769	17,884
Circuit breaker . . . . .	265,047	269,738	(4,691)	219,738	215,047
Collaborative . . . . .	55,329	54,965	364	3,000	3,364
Custodial . . . . .	7,962	7,962	-	-	-
Donations . . . . .	125	-	125	-	125
Elementary rental . . . . .	150	-	150	2,225	2,375
E-rate . . . . .	33,514	33,514	-	-	-
Flexible spending . . . . .	27,852	29,340	(1,488)	1,046	(442)
Food service . . . . .	383,919	379,332	4,587	5,406	9,993
Future farmers . . . . .	25,552	-	25,552	312,614	338,166
High school rental . . . . .	650	1,500	(850)	3,072	2,222
Middle school rental . . . . .	2,050	-	2,050	1,500	3,550
On-behalf payments . . . . .	1,790,638	1,790,638	-	-	-
Regional transportation . . . . .	89,791	-	89,791	-	89,791
School choice . . . . .	1,298,303	1,360,000	(61,697)	288,283	226,586
Tridian art . . . . .	-	-	-	5,295	5,295
TSA . . . . .	-	875	(875)	875	-
Tuition . . . . .	953,791	914,115	39,676	334,094	373,770
Wellness . . . . .	2,000	3,067	(1,067)	1,813	746
<b>Federal/state grants/other:</b>					
Academic support fy14 . . . . .	-	1,600	(1,600)	1,600	-
Academic support fy15 . . . . .	5,000	5,000	-	-	-
ARRA race to the top fy14 . . . . .	1,368	24,412	(23,044)	23,044	-
ARRA race to the top fy15 . . . . .	6,000	6,000	-	-	-
BCREB fy14 . . . . .	-	163	(163)	163	-
BCREB fy15 . . . . .	3,000	3,000	-	-	-
Berkshire taconic fy14 . . . . .	-	501	(501)	501	-
Berkshire taconic fy15 . . . . .	8,400	4,545	3,855	-	3,855
Big yellow school bus fy15 . . . . .	200	200	-	-	-
Early childhood sped fy15 . . . . .	14,359	14,359	-	-	-
Evaluator capacity fy15 . . . . .	5,000	5,000	-	-	-
EWIS fy14 . . . . .	-	2,040	(2,040)	2,040	-
Kindergarten enhancement fy15 . . . . .	34,160	34,160	-	-	-
Mass creativity innovation fy15 . . . . .	14,746	14,746	-	-	-
Sped IDEA-B fy14 . . . . .	-	18,187	(18,187)	18,187	-
Sped IDEA-B fy15 . . . . .	438,688	438,688	-	-	-
Sped improvement fy14 . . . . .	-	2,807	(2,807)	2,807	-
Title I fy14 . . . . .	56,922	135,233	(78,311)	78,311	-
Title I fy15 . . . . .	251,074	145,721	105,353	-	105,353
Title II fy14 . . . . .	13,193	13,193	-	-	-
Title II fy15 . . . . .	18,516	6,970	11,546	-	11,546
Twenty first century carryover fy15 . . . . .	60,000	60,000	-	-	-
Twenty first century es/ms fy15 . . . . .	132,584	132,584	-	-	-
Twenty first century summer I fy15 . . . . .	92,525	92,525	-	-	-
Twenty first century summer II fy15 . . . . .	9,146	9,146	-	-	-
United way fy15 . . . . .	40,000	40,000	-	-	-
<b>Total . . . . .</b>	<b>6,206,550</b>	<b>6,130,707</b>	<b>75,843</b>	<b>1,333,383</b>	<b>1,409,226</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, 2015

	Revenues			Totals (See page 6-5)
	Inter- governmental	Fees and Charges for Services	Other	
<u>Revolving funds:</u>				
Athletic . . . . .	-	64,996	-	64,996
Circuit breaker . . . . .	265,047	-	-	265,047
Collaborative . . . . .	-	55,329	-	55,329
Custodial . . . . .	-	7,962	-	7,962
Donations . . . . .	-	-	125	125
Elementary rental . . . . .	-	150	-	150
E-rate . . . . .	-	-	33,514	33,514
Flexible spending . . . . .	-	-	27,852	27,852
Food service . . . . .	188,720	195,199	-	383,919
Future farmers . . . . .	-	25,552	-	25,552
High school rental . . . . .	-	650	-	650
Middle school rental . . . . .	-	2,050	-	2,050
On-behalf payments . . . . .	1,790,638	-	-	1,790,638
Regional transportation . . . . .	89,791	-	-	89,791
School choice . . . . .	1,298,303	-	-	1,298,303
Tuition . . . . .	-	953,791	-	953,791
Wellness . . . . .	-	2,000	-	2,000
<u>Federal/state grants/other:</u>				
Academic support fy15 . . . . .	5,000	-	-	5,000
ARRA race to the top fy14 . . . . .	1,368	-	-	1,368
ARRA race to the top fy15 . . . . .	6,000	-	-	6,000
BCREB fy15 . . . . .	-	-	3,000	3,000
Berkshire taconic fy15 . . . . .	-	-	8,400	8,400
Big yellow school bus fy15 . . . . .	200	-	-	200
Early childhood sped fy15 . . . . .	14,359	-	-	14,359
Evaluator capacity fy15 . . . . .	5,000	-	-	5,000
Kindergarten enhancement fy15 . . . . .	34,160	-	-	34,160
Mass creativity innovation fy15 . . . . .	14,746	-	-	14,746
Sped IDEA-B fy15 . . . . .	438,688	-	-	438,688
Title I fy14 . . . . .	56,922	-	-	56,922
Title I fy15 . . . . .	251,074	-	-	251,074
Title II fy14 . . . . .	13,193	-	-	13,193
Title II fy15 . . . . .	18,516	-	-	18,516
Twenty first century carryover fy15 . . . . .	60,000	-	-	60,000
Twenty first century es/ms fy15 . . . . .	132,584	-	-	132,584
Twenty first century summer I fy15 . . . . .	92,525	-	-	92,525
Twenty first century summer II fy15 . . . . .	9,146	-	-	9,146
United way fy15 . . . . .	-	-	40,000	40,000
<b>Total . . . . .</b>	<b>4,785,980</b>	<b>1,307,679</b>	<b>112,891</b>	<b>6,206,550</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, 2015

	Expenditures				Totals (See page 6-5)
	Instruction	Ancillary School Services	Maintenance and Operations	Insurance and Employee Benefits	
<b>Revolving funds:</b>					
Athletic .....	-	74,881	-	-	74,881
Circuit breaker .....	269,738	-	-	-	269,738
Collaborative .....	54,965	-	-	-	54,965
Custodial .....	-	-	7,962	-	7,962
E-rate .....	-	-	33,514	-	33,514
Flexible spending .....	-	-	-	29,340	29,340
Food service .....	-	379,332	-	-	379,332
High school rental .....	-	-	1,500	-	1,500
On-behalf payments .....	-	-	-	1,790,638	1,790,638
School choice .....	1,360,000	-	-	-	1,360,000
TSA .....	-	-	-	875	875
Tuition .....	914,115	-	-	-	914,115
Wellness .....	-	3,067	-	-	3,067
<b>Federal/state grants/other:</b>					
Academic support fy14 .....	1,600	-	-	-	1,600
Academic support fy15 .....	5,000	-	-	-	5,000
ARRA race to the top fy14 .....	24,412	-	-	-	24,412
ARRA race to the top fy15 .....	6,000	-	-	-	6,000
BCREB fy14 .....	163	-	-	-	163
BCREB fy15 .....	3,000	-	-	-	3,000
Berkshire taconic fy14 .....	501	-	-	-	501
Berkshire taconic fy15 .....	4,545	-	-	-	4,545
Big yellow school bus fy15 .....	-	200	-	-	200
Early childhood sped fy15 .....	14,359	-	-	-	14,359
Evaluator capacity fy15 .....	5,000	-	-	-	5,000
EWIS fy14 .....	2,040	-	-	-	2,040
Kindergarten enhancement fy15 .....	34,160	-	-	-	34,160
Mass creativity innovation fy15 .....	14,746	-	-	-	14,746
Sped IDEA-B fy14 .....	18,187	-	-	-	18,187
Sped IDEA-B fy15 .....	438,688	-	-	-	438,688
Sped improvement fy14 .....	2,807	-	-	-	2,807
Title I fy14 .....	135,233	-	-	-	135,233
Title I fy15 .....	145,721	-	-	-	145,721
Title II fy14 .....	13,193	-	-	-	13,193
Title II fy15 .....	6,970	-	-	-	6,970
Twenty first century carryover fy15 ..	-	60,000	-	-	60,000
Twenty first century es/ms fy15 .....	-	132,584	-	-	132,584
Twenty first century summer I fy15 ..	-	92,525	-	-	92,525
Twenty first century summer II fy15 ..	-	9,146	-	-	9,146
United way fy15 .....	-	40,000	-	-	40,000
<b>Total .....</b>	<b>3,475,143</b>	<b>791,735</b>	<b>42,976</b>	<b>1,820,853</b>	<b>6,130,707</b>

See accompanying notes to the basic financial statements.

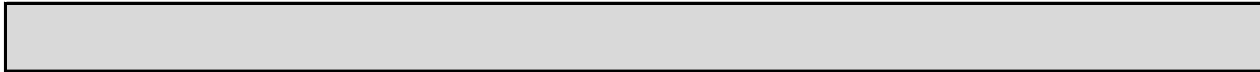
(Concluded)

**SCHEDULE 5**

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 NONMAJOR PERMANENT TRUST FUNDS  
 COMBINING SCHEDULE OF BALANCE SHEETS  
 AS OF JUNE 30, 2015

	Assets		Liabilities	Fund Balance		Totals
	Pooled Cash		Accounts Payable	Restricted for		
				Trust Funds	Expenditures	
Blum scholarship . . . . .	8,789		300	7,993	496	8,489
Pickard/Provo scholarship . . . . .	157,989		3,200	154,425	364	154,789
Preston scholarship . . . . .	15,220		100	14,950	170	15,120
Reiskin scholarship . . . . .	19,545		-	19,000	545	19,545
Zucco scholarship . . . . .	10,177		-	10,000	177	10,177
<b>Total . . . . .</b>	<b>211,720</b>		<b>3,600</b>	<b>206,368</b>	<b>1,752</b>	<b>208,120</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, 2015

	Additions			Deductions		Fund Balance	
	Donations	Rescinded Scholarship Awards	Investment Income	Scholarship Awards	Net Change	June 30, 2014	June 30, 2015
Blum scholarship . . . . .	400	-	14	-	414	8,075	8,489
Pickard/Provo scholarship . . . . .	20	-	238	3,200	(2,942)	157,731	154,789
Preston scholarship . . . . .	-	100	23	100	23	15,097	15,120
Reiskin scholarship . . . . .	-	-	30	-	30	19,515	19,545
Zucco scholarship . . . . .	-	100	15	-	115	10,062	10,177
<b>Totals . . . . .</b>	<b>420</b>	<b>200</b>	<b>320</b>	<b>3,300</b>	<b>(2,360)</b>	<b>210,480</b>	<b>208,120</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, 2015

	Assets	Liabilities			Net Position
	Pooled	Accounts	Due To	Totals	Reserved
	Cash	Payable	Student		for
			Groups		Expenditures
Private-purpose trust funds:					
Blackwell scholarship . . . . .	3,803	1,000	-	1,000	2,803
Bubriski scholarship . . . . .	6,027	500	-	500	5,527
Digrigoli scholarship . . . . .	12,839	500	-	500	12,339
FFA scholarship . . . . .	2,075	1,100	-	1,100	975
General scholarship . . . . .	18,667	7,500	-	7,500	11,167
Graduated classes . . . . .	15,366	4,000	-	4,000	11,366
Graham scholarship . . . . .	16,094	1,000	-	1,000	15,094
Hodges scholarship . . . . .	36,965	4,000	-	4,000	32,965
Hollenbeck scholarship . . . . .	4,267	400	-	400	3,867
Muir scholarship . . . . .	3,200	1,050	-	1,050	2,150
Triumvirate scholarship . . . . .	7,484	400	-	400	7,084
Total private-purpose trust funds . . . . .	<u>126,787</u>	<u>21,450</u>	-	<u>21,450</u>	<u>105,337</u>
Agency funds:					
Student activities - elementary . . . . .	18,869	121	18,748	18,869	-
Student activities - high school . . . . .	8,710	-	8,710	8,710	-
Student activities - middle school . . . . .	172,011	-	172,011	172,011	-
Total agency funds . . . . .	<u>199,590</u>	<u>121</u>	<u>199,469</u>	<u>199,590</u>	-
Total fiduciary funds . . . . .	<u>326,377</u>	<u>21,571</u>	<u>199,469</u>	<u>221,040</u>	<u>105,337</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, 2015

	Additions			Deductions		Net Position	
	Donations	Rescinded	Investment	Scholarship	Net	June 30,	June 30,
		Scholarship					
Private-Purpose Trust Funds:							
Blackwell scholarship. . . . .	-	500	5	1,000	(495)	3,298	2,803
Bubriski scholarship. . . . .	-	-	9	500	(491)	6,018	5,527
Digrigoli scholarship. . . . .	-	-	20	500	(480)	12,819	12,339
FFA scholarship. . . . .	-	300	4	1,100	(796)	1,771	975
General scholarship. . . . .	2,200	250	32	4,100	(1,618)	12,785	11,167
Graduated classes. . . . .	5,318	250	17	3,000	2,585	8,781	11,366
Graham scholarship. . . . .	650	-	24	2,000	(1,326)	16,420	15,094
Hodges scholarship. . . . .	-	-	56	2,000	(1,944)	34,909	32,965
Hollenbeck scholarship. . . . .	-	-	6	200	(194)	4,061	3,867
Muir scholarship. . . . .	300	-	5	350	(45)	2,195	2,150
Triumvirate scholarship. . . . .	-	-	13	400	(387)	7,471	7,084
Totals. . . . .	8,468	1,300	191	15,150	(5,191)	110,528	105,337

See accompanying notes to the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**

RECONCILIATION OF TREASURER'S CASH

FOR THE YEAR ENDED JUNE 30, 2015

Bank accounts - interest bearing:	
Berkshire Bank - payables and payroll . . . . .	177,008
Berkshire Bank - food services. . . . .	5,594
Berkshire Bank - flexible spending. . . . .	<u>5,961</u>
Subtotal . . . . .	188,563
Bank accounts - liquid investments:	
Berkshire Bank - money market. . . . .	3,227,201
Unibank - money market. . . . .	<u>1,652</u>
Subtotal . . . . .	3,228,853
Bank accounts - trust funds:	
Berkshire Bank - savings student activity. . . . .	159,004
Unibank - scholarships . . . . .	338,506
Adams Community Bank - future farmers trust. . . . .	338,173
Berkshire Bank - checking student activity. . . . .	<u>12,807</u>
Subtotal . . . . .	848,490
Petty cash . . . . .	<u>3,700</u>
Total pooled cash . . . . .	<u><u>4,269,606</u></u>

Pooled cash is presented in the financial statements as follows:

General fund. . . . .	2,325,162
Other nonmajor governmental funds. . . . .	<u>1,618,067</u>
Subtotal . . . . .	3,943,229
Fiduciary funds. . . . .	<u>326,377</u>
Total pooled cash . . . . .	<u><u>4,269,606</u></u>

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

Total cash per treasurer's year-end cash report . . . . .	4,256,599
Berkshire Bank - checking student activity. . . . .	12,807
Petty cash - student activity . . . . .	<u>200</u>
Total pooled cash per financial statements . . . . .	<u><u>4,269,606</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, 2015

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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%
06/30/14	\$ -	\$ 54,123,236	\$ 54,123,236	0.0%	N/A	N/A

N/A - not available.

See accompanying notes to the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY (UNAUDITED)  
 LAST 10 FISCAL YEARS

	2015	2014	2006 Through 2013
<b>Berkshire County Retirement System:</b>			
District's proportion of the net pension liability . . . . .	6.4%	6.2%	N/A
District's proportionate share of the net pension liability . . . . .	\$ 1,675,324	\$ 1,877,901	N/A
District's covered employee payroll . . . . .	\$ 2,570,757	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll . . . . .	65.2%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability . . . . .	88.1%	N/A	N/A
<b>Massachusetts Teachers' Retirement System:</b>			
District's proportion of the net pension liability . . . . .	0.0%	N/A	N/A
District's proportionate share of the net pension liability . . . . .	\$ -	N/A	N/A
State's proportionate share of the net pension liability associated with the District . . . . .	<u>25,773,917</u>	N/A	N/A
Total . . . . .	<u>\$ 25,773,917</u>	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll . . . . .	0.0%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability . . . . .	61.6%	N/A	N/A

N/A - Information not available for these fiscal years.

See accompanying notes to the basic financial statements.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS (UNAUDITED)  
 LAST 10 FISCAL YEARS

	2015	2014	2006 Through 2013
<b>Berkshire County Retirement System:</b>			
Contractually required contribution . . . . .	\$ 510,294	\$ 470,607	N/A
Contributions in relation to the contractually required contribution . . .	<u>(510,294)</u>	<u>(470,607)</u>	N/A
Contribution deficiency (excess) . . . . .	<u>\$ -</u>	<u>\$ -</u>	N/A
District's covered-employee payroll . . . . .	\$ 2,570,757	N/A	N/A
Contributions as a percentage of covered-employee payroll . . . . .	19.8%	N/A	N/A

N/A - Information not available for these fiscal years.

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:

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 24, 2015.

#### 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency; specifically "Finding 2015-001".

#### 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 November 24, 2015.

#### 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.

*Stanley H. Kulas, CPA*

STANLEY H. KULAS  
Certified Public Accountant  
November 24, 2015

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2015. 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 2015-002 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, 2015.

### 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, 2015.

## 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  
November 24, 2015

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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**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. One significant deficiency disclosed during the audit of the basic financial statements is 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*." This deficiency is 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 finding relative to the District's federal award major program 84.287.
7. The programs tested as a major program 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 high risk auditee because of findings associated with the Twenty First Century programs listed in the fiscal 2014 year report.

**B FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Significant Deficiency**

**2015-001 – Preparation of financial statements based on generally accepted accounting principles (this deficiency had been noted in the FY14 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, 2015**

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

**Significant Deficiency (Continued)**

**2015-001 – 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.

**BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

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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 2015-002** – State Project No. 347-133-5-0618-P---Period Ended June 30, 2015  
State Project No. 647-027-5-0618-P---Period Ended June 30, 2015  
State Project No. 245-016-5-0618-P---Period Ended June 30, 2015 and  
State Project No. 647-111-5-0618-P---Period Ended June 30, 2015

**Condition and Criteria:** The Office of Management and Budget's 2015 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 \$294,000.

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. Although the District did have the Office of Management and Budget's 2015 Compliance Supplement to help augment and clarify specific program compliance requirements it did not implement the private school compliance requirements specified.

**Recommendation:** The District's Twenty-First Century Program Director should implement the private school compliance requirement and the District's Director of Learning and Teaching should monitor this activity to ensure that it actually occurred.

**Views of Responsible District Official and Planned Corrective Actions:** For the remaining fiscal 2016 school year programs as well as the 2016 summer program, the Twenty First Century Program 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, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Fund Balance 06/30/14	Revenue			Expenditures			Fund Balance 06/30/15
					Federal	State	Other	Federal Program	Refund to State	Other	
<b><u>U.S. Department of Agriculture</u></b>											
Passed Through State Department of Education:											
Food Distribution (NOTE C) . . . . .	10.550	02-113-1	N/A	-	28,493	-	-	28,493	-	-	-
National School Breakfast Program . . . . .	10.553	02-113-1	N/A	-	24,994	-	-	24,994	-	-	-
National School Lunch Program . . . . .	10.555	02-113-1	N/A	5,406	157,602	6,124	195,199	157,602	-	196,736	9,993
<b>TOTAL DEPARTMENT OF AGRICULTURE . . . . .</b>				<b>5,406</b>	<b>211,089</b>	<b>6,124</b>	<b>195,199</b>	<b>211,089</b>	<b>-</b>	<b>196,736</b>	<b>9,993</b>
<b><u>U.S. Department of Education</u></b>											
Passed Through State Department of Education:											
Title I, Part A Cluster:											
Title I Grants to LEAs . . . . .	84.010	305-048083-2015-0618	318,708	-	251,074	-	-	145,721	-	-	105,353
Title I Grants to LEAs . . . . .	84.010	305-018132-2014-0618	293,645	78,311	56,922	-	-	135,233	-	-	-
Subtotal Title I, Part A Cluster . . . . .			612,353	78,311	307,996	-	-	280,954	-	-	105,353
Special Education IDEA Cluster:											
Sped IDEA B - Grants to States . . . . .	84.027	240-163-5-0618-P	438,688	-	438,688	-	-	438,688	-	-	-
Sped IDEA B - Grants to States . . . . .	84.027	240-361-4-0618-O	435,257	18,187	-	-	-	18,187	-	-	-
Sped Program Improvement . . . . .	84.027	274-308-4-0618-O	5,852	2,807	-	-	-	-	2,807	-	-
Sped Early Childhood Learning . . . . .	84.173	262-15-Berkshire Hills	14,359	-	14,359	-	-	14,359	-	-	-
Subtotal Special Education IDEA Cluster . . . . .			894,156	20,994	453,047	-	-	471,234	2,807	-	-
21st Century Middle/Elementary Schools . . . . .	84.287	347-133-5-0618-P	132,584	-	132,584	-	-	132,584	-	-	-
21st Century Summer I . . . . .	84.287	647-027-5-0618-P	92,525	-	92,525	-	-	92,525	-	-	-
22nd Century Summer II . . . . .	84.287	245-016-5-0618-P	9,146	-	9,146	-	-	9,146	-	-	-
21st Century Community Learning . . . . .	84.287	647-111-5-0618-P	60,000	-	60,000	-	-	60,000	-	-	-
Total Program 84.287 . . . . .			294,255	-	294,255	-	-	294,255	-	-	-
Title IIA Teacher Quality . . . . .	84.367	140-060137-2015-0618	40,970	-	18,516	-	-	6,970	-	-	11,546
Title IIA Teacher Quality . . . . .	84.367	140-030744-2014-0618	42,405	-	13,193	-	-	13,193	-	-	-
Total Program 84.367 . . . . .			83,375	-	31,709	-	-	20,163	-	-	11,546
ARRA Race to the Top . . . . .	84.395	201-015722-2014-0618	39,912	23,044	1,368	-	-	24,412	-	-	-
ARRA Race to the Top Pre AP . . . . .	84.395	328-003-5-0618-P	6,000	-	6,000	-	-	5,595	405	-	-
Total Program 84.395 . . . . .			45,912	23,044	7,368	-	-	30,007	405	-	-
<b>TOTAL DEPARTMENT OF EDUCATION . . . . .</b>			<b>1,930,051</b>	<b>122,349</b>	<b>1,094,375</b>	<b>-</b>	<b>-</b>	<b>1,096,613</b>	<b>3,212</b>	<b>-</b>	<b>116,899</b>
<b>TOTAL FEDERAL ASSISTANCE . . . . .</b>			<b>1,930,051</b>	<b>127,755</b>	<b>1,305,464</b>	<b>6,124</b>	<b>195,199</b>	<b>1,307,702</b>	<b>3,212</b>	<b>196,736</b>	<b>126,892</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, 2015

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**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, 2015. 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 Principals 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 SCHEDULE OF PRIOR YEAR'S FINDINGS AND CURRENT YEAR'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2015

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

**DEPARTMENT OF EDUCATION**

**FINDING 2014-003 Twenty First Century Program CFDA #84.287 Private School Participation**

**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 extend an offer to private schools to participate in this program.

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

**Current Status:** District personnel obtained the Office of Management and Budget's Compliance Supplement, but did not comply with the private school participation requirement in fiscal year 2015. See "Finding 2015-002" on page 7-6 of this report package.

**CURRENT YEAR'S CORRECTIVE ACTION PLAN**

There was one finding regarding this year's audit that is considered a significant deficiency concerning 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 Deficiency 2015-001" in Section B and "Finding 2015-002" 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 this deficiency 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, 2015. 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  
November 24, 2015

Department of Elementary and Secondary Education  
 End-of-Year Financial Report - Compliance Supplement Questionnaire  
 Berkshire Hills Regional School District  
 For the Year Ended June 30, 2015

1. Identify the accounting system used by the school department including the version.

Accounting System: Infinite Visions  
 Version: 2105.1.20

2. Is the payroll system integrated with the accounting system? Yes  No

3. Is the District a municipal department? Yes  No

If yes, is the accounting system integrated with the City or Town's accounting system? Yes  No

If no, please identify the accounting system and version used by the City or Town.

Accounting System: \_\_\_\_\_  
 Version: \_\_\_\_\_

4. Does the accounting system permit the reporting of all school district expenditures, in accordance with DESE Guidelines, by the following:

Fund	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
DESE Function Code	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Object	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Program	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Location	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

5. Is a crosswalk used to allocate costs to the End-of-Year Report?

Payroll Yes  No   
 Non-Payroll Yes  No

If yes, please provide a brief explanation indicating what costs are allocated and why an allocation is necessary.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## 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, 2015, 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 November 24, 2015, 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:

- Use of Unreserved and Undesignated Fund Balance to Finance Operations
- School Committee Minutes

Prior Year's Comments:

- Filing Documents
- Revisions to Federal Grant Compliance Requirements

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  
November 24, 2015

## **CURRENT YEAR'S COMMENTS**

### **USE OF UNRESERVED AND UNDESIGNATED FUND BALANCE TO FINANCE OPERATIONS**

**Fiscal 2015 Observation:** At June 30, 2015, unreserved and undesignated fund balances (E&D) in the general fund totaled \$482,962. This balance is only 2.00% of the fiscal year 2016 budget totaling \$24,138,728. We believe that this level of "E&D" severely restricts the ability of the District to call upon reserves in reaction to an unanticipated financial need and thus is too low for the general financial well-being of the District. Despite this already low level of "E&D", the District has appropriated \$350,000 to reduce fiscal year 2016 operating assessments.

**Fiscal 2015 Background:** Unreserved and undesignated fund balance is sometimes referred to as "E&D" or excess and deficiency. It represents the difference between assets, liabilities and equity reserves. In general it represents funds available for future appropriation by the school committee. Massachusetts's general laws limit "E&D" to an amount not greater than 5% of the subsequent year's budget. Any excess above the maximum 5% level must be returned to the member towns.

It has been our experience that districts that maintain maximum "E&D" levels are better prepared to deal with unforeseen financial events.

**Fiscal 2015 Recommendation:** The District should implement a policy to gradually lower the use of E&D to reduce operating assessments from its current level of \$350,000 to \$0 and thus allow its E&D to increase over time.

### **SCHOOL COMMITTEE MINUTES**

**Fiscal 2015 Observation:** The person responsible for providing transcribed school committee meeting minutes has resigned. As a result, although video and audio recordings exist, there are no written transcripts of school committee meetings that have occurred since September 1, 2015.

**Fiscal 2015 Recommendation:** District officials should take whatever actions are appropriate to ensure the timely receipt of written transcripts of school committee meeting minutes.

## **PRIOR YEAR'S COMMENTS**

### **FILING DOCUMENTS**

**Fiscal 2014 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.

**Fiscal 2014 Recommendation:** Bank statements and receipts documents must be filed in a timely manner.

**Fiscal 2015 Status:** The recommendation has been implemented.

## **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.

**Fiscal 2015 Status:** The District's business administrator, along with several members of the Massachusetts School Business Officials Association and the State Department of Elementary and Secondary Education, has developed an internal control template which addresses documenting the District policies and procedures to ensure compliance with the Super Circular provisions.