

SCHOOL DISTRICT
OF

BERLIN BOROUGH



Berlin Borough Board of Education
Berlin, New Jersey

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual
Financial Report**

of the

Berlin Borough Board of Education

Berlin, New Jersey

For the Fiscal Year Ended June 30, 2016

**Prepared by
Berlin Borough Board of Education
Finance Department**

BERLIN BOROUGH SCHOOL DISTRICT

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	2
Organizational Chart	7
Roster of Officials	8
Consultants and Advisors	9

FINANCIAL SECTION

Independent Auditor's Report	11
K-1 Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	14
Required Supplementary Information - Part I Management's Discussion and Analysis	17
Basic Financial Statements	
A. District-wide Financial Statements:	
A-1 Statement of Net Position	27
A-2 Statement of Activities	28
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	30
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	31
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Proprietary Funds:	
B-4 Statement of Net Position	33
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	34
B-6 Statement of Cash Flows	35
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	36
B-8 Statement of Changes in Fiduciary Net Position	37
Notes to the Financial Statements	38

Required Supplementary Information - Part II

C.	Budgetary Comparison Schedules	
C-1	Budgetary Comparison Schedule - General Fund	66
C-1a	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (if applicable)	N/A
C-2	Budgetary Comparison Schedule - Special Revenue Fund	72

Notes to the Required Supplementary Information

C-3	Budget-to-GAAP Reconciliation	73
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Required Supplementary Information - Part III

L.	Schedules Related to Accounting and Reporting for Pensions (GASB-68)	
L-1	Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System	75
L-2	Schedule of the District Contributions - Public Employees Retirement System	76
L-3	Schedule of the District's Proportionate Share of the Net Pension Liability - Teachers' Pension and Annuity Fund	77

	Notes to the Required Supplementary Information - Part III	78
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Other Supplementary Information

D.	School Level Schedules :	N/A
E.	Special Revenue Fund:	
E-1	Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	81
F.	Capital Projects Fund:	
F-1	Summary Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	85
G.	Proprietary Fund:	
	Enterprise Fund:	
G-1	Combining Statement of Net Position	88
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	89
G-3	Combining Statement of Cash Flows	90
	Internal Service Fund:	
G-4	Combining Statement of Net Position	91
G-5	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	92
G-6	Combining Statement of Cash Flows	93

	<u>Page</u>
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	95
H-2 Combining Statement of Changes in Fiduciary Net Position	96
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	97
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	98

I. Long-Term Debt:

I-1 Schedule of Serial Bonds	100
I-2 Statement of Early Retirement Incentive Plan Payable	101
I-3 Budgetary Comparison Schedule - Debt Service Fund	102
I-4 Schedule of Obligations under Capital Leases	103

STATISTICAL SECTION (Unaudited)

J-1 Net Position by Component	105
J-2 Changes in Net Position, Last Ten Fiscal Years	106
J-3 Fund Balances, Governmental Funds, Last Ten Fiscal Years	108
J-4 Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	109
J-5 General Fund - Other Local Revenue by Source, Last Ten Fiscal Years	110
J-6 Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	111
J-7 Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	112
J-8 Principal Property Tax Payers, Current Year and Nine Years Ago	113
J-9 Property Tax Levies and Collections, Last Ten Fiscal Years	114
J-10 Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	115
J-11 Ratios of Net General Bonded Debt Outstanding, Last Ten Fiscal Years	116
J-12 Ratios of Overlapping Governmental Activities Debt, As of December 31, 2015	117
J-13 Legal Debt Margin Information, Last Ten Fiscal Years	118
J-14 Demographic and Economic Statistics	119
J-15 Principal Employers, Current Year & Nine Years Ago (information not available)	N/A
J-16 Full-time Equivalent District Employees by Function/Program, Last Ten Fiscal Years	120
J-17 Operating Statistics, Last Ten Fiscal Years	121
J-18 School Building Information, Last Ten Fiscal Years	122
J-19 Schedule of Required Maintenance, Last Ten Fiscal Years	123
J-20 Insurance Schedule	124

SINGLE AUDIT SECTION

K-2 Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance as Required by New Jersey Treasury Circular OMB 15-08	126
K-3 Schedule of Expenditures of Federal Awards, Schedule A	129
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	130
K-5 Notes to the Schedules of Awards and Financial Assistance	132
K-6 Schedule of Findings and Questioned Costs	134
K-7 Summary Schedule of Prior Audit Findings	138

Introductory Section



BERLIN BOROUGH SCHOOL DISTRICT
"Where Students Discover Their Potential"



Mrs. Kristen Martello
Superintendent

Mr. Frank Domin
Business Administrator

September 30, 2016

Honorable President and
Members of the Board of Education
Berlin Borough School District
215 S. Franklin Ave
Berlin, New Jersey 08009

The comprehensive annual financial report of the Berlin Borough School District for the fiscal year ended June 30, 2016 is hereby submitted. This CAFR includes the District's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section included the transmittal letter, the District's organizational chart and a list of principle officials. The financial section included the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Not for Profit Organizations" and the State Treasury Circular Letter 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the auditor's report on the regulations, and findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES**

Berlin Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by the National Council on Governmental Accounting (NCGA) Statement # 3, which defines governmental reporting entities. All funds and account groups of the District are included in this report. The Berlin Borough Board of Education and all its school buildings constitute the District's reporting entity. The school district consists of one school the Berlin Community School. The District provides a full range of educational services appropriate to grade levels PK through 8. These include regular as well as special education for handicapped youngsters. The District completed the 2015-2016 school year with an enrollment of 853 students as of June 30, 2016. The following details the changes in the student enrollment of the District over the last ten years.

AVERAGE DAILY ENROLLMENT

Fiscal Year	Student Enrollment	Percent Change
2015-2016	853	-1.04
2014-2015	862	-1.01
2013-2014	871	- 2.3
2012-2013	891	+2.89
2011-2012	866	+1.29
2010-2011	855	+2.33
2009-2010	835	+2.45
2008-2009	815	-1.92
2007-2008	831	+2.70
2006-2007	809	- .97

2) ECONOMIC CONDITION AND OUTLOOK

2012 - Berlin Borough had 7,606 inhabitants in a 3.6 square mile semi-rural, part farming and residential community. It had experienced a period of greatly increased housing development which is reflected in a 19% (1,457) population increase from the 2000 census. An additional 471 unit apartment complex has been approved with construction to start in the coming school year. It is expected that if this project comes to fruition it will encourage an increase in business activity and student enrollment. The district will need additional classroom space and is reviewing its needs for an additional building.

3) MAJOR INITIATIVES

CURRICULUM

- ELA Curriculum Aligned to Common Core Standards
 - Purchase of additional ELA materials grades K to 8
 - Professional development for staff in ELA curriculum
 - Program use of Reading Eggs, LLI, Read 180, Systems 44 and Benchmark System
- Science Curriculum
 - Aligned to Next Generation Science Standards
 - Promote Inquiry
- Professional Learning Communities
 - Continued job-embedded PLCs to ensure continuous PD and student achievement
 - Administration attended PLC Institute
 - PLCs inform Reinforcement and Enrichment periods
- Technology Integration
 - 1:1 iPad initiative in grades 6 to 8
 - Apps approved on a monthly basis to enhance engagement and achievement
 - Text books on-line when available
 - Wireless educational environment
 - Embedding technology in the classroom – everyday
- PARCC
 - Develop strategic plan to increase participation
 - Analyze PARCC data to drive instruction
 - Maintain all existing technology to ensure a successful testing season

- Continue MAP assessments as another measure to predict PARCC outcomes
- Continued curriculum articulation
 - Review of student performance after BCS; articulation with Eastern
 - Collaborate with Voorhees and Gibbsboro
- Character Education
 - Support service learning
 - Promote a positive school environment
- Achieve NJ
 - Implementation of Danielson Evaluation Tool
 - Provide teachers with professional development in teacher practice rubrics

TECHNOLOGY - Each year the district continues its' five year computer upgrade and replacement program and is committed to integrating technology throughout the curriculum as our students learn the skills needed to be successful as twenty-first century learners. The district has a 1:1 I-Pad initiative in the 6th through 8th grades, classroom sets of iPads in grades K, and classroom sets of mini-dells in grades 1 to 5. There are three fully equipped computer labs to support technology instruction and every classroom is equipped with state of the art SMART board technology.

CONSTRUCTION - A renovated media center with two classrooms and 68 additional computers was completed in September 2014. Part three of a multi-year partial roof replacement is waiting local funding. The Community School's \$7,592,995, 41,915 square foot building addition that included 12 instructional classrooms, 2 special education classrooms, 1 art room, 1 vocal music classroom, new gymnasium, expanded cafeteria, central office space and expanded parking facilities is now twelve years old and is almost outgrown due to continued building in the community. The district will be closely monitoring the approval process for the 471 unit apartment complex which comes with the anticipated enrollment increase and the need for an additional building.

4) INTERNAL ACCOUNTING CONTROLS

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurances recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District Management.

As a result of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state

financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriate budget approved by the voters of the municipality. Annual appropriate budget are adopted for the general fund and the special revenue fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservation of funds balance at June 30, 2016.

6) ACCOUNTING SYSTEM AND REPORTS

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note # 1.

7) CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9) OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 15-08 OMB. The auditor's report on the

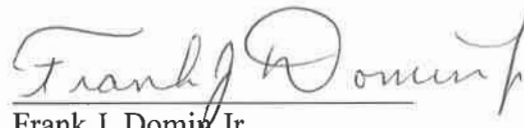
general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGMENTS

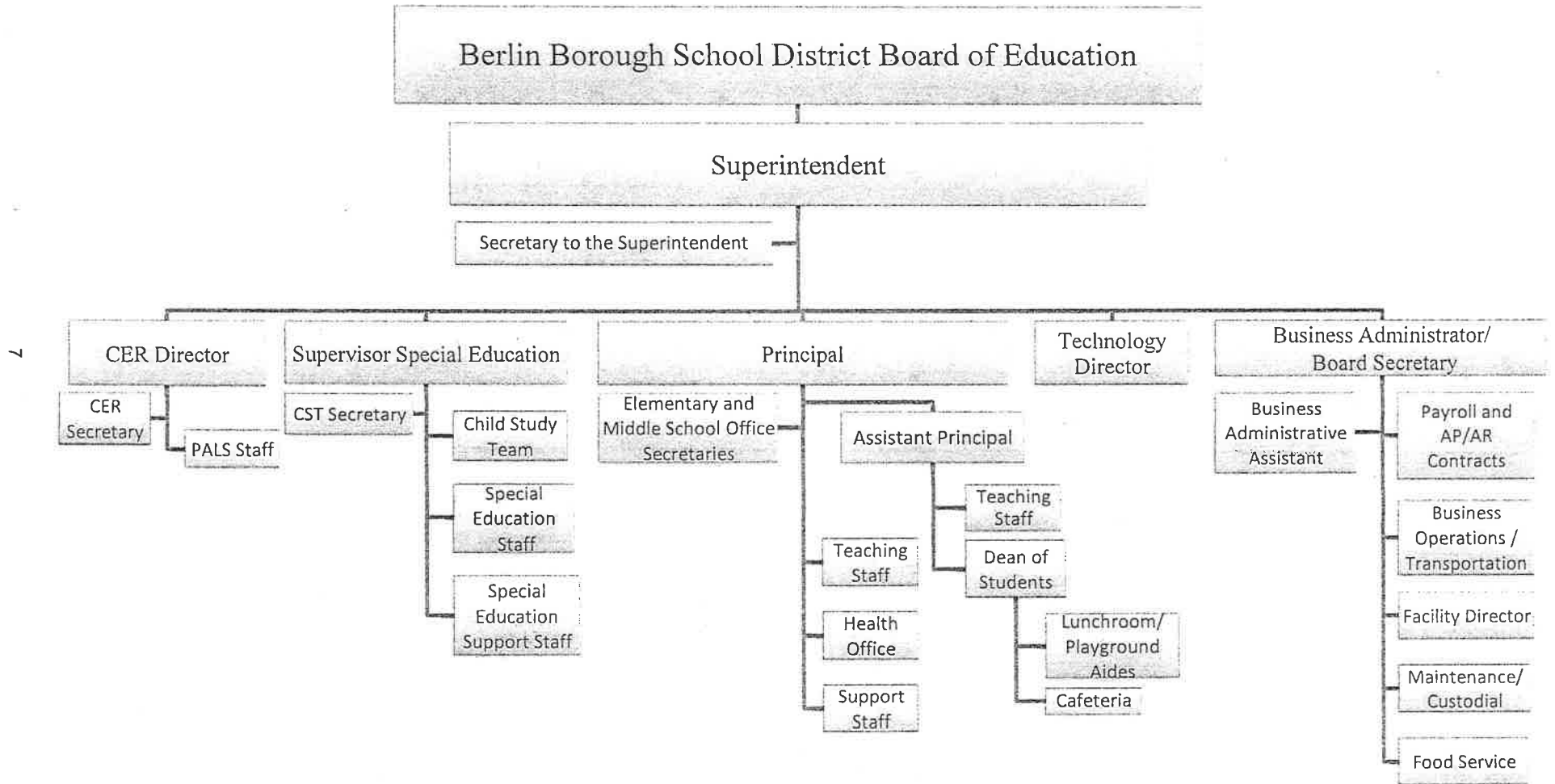
We would like to express our appreciation to the members of the Berlin Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,


Kristen Martello
Chief School Administrator


Frank J. Domin Jr
Business Administrator

Berlin Borough Board of Education Organizational Chart (Unit Control)



*Berlin Borough Board of Education
Policy 1110: Organizational Chart
Adopted: January 20, 2011*

**BERLIN BOROUGH BOARD OF EDUCATION
BERLIN, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kristine Height, President	2017
Rebecca Holland, Vice-President	2016
Susan Bobb	2016
Lisa Asare	2016
Michele Goshaw	2018
Nicholas Guerere	2018
Dennis Quinn	2016
Francine Viscome	2017
Linda Welte	2018

Other Officials

Kristen Martello, Superintendent
Frank Domin, Board Secretary &
School Business Administrator
Schwartz Simon Edelstein Celso & Kessler
LLP, Solicitor

**BERLIN BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Inverso & Stewart, LLC
651 Route 73 North, Suite 402
Marlton, NJ 08053

Attorney

Schwartz Simon Edelstein Celso & Kessler, LLP
10 James Street
Florham Park, NJ 07932

Architect

Garrison Architects
713 Creek Road
Bellmawr, NJ 08031

Bond Counsel

Parker McCay P.A.
9000 Midlantic Drive
Mount Laurel, NJ 08054

Official Depository

TD Bank
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Berlin, NJ 08009

Financial Section

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Certified Public Accountants

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American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Berlin Borough School District
County of Camden
Berlin, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit 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 in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that I 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 School District'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 School District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information as listed in the table of contents 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berlin Borough School District's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Treasury Circular OMB 15-08, as applicable, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance 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 my opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2016 on my consideration of the Berlin Borough School District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Berlin Borough School District's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R. P. Inverso', written in a cursive style.

Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
September 30, 2016

INVERSO & STEWART, LLC
Certified Public Accountants

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New Jersey Society of CPAs

**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**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Berlin Borough School District
County of Camden
Berlin, New Jersey

I 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued my report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Berlin Borough School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as finding no: 2016-001.

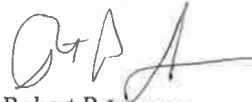
The Berlin Borough School District's Response to Findings

The Berlin Borough School District's response to the findings identified in my audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
September 30, 2016

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Berlin Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

As management of the Board of Education of the Berlin Borough School District in Berlin New Jersey, we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The liabilities of the School District exceeded its assets at the close of the most recent fiscal year by \$1,900,420 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$2,814,398. The accounting treatments in the governmental funds for compensated absences payable, and the last two state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net position of the School District increased by \$335,133 or a 14.99% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$209,223 resulting in an ending fund balance of \$1,216,637. This increase is largely due to the results of operations in the General Fund.
- Business-type activities have an unrestricted net position of \$360,014, which may be used to meet the School District's ongoing obligations of the food service and community education and recreation operations.
- The School District's long-term obligations decreased by \$160,266 which is the result of the reduction of certificates of participation, serial bond debt, capital leases, and compensated absences and an increase in net pension liability.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities include the Food Service Fund and the Community Education Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the district-wide financial statements. The School District maintains two types of proprietary funds - the Enterprise Fund and the Internal Service Fund. The fund financial statements of the enterprise and internal service funds provide the same information as the district-wide financial statements, only in more detail.

The School District's two enterprise funds (Food Service Fund and the Community Education Fund) are listed individually and are considered to be major funds. The School District's internal service fund (Shared Services Fund) is also listed individually and is considered a major fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the School District's program.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

District-wide Financial Analysis

The assets of the School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School District. The majority of the current assets are the results of the tax levy and state aid collection process.

Capital assets are used in the operations of the School District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2016. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2016.

The liabilities of the primary government activities exceeded the assets by \$2,277,192 with an unrestricted deficit balance of \$2,814,398. The net position of the primary government does not include internal balances.

A deficit net investment of \$789,369 in land, improvements, buildings, equipment and vehicles provides the services to the School District's 853 public school students. A balance of \$537,626 has been restricted for future capital projects, \$439,958 has been restricted for repayment of debt, and \$348,991 has been restricted for future budget appropriation.

As mentioned earlier, deficit unrestricted net position is primarily due to the accounting treatment for compensated absences payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

**Berlin Borough School District
Comparative Summary of Net Position
As of June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets	\$ 1,322,791	\$ 1,064,976	\$ 368,809	\$ 295,087	\$ 1,691,600	\$ 1,360,063
Capital assets	3,121,158	3,649,860	16,758	21,350	3,137,916	3,671,210
Total assets	4,443,949	4,714,836	385,567	316,437	4,829,516	5,031,273
Deferred Outflow of Resources	465,764	154,137			465,764	154,137
Liabilities:						
Current Liabilities	933,386	791,061	8,795	11,081	942,181	802,142
Noncurrent Liabilities	6,121,399	6,384,521			6,121,399	6,384,521
Total liabilities	7,054,785	7,175,582	8,795	11,081	7,063,580	7,186,663
Deferred Inflows of Resources	132,120	234,300			132,120	234,300
Net position	\$ (2,277,192)	\$ (2,540,909)	\$ 376,772	\$ 305,356	\$ (1,900,420)	\$ (2,235,553)
Net position consist of:						
Invested in						
Capital Assets	\$ (789,369)	\$ (868,697)	\$ 16,758	\$ 21,350	\$ (772,611)	\$ (847,347)
Restricted	1,326,575	1,114,494			1,326,575	1,114,494
Unrestricted	(2,814,398)	(2,786,706)	360,014	284,006	(2,454,384)	(2,502,700)
Net position	\$ (2,277,192)	\$ (2,540,909)	\$ 376,772	\$ 305,356	\$ (1,900,420)	\$ (2,235,553)

Berlin Borough School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues						
Charges for services	\$	\$	\$ 602,002	\$ 573,515	\$ 602,002	\$ 573,515
Operating grants and Contributions	1,953,661	1,783,508	99,513	115,503	2,053,174	1,899,011
Capital grants and Contributions						
General Revenues:						
Property Taxes	7,417,209	7,227,069			7,417,209	7,227,069
Unrestricted State Aid	3,663,142	3,664,322			3,663,142	3,664,322
Other Revenues	61,664	31,947			61,664	31,947
Total Revenues	13,095,676	12,706,846	701,515	689,018	13,797,191	13,395,864
Expenses:						
Governmental Activities:						
Instruction	5,326,061	5,376,418			5,326,061	5,376,418
Tuition		103,224				103,224
Related Services	1,293,235	1,165,228			1,293,235	1,165,228
Administrative Services	613,655	735,460			613,655	735,460
Central Services	311,180	321,746			311,180	321,746
Operations and Maintenance	1,244,194	1,062,805			1,244,194	1,062,805
Transportation	357,586	328,177			357,586	328,177
Employee benefits	3,467,551	3,174,865			3,467,551	3,174,865
Charter School						
Interest on long-term Debt	169,488	192,129			169,488	192,129
Other	49,009	59,628			49,009	59,628
Business-Type Activities:						
Community Education			291,062	239,573	291,062	239,573
Shared Services			93,431	109,833	93,431	109,833
Food Service Operations			245,606	258,512	245,606	260,879
Total Expenses	12,831,959	12,519,680	630,099	607,918	13,462,058	13,127,598
Change in net position						
Before transfers	263,717	187,166	71,416	81,100	335,133	268,266
Transfers						
Changes in net position	263,717	187,166	71,416	81,100	335,133	268,266
Net position (restated), July 1,	(2,540,909)	(2,728,075)	305,356	224,256	(2,235,553)	(2,503,819)
Net position, June 30,	\$ (2,277,192)	\$ (2,540,909)	\$ 376,772	\$ 305,356	\$ (1,900,420)	\$ (2,235,553)

Governmental Activities

Governmental activities increased the net position of the School District by \$263,717 during the current fiscal year. Key elements of the net increase for governmental activities are as follows:

- Results of operations in the governmental funds increased \$209,223. Depreciation expense of \$610,675. Reduction of debt in the amount of \$160,266.

Business-type Activities

Business-type activities increased the School District's net position by \$71,416. Key elements of the increase in net position for business-type activities are as follows:

- The Community Education and Recreation Fund had a net gain of \$54,318 and the Food Service Fund had a net gain of \$17,098.

Financial Analysis of the Governmental Funds

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

Governmental Funds - The focus of the School 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 School 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.

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of 1,216,637, an increase of \$209,223 in comparison with the prior year. Most of this increase is the results of operations in the General Fund.

The unassigned fund balance for the School District at the end of the fiscal year includes a combination of (\$109,938) in the General Fund, \$96,637 in the Capital Projects Fund, and \$438,384 in the Debt Service Fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed, 1) \$162,560 reserved for future budget appropriation in accordance with state statute, 2) \$440,989 reserved for capital projects, 3) \$25,000 reserved for maintenance, 4) \$160,039 reserved for excess surplus.

The general fund is the chief operating fund of the School District. As discussed earlier, the balance in the unreserved fund balance is due, primarily, to the accounting treatment of the last state aid payment as discussed in Note 14 of the notes to the basic financial statements, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

General Fund Budgetary Highlights

The final amended budget remained the same as the original budget.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$251,044 while total fund balance (budgetary basis) was \$1,041,024. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$11,619,655. Unassigned fund balance (budgetary basis) represents 2.16% of expenditures while total fund balance (budgetary basis) represents 8.96% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled \$3,137,916 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$533,294, or a 1.45% decrease. The decrease is due to depreciation expense.

Capital Asset (net of accumulated depreciation) June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		District-Wide	
	2016	2015	2016	2015	2016	2015
Land	\$ 400,000	\$ 400,000	\$	\$	\$ 400,000	\$ 400,000
Site Improvements	85,978	101,722			85,978	101,722
Buildings and Building Improvements	2,393,895	2,863,597			2,393,895	2,863,597
Equipment	241,285	284,541	16,758	21,350	258,043	305,891
Total	\$ 3,121,158	\$ 3,649,860	\$ 16,758	\$ 21,350	\$ 3,137,916	\$ 3,671,210

Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

Long-term debt – During the fiscal year ended June 30, 2016, the School District had \$2,880,000 in serial bonds payable, \$825,000 in certificates of participation payable, \$205,527 in capital leases payable, \$481,626 in compensated absences, and \$2,501,617 in net pension liability.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$21,952,163. The available amount as of June 30, 2016 is \$19,072,163.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2016-17 fiscal year.

- For 2016-17 fiscal year the School District will be receiving an increase in state aid. The local tax levy in the General Fund increased by \$136,039 or 2%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2016-17 General Fund Budget is \$114,096 more than the previous year or a 1.05% increase. The tax rate for 2016 is \$1.016 which is a .026 cent increase from the previous year.

For the Future

The Berlin Borough School District is in very good financial condition presently. However, a major concern is maintaining aging buildings of the district with an increased reliance on local property taxes as state aid has remained stagnant. Berlin Borough is primarily a residential community, with few large ratables; thus the burden is focused on homeowners to share the tax burden.

In conclusion, the Berlin Borough School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Berlin Borough School District Business Administrator, 215 S. Franklin Ave, Berlin, New Jersey 08009.

Basic Financial Statements

District-Wide Financial Statements

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 653,456	\$ 358,021	\$ 1,011,477
Receivables, net	228,346	5,281	233,627
Inventory		5,507	5,507
Restricted assets:			
Restricted cash and cash equivalents	440,989		440,989
Capital assets, net (Note 5)	3,121,158	16,758	3,137,916
Total assets	<u>4,443,949</u>	<u>385,567</u>	<u>4,829,516</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	<u>465,764</u>		<u>465,764</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>4,909,713</u>	<u>385,567</u>	<u>5,295,280</u>
LIABILITIES:			
Intergovernmental payable:			
State	106,154		106,154
Unearned revenue		8,795	8,795
Accrued interest	54,861		54,861
Noncurrent liabilities:			
Due within one year	772,371		772,371
Due beyond one year	6,121,399		6,121,399
Total liabilities	<u>7,054,785</u>	<u>8,795</u>	<u>7,063,580</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	<u>132,120</u>		<u>132,120</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>7,186,905</u>	<u>8,795</u>	<u>7,195,700</u>
NET POSITION:			
Net investment in capital assets	(789,369)	16,758	(772,611)
Restricted for:			
Debt Service Fund	439,958		439,958
Capital Projects	537,626		537,626
Other Purposes	348,991		348,991
Unrestricted	<u>(2,814,398)</u>	<u>360,014</u>	<u>(2,454,384)</u>
Total net position	<u>\$ (2,277,192)</u>	<u>\$ 376,772</u>	<u>\$ (1,900,420)</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 3,862,378	\$ -	\$ 177,163		\$ (3,685,215)	\$ -	\$ (3,685,215)
Special education	1,319,458		133,241		(1,186,217)		(1,186,217)
Other instruction	144,225				(144,225)		(144,225)
Support Services:							
Tuition							
Student & instruction related services	1,293,235		187,783		(1,105,452)		(1,105,452)
General administrative services	266,555				(266,555)		(266,555)
School administrative services	347,100				(347,100)		(347,100)
Central services	311,180				(311,180)		(311,180)
Plant operations and maintenance	1,244,194				(1,244,194)		(1,244,194)
Pupil transportation	357,586				(357,586)		(357,586)
Employee benefits	3,467,551		1,307,277		(2,160,274)		(2,160,274)
Interest on long-term debt	169,488		148,197		(21,291)		(21,291)
Unallocated depreciation	49,009				(49,009)		(49,009)
Total governmental activities	<u>12,831,959</u>		<u>1,953,661</u>		<u>(10,878,298)</u>		<u>(10,878,298)</u>
Business-type activities:							
Community Education and Recreation	291,062	345,380				54,318	54,318
Food service	245,606	163,191	99,513			17,098	17,098
Shared Services	93,431	93,431					
Total business-type activities	<u>630,099</u>	<u>602,002</u>	<u>99,513</u>			<u>71,416</u>	<u>71,416</u>
Total primary government	<u>\$ 13,462,058</u>	<u>\$ 602,002</u>	<u>\$ 2,053,174</u>	<u>-</u>	<u>\$ (10,878,298)</u>	<u>\$ 71,416</u>	<u>\$ (10,806,882)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net					6,801,973		6,801,973
Taxes levied for debt service					615,236		615,236
Federal and State aid not restricted					3,663,142		3,663,142
Investment earnings					602		602
Miscellaneous income					61,062		61,062
Transfers							
Total general revenues, special items, extraordinary items and transfers					<u>11,142,015</u>		<u>11,142,015</u>
Change in Net Position					263,717	71,416	335,133
Net Position - July 1					(2,540,909)	305,356	(2,235,553)
Net Position - June 30					<u>\$ (2,277,192)</u>	<u>\$ 376,772</u>	<u>\$ (1,900,420)</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Fund Financial Statements

BERLIN BOROUGH SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 100,070	\$ 106,154	\$ 5,248	\$ 441,984	\$ 653,456
Receivables, net	19,859		204,000		223,859
Interfund receivables, net	119,124				119,124
Restricted cash and cash equivalents	440,989				440,989
Total assets	\$ 680,042	\$ 106,154	\$ 209,248	\$ 441,984	\$ 1,437,428
LIABILITIES AND FUND BALANCES					
Liabilities:					
Intergovernmental payable:					
State	\$ -	\$ 106,154	\$ -	\$ -	\$ 106,154
Interfund payables			112,611	2,026	114,637
Total liabilities		106,154	112,611	2,026	220,791
Fund Balances:					
Restricted Fund Balance:					
Reserved excess surplus - designated for subsequent year's expenditures	162,560				162,560
Reserve for excess surplus	160,039				160,039
Maintenance reserve	25,000				25,000
Capital reserve	440,989				440,989
Assigned Fund Balance:					
Designated for subsequent year's expenditures	1,392			1,574	2,966
Unassigned Fund Balance	(109,938)		96,637	438,384	425,083
Total fund balances	680,042		96,637	439,958	1,216,637
Total liabilities and fund balances	\$ 680,042	\$ 106,154	\$ 209,248	\$ 441,984	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$15,847,095 and the accumulated depreciation is \$12,725,937.	3,121,158
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds.	(54,861)
The District's proportionate share of net pension assets and liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:	
Deferred Outflows of resources from Pensions	465,764
Net Pension Liability	(2,501,617)
Deferred Inflows of resources from Pensions	(132,120)
	(2,167,973)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(4,392,153)
Net position of governmental activities	\$ (2,277,192)

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 6,801,973	\$ -	\$ -	\$ 615,236	\$ 7,417,209
Tuition	20,920				20,920
Miscellaneous	40,142			602	40,744
Total revenues-local sources	6,863,035			615,838	7,478,873
State sources	4,970,419	169,253		148,197	5,287,869
Federal sources		328,934			328,934
Total revenues	11,833,454	498,187		764,035	13,095,676
EXPENDITURES:					
Current expense:					
Regular instruction	3,687,910	177,163			3,865,073
Special education instruction	1,186,217	133,241			1,319,458
Other instruction	144,225				144,225
Support services and undistributed costs:					
Tuition					
Student & instruction related services	1,105,452	187,783			1,293,235
General administrative services	236,122				236,122
School administrative services	347,100				347,100
Central services	311,180				311,180
Plant operations and maintenance	660,386				660,386
Pupil transportation	357,586				357,586
Unallocated employee benefits	3,421,927				3,421,927
Capital outlay	161,550				161,550
Debt service:					
Principal				590,000	590,000
Interest and other charges				178,611	178,611
Total expenditures	11,619,655	498,187		768,611	12,886,453
Excess (deficiency) of revenues over (under) expenditures	213,799			(4,576)	209,223
Other Financing Sources (Uses):					
Transfers in				441,383	441,383
Transfers out			(441,383)		(441,383)
Total other financing sources (uses)			(441,383)	441,383	
Net change in fund balance	213,799		(441,383)	436,807	209,223
Fund balances, July 1	466,243		538,020	3,151	1,007,414
Fund balances, June 30	\$ 680,042	\$ -	\$ 96,637	\$ 439,958	\$ 1,216,637

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended June 30, 2016

Total net change in fund balances - governmental funds (from B-2)		\$ 209,223
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p style="margin-left: 40px;">Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation expense	\$ (610,675)	
Capital outlay	<u>81,973</u>	(528,702)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		205,000
Repayment of certificates of participation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		385,000
Repayment of the capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		77,272
The proceeds of a capital lease is an other financing source of revenue in the governmental funds but is not reported in the statement of activities.		(59,242)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		9,123
Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities.		(45,624)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>11,667</u>
Change in net position of governmental activities		<u>\$ 263,717</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities		Internal Service Fund	Total
	Enterprise Funds			
	Food Service Program	Community Education and Recreation		
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 122,566	\$ 235,455	\$ -	\$ 358,021
Accounts receivable	5,281			5,281
Inventories	5,507			5,507
Total current assets	133,354	235,455		368,809
Noncurrent assets:				
Equipment	92,451			92,451
Less accumulated depreciation	(75,693)			(75,693)
Total noncurrent assets	16,758			16,758
Total assets	\$ 150,112	\$ 235,455	\$ -	\$ 385,567
LIABILITIES				
Current liabilities:				
Unearned revenue	\$ 3,995	\$ 4,800	\$ -	\$ 8,795
Total liabilities	3,995	4,800		8,795
NET POSITION				
Net investment in capital assets	16,758			16,758
Unrestricted	129,359	230,655		360,014
Total net position	\$ 146,117	\$ 230,655	\$ -	\$ 376,772

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2016

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
Operating revenues:				
Charges for services:				
Daily sales-reimbursable programs	\$ 101,691	\$ -	\$ -	\$ 101,691
Daily sales-non-reimbursable programs	61,500			61,500
Program Fees		345,380	93,431	438,811
Total operating revenue	<u>163,191</u>	<u>345,380</u>	<u>93,431</u>	<u>602,002</u>
Operating expenses:				
Salaries	91,411	199,050	93,431	383,892
Supplies and materials	9,576	14,843		24,419
Depreciation	4,592			4,592
Purchased services	15,655	20,753		36,408
Cost of sales - reimbursable programs	67,469			67,469
Cost of sales - non-reimbursable programs	40,803			40,803
Miscellaneous	1,196	42,898		44,094
Direct expenses	2,518			2,518
Repairs and maintenance	8,496			8,496
Other	3,890	13,518		17,408
Total operating expenses	<u>245,606</u>	<u>291,062</u>	<u>93,431</u>	<u>630,099</u>
Operating income (loss)	<u>(82,415)</u>	<u>54,318</u>		<u>(28,097)</u>
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	2,592			2,592
Federal sources:				
National school lunch program	68,994			68,994
National school breakfast program	5,244			5,244
U.S.D.A. commodities	22,683			22,683
Local sources:				
Interest revenue				
Total nonoperating revenues (expenses)	<u>99,513</u>			<u>99,513</u>
Change in net position	17,098	54,318		71,416
Total net position - July 1	<u>129,019</u>	<u>176,337</u>		<u>305,356</u>
Total net position - June 30	<u>\$ 146,117</u>	<u>\$ 230,655</u>	<u>\$ -</u>	<u>\$ 376,772</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2016

	Business-type Activities			Internal Service Fund	Total
	Enterprise Funds		Shared Services		
	Food Service Program	Community Education and Recreation			
Cash flows from operating activities:					
Receipts from customers	\$ 163,305	\$ 436,980	\$ 93,431	\$ 693,716	
Payments to employees	(91,411)	(199,050)	(93,431)	(383,892)	
Payments to suppliers	(123,941)	(186,012)		(309,953)	
Net cash used for operating activities	<u>(52,047)</u>	<u>51,918</u>		<u>(129)</u>	
Cash flows from noncapital financing activities:					
State sources	2,621			2,621	
Federal sources	75,613			75,613	
Net cash provided by non-capital financing activities	<u>78,234</u>			<u>78,234</u>	
Cash flows from capital activities:					
Purchases of fixed assets					
Cash flows from investing activities:					
Interest and dividends					
Net cash provided by investing activities					
Net increase in cash and cash equivalents	26,187	51,918		78,105	
Balances - July 1	<u>96,379</u>	<u>183,537</u>		<u>279,916</u>	
Balances - June 30	<u>\$ 122,566</u>	<u>\$ 235,455</u>	<u>\$ -</u>	<u>\$ 358,021</u>	
Reconciliation of operating loss to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (82,415)	\$ 54,318	\$ -	\$ (28,097)	
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	4,592			4,592	
Federal commodities	22,683			22,683	
(Increase) decrease in receivables					
(Increase) decrease in inventories	2,979			2,979	
Increase (decrease) in unearned revenue	114	(2,400)		(2,286)	
Total adjustments	<u>30,368</u>	<u>(2,400)</u>		<u>27,968</u>	
Net cash provided by (used for) operating activities	<u>\$ (52,047)</u>	<u>\$ 51,918</u>	<u>\$ -</u>	<u>\$ (129)</u>	

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Flexible Benefits Account</u>	<u>Unemployment Compensation Insurance Trust</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 4,487	\$ 4,693	\$ 101,595
Total assets	<u>\$ 4,487</u>	<u>\$ 4,693</u>	<u>\$ 101,595</u>
LIABILITIES:			
Accounts payable			
Interfund payable	4,487		
Payroll deductions and withholdings			33,481
Due to student groups			68,114
Total liabilities	<u>4,487</u>	<u>-</u>	<u>\$ 101,595</u>
NET POSITION:			
Held in trust for unemployment claims and other purposes	<u>\$ -</u>	<u>\$ 4,693</u>	

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Flexible Benefits Account</u>	<u>Unemployment Compensation Insurance Trust</u>
ADDITIONS:		
Contributions:		
Board contributions		
Other	\$ 1,608	\$ -
Total Contributions	<u>1,608</u>	<u>-</u>
Investment earnings:		
Interest		
Net investment earnings	<u>-</u>	<u>-</u>
Total additions	<u>1,608</u>	<u>-</u>
DEDUCTIONS:		
Unemployment claims		309
Payment of Flexible Benefits	1,658	
Transfer to General Fund		
Total deductions	<u>1,658</u>	<u>309</u>
Change in net position	(50)	(309)
Net position - July 1	<u>50</u>	<u>5,002</u>
Net position - June 30	<u>\$ -</u>	<u>\$ 4,693</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Berlin Borough School District (District) is a Type II school district located in Camden County, New Jersey and covers an area of approximately 3.7 square miles. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the District is to provide educational services for all of Berlin Borough's students in grades K through 8. Student in grades 9 through 12 are transported to the Eastern Regional High School District. The Berlin Borough School District has an approximate enrollment at June 30, 2016 of 853 students.

The primary criteria for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School district over which the Board exercises operating control.

Component Units - GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit*, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below

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

Government-wide Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that all costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The School District's enterprise funds are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Community Education and Recreation Fund - This fund accounts for the financial activity related to providing education and recreation services.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into investment in capital assets, net of related debt, and unrestricted, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Internal Service Fund – The internal service fund has been established to account for financing of shared services provided by the Berlin Borough School District for the Gibbsboro School District. Services are provided on a cost-reimbursement basis.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: trust funds and agency funds. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has four fiduciary funds; an unemployment compensation trust fund, a flexible spending account, a student activity fund, and a payroll fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days after fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; tuition, grants, fees, and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as unearned revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for their approval. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1, Exhibit C-2 and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the School District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the one or more June state aid payments.

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, and all eligibility and time requirements satisfied are reflected on the balance sheet as unearned grant revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - N.J.S.A. 17:9-41et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Tuition Receivable - Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2016 and 2015 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out basis.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed, and is not recorded since any amounts are considered immaterial to the basic financial statements.

Inventories recorded in the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land and Improvements	10-20 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	5-10 years	4-6 years

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

Accrued Salaries and Wages - Certain School District employees, who provide services to the School District over the ten-month academic year, have the option to have their salaries evenly disbursed during the twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2016, the amounts earned by these employees were disbursed to the employees' own individual accounts.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Position - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Fund Balance - The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2016.

Restricted - This fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, which for the School District is the Board of Education. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action imposing the commitment.

Assigned - This fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the Business Administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

Unassigned - This fund balance classification is the residual classification for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued) - When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the School District's policy to spend restricted fund balances first. Likewise, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program, program fees for the community education and recreation fund, and fees for the shared services fund. Non-operating revenues principally consist of interest income earned on various interest bearing accounts and federal and state subsidy reimbursements for the food service program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Recently Issued Accounting Pronouncements In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This Statement is effective for financial statements for periods beginning after June 15, 2016 and will not have any effect on the District's financial reporting.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria. This Statement is effective for financial statements for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for financial statements for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. Furthermore, this Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. Also, this Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of \$1,955,603 as of June 30, 2016, \$690,000 was insured under FDIC and the remaining balance of \$1,265,603 was collateralized under GUDPA..

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

3. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the New Jersey Department of Education, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2.

Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Balance – July 1, 2015		\$	182,000
Increased by:			
Unspent Balance of			
Appropriations	\$	46,239	
Board resolution		<u>319,750</u>	
			<u>365,989</u>
			547,989
Decreased by:			
Budget withdrawal			<u>107,000</u>
Balance – June 30, 2016		\$	<u>440,989</u>

The June 30, 2016 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

Receivables at June 30, 2016 consisted of other governmental units and governmental grants. All receivables are considered collectible in full due to the stable condition of the other governmental units, State programs and the current fiscal year guarantee of federal funds.

Receivables as of year-end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
State Aid	\$ 18,931	\$ -	\$ 204,000	\$ 190	\$ 223,121
Federal Aid				5,091	5,091
Other	<u>928</u>				<u>928</u>
Total	<u>\$ 19,859</u>	<u>\$ -</u>	<u>\$ 204,000</u>	<u>\$ 5,281</u>	<u>\$ 229,140</u>

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Construction in progress	_____	_____	_____	_____
Total capital assets, not being Depreciated	<u>400,000</u>	_____	_____	<u>400,000</u>
<i>Capital Assets, being depreciated:</i>				
Site Improvements	290,000	2,089		292,089
Building and Building Improvements	14,021,591	37,810		14,059,401
Equipment	1,053,531	42,074		1,095,605
Totals at historical cost	<u>15,365,122</u>	<u>81,973</u>		<u>15,447,095</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements	(188,278)	(17,833)		(206,111)
Building and Building Improvements	(11,157,994)	(507,512)		(11,665,506)
Equipment	(768,990)	(85,330)		(854,320)
Totals accumulated depreciation	<u>(12,115,262)</u>	<u>(610,675)</u>		<u>(12,725,937)</u>
Total Capital Assets, being depreciated, net	<u>3,249,860</u>	<u>(528,702)</u>		<u>2,721,158</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,649,860</u>	<u>\$ (528,702)</u>	<u>\$ -</u>	<u>\$ 3,121,158</u>
 <u>Business-Type Activities:</u>				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 92,451	\$ -	\$ -	\$ 92,451
Less accumulated depreciation	<u>(71,101)</u>	<u>(4,592)</u>		<u>(75,693)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 21,350</u>	<u>\$ (4,592)</u>	<u>\$ -</u>	<u>\$ 16,758</u>

Depreciation expense in the amount of \$610,675 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 8,972
Administration	30,433
Plant Operations and Maintenance	522,261
Unallocated	<u>49,009</u>
Total depreciation expense	<u>\$ 610,675</u>

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2016 consisted of the following:

	<u>Food Service</u>
Food	\$ 3,461
Supplies	2,046
	<u>\$ 5,507</u>

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations:

	<u>Principal Outstanding June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2016</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 3,085,000	\$ -	\$ 205,000	\$ 2,880,000	\$ 215,000
Certificates of Part. Pay.	1,210,000		385,000	825,000	405,000
Capital Leases Payable	223,557	59,242	77,272	205,527	113,215
Compensated Absences	493,293		11,667	481,626	39,156
Net Pension Liability	2,042,186	459,431		2,501,617	
	<u>\$ 7,054,036</u>	<u>\$ 518,673</u>	<u>\$ 678,939</u>	<u>\$ 6,893,770</u>	<u>\$ 772,371</u>

Bonds Payable - Bonds and loans are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are as follows:

2011 School Refunding Bonds dated September 1, 2011 in the amount of \$2,880,000 due in annual installments through March 1, 2023, bearing interest rates of 2.00% -5.00%.

Bonds Payable:

Principal and interest due on bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 215,000	\$ 119,100	\$ 334,100
2018	230,000	114,800	344,800
2019	485,000	109,625	594,625
2020	475,000	97,500	572,500
2021	485,000	73,750	558,750
2022-2023	990,000	74,250	1,064,250
Total	<u>\$ 2,880,000</u>	<u>\$ 589,025</u>	<u>\$ 3,469,025</u>

As of June 30, 2016 the District had no authorized but not issued bonds.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

7. LONG-TERM OBLIGATIONS (Continued)

The following is a schedule of the future minimum rent payments for the certificates of participation as of June 30, 2016:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 405,000	\$ 36,383	\$ 441,383
2018	420,000	18,522	438,522
	<u>\$ 825,000</u>	<u>\$ 54,905</u>	<u>\$ 879,905</u>

Compensated Absences

Compensated absences will be paid from the fund from which the employees' salaries are paid.

Capital Leases

As of June 30, 2016, the District had the following capital lease:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Value</u>
Phone System	July 15, 2015	5.70%	\$ 74,240
Computer Equipment	October 1, 2016	6.00%	40,487
Computer Equipment	November 18, 2016	6.91%	31,377
Computer Equipment	June 19, 2018	3.49%	217,799
Computer Equipment	June 15, 2018	2.99	59,242

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2016:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 113,215	\$ 7,700	\$ 120,915
2018	92,312	3,124	95,436
	<u>\$ 205,527</u>	<u>\$ 10,824</u>	<u>\$ 216,351</u>

8. OPERATING LEASES

The District has various commitments for four copiers and a postage machine under operating leases which fully expire in 2020. Total operating lease payments made during the year ended June 30, 2016 was \$19,859. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2017	\$ 20,129
June 30, 2018	20,129
June 30, 2019	20,129
June 30, 2020	<u>17,709</u>
Total future minimum lease payments	<u>\$ 78,096</u>

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS

Description of Plans – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114, 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92 P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years.

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 Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended June 30, 2016, the District recognized pension expense of \$2,085,770 and revenue of \$2,085,770 for support provided by the State. Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>06/30/15</u>	<u>06/30/14</u>
Collective deferred outflows of resources	\$ 7,521,378,257	\$ 2,306,623,861
Collective deferred inflows of resources	554,399,005	1,763,205,593
Collective net pension liability (Non-Employer – State of New Jersey)	63,577,864,440	53,446,745,367
State's portion of the net pension liability that was associated with the district	34,159,911	27,441,258
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	.0540468402%	.0513431786%

Actuarial assumptions – The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation: 2.5%
- Salary Increases: Varies based on experience
- Investment Rate of Return: 7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	0.53%
Government Bonds	01.75%	1.39%
Credit Bonds	13.50%	2.72%
Mortgages	02.10%	2.54%
Inflation-Indexed Bonds	01.50%	1.47%
High Yield Bonds	02.00%	4.57%
Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	06.40%	8.46%
Private Real Estate Property	04.25%	3.97%
Timber	01.00%	4.09%
Farmland	01.00%	4.61%
Private Equity	09.25%	9.15%
Commodities	01.00%	3.58%
Hedge Funds – MultiStrategy	04.00%	4.59%
Hedge Funds – Equity Hedge	04.00%	5.68%
Hedge Funds - Distressed	04.00%	4.30%
	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District has no proportionate share of the net pension liability, because of the special funding situation, the district would not be sensitive to any changes in the discount rate.

Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contributions</u>	<u>Adjustment</u>	<u>Accrued Liability</u>	<u>Non Contributory Life</u>	<u>Total Liability Paid by District</u>
2016	\$ 16,220	\$ -	\$ 74,720	\$ 4,869	\$ 95,809
2015	14,970	-	69,246	5,704	89,920
2014	15,932	-	70,047	1,462	87,441

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the year ended June 30, 2016, the District recognized pension expense of \$151,368. At June 30, 2016, the District reported a liability of \$2,501,617 for its proportionate share of the PERS net pension liability and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,680	\$ -
Changes of assumptions	268,654	
Net Difference between projected and actual earnings on pension plan investments		40,221
Changes in proportion	37,572	91,899
District contributions subsequent to the measurement date	99,858	
Total	\$ 465,764	\$ 132,120

\$99,858 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net liability in the year ended June 30, 2016.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:	Net Deferred Outflows of Resources
2016	\$ 30,549
2017	30,549
2018	30,549
2019	89,124
2020	53,015
Total	\$ 233,786

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	6/30/2015	6/30/2014
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	\$ 993,410,455	\$ 1,479,224,662
Collective net pension liability	\$ 22,447,996,119	\$ 18,722,735,003
District's Proportion	.0111440567%	.0109075174%

Actuarial assumptions – The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 3.04%
- Salary Increases:
 - 2012-2021: 2.15-4.40% based on age
 - Thereafter: 3.15-5.40% based on age
- Investment Rate of Return: 7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	01.04%
U.S. Treasuries	01.75%	01.64%
Investment Grade Credit	10.00%	01.79%
Mortgages	02.10%	01.62%
High Yield Bonds	02.00%	04.03%
Inflation Indexed Bonds	01.50%	03.25%
Broad US Equities	27.25%	08.52%
Developed Foreign Equities	12.00%	06.88%
Emerging Market Equities	06.40%	10.00%
Private Equity	09.25%	12.41%
Hedge Funds/Absolute Ret	12.00%	04.72%
Real Estate (Property)	02.00%	06.83%
Commodities	01.00%	05.32%
Global Debt ex US	03.50%	-0.40%
REIT	04.25%	5.12%
	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90%) or 1 percentage point higher (5.90%) than the current rate:

	<u>1% Decrease (3.90%)</u>	<u>Current Discount Rate (4.90%)</u>	<u>1% Increase (5.90%)</u>
District's proportionate share of the net pension liability	\$ 3,109,204	\$ 2,501,617	\$ 1,992,221

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq. .

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Year</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2016	\$ 8,690	\$ 8,690
2015	5,567	5,567
2014	3,747	3,747
2013	4,253	4,253

10. POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established to provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

10. POST-RETIREMENT BENEFITS (Continued)

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The State establishes the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2016 was \$509,659 which equaled the required contributions. The State's contribution to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2014, the School District has recognized as revenues and expenditures \$428,024 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$369,594 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

Property and Liability Insurance - The School District maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Joint Insurance Pool - The School District is a member of the New Jersey School Alliance Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program. Insurance coverage as provided by the Fund can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if any. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

A complete schedule of insurance coverage can be found in the "Statistical Section" of this report.

New Jersey Unemployment Compensation Insurance – Up to December 31, 2010 the School District had elected to fund its New Jersey Unemployment Compensation Insurance under the "Business Reimbursement Method". Under this plan, the District was required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District was billed quarterly for amounts due to the State.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

12. RISK MANAGEMENT (Continued)

The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Miscellaneous</u>	<u>Transfer to General Fund</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ -	\$ -	\$ -	\$ 309	\$ 4,693
2014-2015	-	-	-	-	5,002
2013-2014	-	46	42,840	626	5,002

Effective January 1, 2011 the School District elected the "Contributory Method" to fund its New Jersey Unemployment Compensation Insurance, which requires the School District to annually appropriate funds to pay the projected costs of contributions at the rate determined by the Commissioner of Labor.

13. DEFERRED COMPENSATION

The School District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, available to all permanent School District employees, permit participants to defer a portion of their current salary to future years. Participation in the plans is optional. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs. The plan assets are held in trust for the benefit of the employee and are administered by a third party therefore they are not reflected on the financial statements of the School District.

14. COMPENSATED ABSENCES

The School District accounts for compensated absences (e.g. unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

School District employees are granted varying amounts of vacation and sick leave in accordance with the School District's personnel policy. Upon termination, employees are paid for accrued vacation. The School District's policy permits employees to accumulated unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the School District for the unused sick leave in accordance with the School District's agreements with the various employee unions.

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2016, the liability for compensated absences in the governmental activities fund types was \$481,626.

15. INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2017. The following interfund receivables/payables were recorded on the various balance sheets as of June 30, 2016:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 119,124	\$ -
Capital Projects		112,611
Debt Service		2,026
Fiduciary		4,487
	<u>\$ 119,124</u>	<u>\$ 119,124</u>

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

16. CONTINGENCIES

The School District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School District may be required to reimburse the grantor government.

At June 30, 2016, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District.

17. FLEXIBLE BENEFITS PROGRAM

The School District offers its employees a Flexible Benefits Program. The purpose of the program is to provide a tax incentive for plan participants incurring health premium expenses, dependent care expenses and other medical expenses not covered by other insurance. The School District, who is the plan administrator, has contracted with American Family Life Assurance Company (AFLAC) to act as its agent to furnish reimbursement services. The plan participants redirect a prescribed amount of their gross pay (tax-free) into a reimbursement account and then in-turn submit claims to AFLAC for repayment. Because of Internal Revenue Service regulations, if at the end of any plan year unexpended funds remain, these funds will be forfeited by the participants and returned to the School District.

The following is a summary of School District contributions, employee contributions, reimbursements to the plan participants for benefits paid and the ending balance of the School District's fiduciary fund for the current and prior two years.

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ -	\$ 1,608	\$ 1,658	\$ -
2014-2015	-	804	961	50
2013-2014	5			207

18. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$109,938 in the General Fund as of June 30, 2016 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District can not recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$109,938 is equal to or less than the June state aid payments.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016**

19. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2016, a deficit of \$2,814,398 existed in the Unrestricted Net Position of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Position reported on Exhibited A-1 as follows:

Balances June 30, 2016	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance – Unassigned	\$ (109,938)
Liabilities:	
Accrued Interest Payable	(54,861)
Net Pension Difference	(2,167,973)
Compensated Absences	<u>(481,626)</u>
Unrestricted Net Position (Deficit)	<u>\$ (2,814,398)</u>

20. FUND BALANCES

RESTRICTED

As stated in Note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District’s fund balance are summarized as follows:

General Fund:

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$160,039 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$162,560 of excess fund balance generated during the 2014-2015 fiscal year has been restricted and designated for utilization in the 2016-2017 budget.

Capital Reserve – As of June 30, 2016, the balance in the capital reserve account is \$440,989. Of this amount \$65,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017 and \$375,989 is restricted for future capital outlay expenditures for capital projects in the School District’s approved Long Range Facilities Plan.

Maintenance Reserve Account – As of June 30, 2016, the balance in the maintenance reserve account is \$25,000. Of this amount \$25,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

20. FUND BALANCES (Continued)

ASSIGNED

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2017, \$1,392 of general fund balance at June 30, 2016.

Debt Service Fund:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2017, \$1,574 of debt service fund balance at June 30, 2016

UNASSIGNED

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund – As of June 30, 2016, the fund balance of the general fund was a deficit of \$109,938. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 18).

Capital Projects Fund – As of June 30, 2016, \$96,637 of capital projects fund balance was unassigned.

Debt Service Fund – As of June 30, 2016, \$438,384 of debt service fund balance was unassigned.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 6,801,973	\$ -	\$ 6,801,973	\$ 6,801,973	\$ -
Tuition from other LEA's within state	17,000	-	17,000	20,920	3,920
Other restricted miscellaneous revenue	25,000	-	25,000	25,000	-
Unrestricted miscellaneous revenue	15,500	-	15,500	15,142	(358)
Total local sources	6,859,473	-	6,859,473	6,863,035	3,562
State sources:					
Categorical Special Education aid	488,215	-	488,215	488,215	-
Equalization aid	2,999,343	-	2,999,343	2,999,343	-
Categorical Security Aid	33,172	-	33,172	33,172	-
Transportation Aid	49,114	-	49,114	49,114	-
Under Adequacy Aid	77,184	-	77,184	77,184	-
PARCC Readiness Aid	8,790	-	8,790	8,790	-
Per Pupil Growth Aid	8,790	-	8,790	8,790	-
Additional Nonpublic Transportation aid				1,044	1,044
On-behalf TPAF pension contributions (non-budgeted)				428,024	428,024
On-behalf TPAF pension post medical contributions (non-budgeted)				509,659	509,659
Reimbursed TPAF social security contributions (non-budgeted)				369,594	369,594
Total state sources	3,664,608	-	3,664,608	4,972,929	1,308,321
TOTAL REVENUES	10,524,081	-	10,524,081	11,835,964	1,311,883
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	290,100	239	290,339	289,058	1,281
Grades 1-5	1,915,246	(57,510)	1,857,736	1,857,497	239
Grades 6-8	1,259,010	(6,482)	1,252,528	1,251,360	1,168
Total Instruction	3,464,356	(63,753)	3,400,603	3,397,915	2,688
Regular Programs - Home Instruction:					
Salaries of teachers	5,040	3,000	8,040	5,930	2,110
Purchased prof. and educational services	5,000	(5,000)			-
Total Home Instruction	10,040	(2,000)	8,040	5,930	2,110
Regular Programs - Undistributed Instruction:					
Purchased prof. and educational services	77,590	(21,106)	56,484	36,032	20,452
Purchased technical services	5,500	-	5,500	4,050	1,450
Other purchased services	1,850	-	1,850	1,850	-
General supplies	278,022	(4,800)	273,222	238,281	34,941
Textbooks	18,544	-	18,544	3,852	14,692
Total Undistributed Instruction	381,506	(25,906)	355,600	284,065	71,535
Total - Regular Programs - Instruction	3,855,902	(91,659)	3,764,243	3,687,910	76,333
Special Educ Instruction: Learning and/or Lang. Disabilities					
Salaries of teachers	187,895	15,437	203,332	201,582	1,750
Other salaries for instruction	74,603	(14,886)	59,717	59,717	-
Other purchased services	1,000	-	1,000	1,000	-
General Supplies	1,500	(713)	787	787	-
Total Learning and/or Language Disabilities	264,998	(162)	264,836	263,086	1,750

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Multiple Disabilities					
Salaries of teachers	\$ 64,755	\$ 3,113	\$ 67,868	\$ 61,335	\$ 6,533
Other salaries for instruction	43,369	(21,952)	21,417	21,417	-
Other purchased services	400	(400)	-	-	-
General Supplies	2,500	(62)	2,438	2,148	290
Total Multiple Disabilities	<u>111,024</u>	<u>(19,301)</u>	<u>91,723</u>	<u>84,900</u>	<u>6,823</u>
Special Educ Instruction: Resource Room/Resource Center					
Salaries of teachers	662,705	3,852	666,557	664,457	2,100
Other salaries for instruction	11,880	87,594	99,474	99,250	224
Other purchased services	-	1,299	1,299	1,299	-
General Supplies	8,000	(794)	7,206	5,886	1,320
Textbooks	2,000	(2,000)	-	-	-
Total Resource Room/Resource Center	<u>684,585</u>	<u>89,951</u>	<u>774,536</u>	<u>770,892</u>	<u>3,644</u>
Special Educ Instruction: Preschool Disabilities - PT					
Salaries of teachers	58,415	-	58,415	57,446	969
Other salaries for instruction	25,241	(16,372)	8,869	8,869	-
General Supplies	1,500	(476)	1,024	1,024	-
Total Preschool Disabilities - Part-Time	<u>85,156</u>	<u>(16,848)</u>	<u>68,308</u>	<u>67,339</u>	<u>969</u>
Total Special Education - Instruction	<u>1,145,763</u>	<u>53,640</u>	<u>1,199,403</u>	<u>1,186,217</u>	<u>13,186</u>
Basic Skills/Remedial - Instruction					
Salaries of teachers	89,927	(40,527)	49,400	49,400	-
General supplies	500	-	500	431	69
Total Basic Skills/Remedial - Instruction	<u>90,427</u>	<u>(40,527)</u>	<u>49,900</u>	<u>49,831</u>	<u>69</u>
Bilingual Education - Instruction					
Salaries of teachers	20,732	(7,760)	12,972	12,972	-
Total Bilingual Education - Instruction	<u>20,732</u>	<u>(7,760)</u>	<u>12,972</u>	<u>12,972</u>	<u>-</u>
School-Sponsored Cocurricular Act - Inst.					
Salaries	20,143	(3,225)	16,918	16,918	-
Total School-Sponsored Cocurr. Act. - Inst	<u>20,143</u>	<u>(3,225)</u>	<u>16,918</u>	<u>16,918</u>	<u>-</u>
School-Sponsored Athletics - Inst.					
Salaries	52,125	-	52,125	52,125	-
Supplies and materials	5,292	(1,427)	3,865	3,865	-
Other objects	3,942	4,572	8,514	8,514	-
Total School-Sponsored Athletics - Inst	<u>61,359</u>	<u>3,145</u>	<u>64,504</u>	<u>64,504</u>	<u>-</u>
Undistributed Expenditures - Instruction					
Tuition to CSSD & reg. day schools	39,100	(4,000)	35,100	-	35,100
Tuition to priv. sch. for the disabled w/i state	45,000	(1,200)	43,800	-	43,800
Tuition - other	25,696	-	25,696	-	25,696
Total Undistributed Expenditures - Instruction	<u>109,796</u>	<u>(5,200)</u>	<u>104,596</u>	<u>-</u>	<u>104,596</u>
Undistributed Expenditures - Attend. and Social Work					
Salaries	32,152	-	32,152	31,695	457
Total Undistributed Expenditures - Attendance	<u>32,152</u>	<u>-</u>	<u>32,152</u>	<u>31,695</u>	<u>457</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Health Services					
Salaries	\$ 107,634	\$ -	\$ 107,634	\$ 100,748	\$ 6,886
Purchased professional & tech. services	2,250	250	2,500	2,500	-
Supplies and materials	1,800	(250)	1,550	1,277	273
Other objects	250	-	250	-	250
Total Undistributed Expenditures - Health Svcs.	111,934	-	111,934	104,525	7,409
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	121,300	(7,375)	113,925	111,880	2,045
Purchased prof. and educational services	1,850	8,703	10,553	10,553	-
Supplies and Materials	2,300	(1,473)	827	827	-
Total Undst. Expend. - Speech, OT, PT & Related Services	125,450	(145)	125,305	123,260	2,045
Undist. Expend. - Other Supp. Serv. Stud. - Extra. Serv.					
Salaries	53,124	35,898	89,022	88,175	847
Purchased professional & educ. services	119,720	(5,847)	113,873	102,368	11,505
Supplies and Materials	1,000	(322)	678	678	-
Total Undst. Expend. - Other Supp. Serv. Stud. - Extra. Serv.	173,844	29,729	203,573	191,221	12,352
Undist. Expend. - Other Supp. Serv. Stud. - Guidance					
Salaries of other professional staff	58,040	-	58,040	58,040	-
Purchased professional & educ. services	18,720	(9,885)	8,835	6,344	2,491
Supplies and Materials	750	(461)	289	289	-
Total Undst. Expend. - Other Supp. Serv. Stud. - Guidance	77,510	(10,346)	67,164	64,673	2,491
Undist. Expend. - Other Supp. Serv. Stud. - Child Study Teams					
Salaries of other professional staff	144,936	28,952	173,888	173,888	-
Salaries of secretarial and clerical assistants	32,692	-	32,692	32,692	-
Purchased prof. and technical services	98,730	(5,764)	92,966	84,726	8,240
Other purchased prof. and tech. services	2,500	-	2,500	1,066	1,434
Miscellaneous services - workshops	1,810	(1,810)	-	-	-
Supplies and materials	4,500	-	4,500	4,452	48
Other Objects	825	-	825	335	490
Total Undst. Expend. - Other Supp. Serv. Stud. - Child Study Te.	285,993	21,378	307,371	297,159	10,212
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	52,716	30,750	83,466	83,466	-
Salaries of other professional staff	26,600	-	26,600	8,185	18,415
Salaries of secretarial and clerical assistants	33,369	-	33,369	24,413	8,956
Purchased prof. and educational services	21,685	-	21,685	14,173	7,512
Other purchased services	6,290	(5,490)	800	800	-
Supplies and materials	2,650	-	2,650	-	2,650
Workshop	-	5,301	5,301	-	5,301
Other objects	2,020	(1,000)	1,020	200	820
Total Undst. Expend. - Improvement of Instr. Services	145,330	29,561	174,891	130,437	44,454
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	77,666	-	77,666	77,666	-
Purchased professional & tech. services	1,546	-	1,546	-	1,546
Other purchased services (400-500)	35,243	2,851	38,094	38,094	-
Supplies and materials	29,489	(6,851)	22,638	18,000	4,638
Total Undst. Expend. - Educ. Media Serv./Sch. Library	143,944	(4,000)	139,944	133,760	6,184

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Instructional Staff Training Services					
Salaries of other professional staff	\$ 14,443	\$ 5,855	\$ 20,298	\$ 15,393	\$ 4,905
Purchased prof. and educational services	25,645	(5,855)	19,790	7,094	12,696
Other purchased services	2,250	4,000	6,250	6,235	15
Total Undst. Expend. - Educ. Media Serv./Sch. Library	42,338	4,000	46,338	28,722	17,616
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	121,309	9,307	130,616	130,600	16
Legal services	40,000	-	40,000	26,457	13,543
Audit fees	18,600	-	18,600	18,500	100
Architectural/Engineering Fees	7,500	(457)	7,043	7,043	7,043
Other purchased professional services	7,654	9,097	16,751	16,681	70
Purchased technical services	3,480	(1,141)	2,339	899	1,440
Communications / telephone	14,543	2,500	17,043	15,171	1,872
BOE Other purchased services	2,025	-	2,025	692	1,333
Other purchased services	12,737	-	12,737	9,955	2,782
General supplies	3,200	5,000	8,200	4,091	4,109
BOE In-House Training/Meeting Supplies	500	(300)	200	64	136
Miscellaneous expenditures	4,850	700	5,550	5,518	32
BOE Membership Dues and Fees	10,848	(2,900)	7,948	7,494	454
Total Undst. Expend. - Supp. Serv. General Admin.	247,246	21,806	269,052	236,122	32,930
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	200,644	(49,350)	151,294	151,227	67
Salaries of other professional staff	67,185	-	67,185	67,185	-
Salaries of secretarial and clerical assistants	95,050	3,010	98,060	97,633	427
Purchased professional & tech. services	20,424	490	20,914	20,653	261
Other purchased services	2,000	-	2,000	-	2,000
Supplies and materials	2,750	5,500	8,250	7,707	543
Other objects	2,750	-	2,750	2,695	55
Total Undst. Expend. - Supp. Serv. School Admin.	390,803	(40,350)	350,453	347,100	3,353
Undist. Expend. - Central Services					
Salaries	243,456	-	243,456	243,438	18
Purchased professional services	10,363	-	10,363	9,494	869
Supplies and materials	1,872	-	1,872	1,473	399
Miscellaneous expenditures	2,161	-	2,161	1,003	1,158
Total Undst. Expend. - Central Services	257,852	-	257,852	255,408	2,444
Undist. Expend. - Information Technology					
Salaries	58,499	(4,995)	53,504	53,502	2
Purchased technical services	1,270	(163)	1,107	1,107	-
Supplies and materials	1,000	163	1,163	1,163	-
Total Undst. Expend. - Information Technology	60,769	(4,995)	55,774	55,772	2
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	71,000	-	71,000	70,050	950
Cleaning, repair, and maintenance services	51,811	40	51,851	51,851	-
General supplies	14,000	15,960	29,960	28,393	1,567
Total Undst. Expend. - Required Maint. Sch. Facilities	136,811	16,000	152,811	150,294	2,517

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$ 184,330	\$ (112,524)	\$ 71,806	\$ 67,365	\$ 4,441
Salaries of Non-Instructional Aides	102,236	99,794	202,030	181,613	20,417
Purchased professional & tech. services	17,890	(3,821)	14,069	10,479	3,590
Cleaning, repair, and maintenance services	17,000	40	17,040	17,035	5
Other purchased property services	16,644	7,296	23,940	23,940	-
Insurance	68,747	(1,856)	66,891	66,891	-
Miscellaneous Purchased Services	3,349	1,600	4,949	4,306	643
General supplies	28,000	1,856	29,856	28,512	1,344
Energy (heat & electricity)	72,000	-	72,000	50,033	21,967
Other objects	1,000	-	1,000	690	310
Energy (Natural Gas)	78,354	(15,960)	62,394	42,832	19,562
Total Undst. Expend. - Other oper. & Maint. of Plant	589,550	(23,575)	565,975	493,696	72,279
Undist. Expend. - Care & Upkeep of Grounds					
General supplies	3,000	(109)	2,891	1,168	1,723
Total Undst. Expend. - Care & Upkeep of Grounds	3,000	(109)	2,891	1,168	1,723
Undist. Expend. - Security					
Salaries	19,249	(6,229)	13,020	13,020	-
Purchased professional services	-	480	480	350	130
General supplies	2,200	(342)	1,858	1,858	-
Total Undst. Expend. - Security	21,449	(6,091)	15,358	15,228	130
Total Undst. Expend. - Oper. & Maint. of Plant Services	750,810	(13,775)	737,035	660,386	76,649
Undist. Expend. - Student Trans. Services					
Contr. serv. (bet. home & sch.) - vendors	214,666	8,940	223,606	219,077	4,529
Contr. serv. (other than bet. home & sch.) - vendors	29,817	29,700	59,517	52,891	6,626
Contr. serv. (sp ed stds) - vendors	51,677	31,400	83,077	80,049	3,028
Contr. serv. - aid in lieu of payments - nonpublic	9,667	(1,753)	7,914	5,569	2,345
Misc. Purchased Services - Transportation	200	-	200	200	-
Total Undst. Expend. - Student Trans. Services	306,027	68,287	374,314	357,686	16,728
Unallocated Benefits - Employee Benefits					
Social security contributions	152,638	5,371	158,009	158,009	-
Other retirement contributions - PERS	102,509	(6,700)	95,809	95,809	-
Other retirement contributions - regular	6,294	(6,294)	-	-	-
Other retirement contributions - DCRP	-	10,990	10,990	8,690	2,300
Unemployment compensation	28,322	934	29,256	28,976	280
Workmen's compensation	104,427	(6,289)	98,138	91,619	6,519
Health benefits	1,701,083	(712)	1,700,371	1,672,498	27,873
Tuition reimbursement	20,000	(6,864)	13,136	13,136	-
Other employee benefits	52,200	(44,774)	7,426	1,139	6,287
Unused Sick Payment to Terminated/Retired Staff	-	44,774	44,774	44,774	-
Total Unallocated Benefits - Employee Benefits	2,167,473	(9,564)	2,157,909	2,114,650	43,259
On-behalf TPAF pension contributions (non-budgeted)	-	-	-	428,024	(428,024)
On-behalf TPAF pension Post Medical contributions (non-budgeted)	-	-	-	509,659	(509,659)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	369,594	(369,594)
Total Undistributed Expenditures - TPAF	-	-	-	1,307,277	(1,307,277)
Total Undistributed Expenditures	5,429,271	86,386	5,515,657	6,439,753	(924,096)
Total General Current Expense	10,623,597	-	10,623,597	11,458,105	(834,508)

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Undistributed - Instruction	68,477	(54,185)	14,292	14,292	-
Undistributed - Educational/Media Services		21,099	21,099	17,641	3,458
Undistributed - General Administration		14,854	14,854	14,854	-
Undistributed - School Administration		10,232	10,232	10,232	-
Undistributed - Central Services		8,000	8,000	8,000	-
Total Equipment	68,477	-	68,477	65,019	3,458
Facilities Acquisition and Construction Services:					
Construction services	107,000	-	107,000	60,761	46,239
Assessment for debt service on SDA funding	35,770	-	35,770	35,770	-
Total Facilities Acquisition and Construction Services	142,770	-	142,770	96,531	46,239
Assets acquired under capital leases (non-budgeted):					
Equipment					
Instructional	\$ -	\$ -	\$ -	\$ 59,242	\$ (59,242)
Total Facilities Acquisition and Construction Services				59,242	(59,242)
Total Capital Outlay	211,247	-	211,247	220,792	(9,545)
Total Expenditures	10,834,844	-	10,834,844	11,678,897	(844,053)
Other Financing Sources (Uses):					
Proceeds of Capital Lease				59,242	59,242
Total Other Financing Sources				59,242	59,242
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(310,763)	-	(310,763)	216,309	527,072
Fund Balance, July 1	824,715		824,715	824,715	
Fund Balance, June 30	\$ 513,952	\$ -	\$ 513,952	\$ 1,041,024	\$ 527,072
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 162,560	
Reserve for Excess Surplus				160,039	
Capital Reserve				440,989	
Maintenance Reserve				25,000	
Unassigned Fund Balance					
Unreserved Designated for Subsequent Year's Expenditures				1,392	
Unreserved				251,044	
				1,041,024	
Last State Aid Payments not Recognized on a GAAP Basis				(360,982)	
Fund Balance per Governmental Funds (GAAP)				\$ 680,042	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BERLIN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State sources	\$ 266,759	\$ 8,647	\$ 275,406	\$ 169,253	\$ (106,153)
Federal sources	320,381	8,553	328,934	328,934	
Total revenues	587,140	17,200	604,340	498,187	(106,153)
EXPENDITURES:					
Instruction:					
Salaries of teachers	52,397	(49)	52,348	52,348	-
Other salaries for instruction	43,536	8,378	51,914	51,914	-
Reading Specialist	28,445	-	28,445	28,445	-
Purchased professional - tech. services	142,480	1,054	143,534	77,340	66,194
Other purchased services	100,703	(25,703)	75,000	75,000	-
General supplies	5,320	6,961	12,281	12,281	-
Textbooks	13,076	-	13,076	13,076	-
Total instruction	385,957	(9,359)	376,598	310,404	66,194
Support services:					
Other salaries for instruction	1,050	-	1,050	1,050	-
Personal services-employee benefits	12,100	-	12,100	12,100	-
Purchased prof. and educational services	6,704	-	6,704	6,704	-
Purchased professional and technical services	161,099	21,959	183,058	143,099	39,959
Other purchased services (400-500)	18,979	(403)	18,576	18,576	-
Supplies and materials	1,251	5,003	6,254	6,254	-
Total support services	201,183	26,559	227,742	187,783	39,959
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Total facilities acq. and const. services	-	-	-	-	-
Total expenditures	587,140	17,200	604,340	498,187	106,153
Total outflows	587,140	17,200	604,340	498,187	106,153
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -

Berlin Borough School District
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2016

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures**

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 11,835,964	\$ 498,187
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	358,472	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(360,982)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 11,833,454	\$ 498,187
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 11,619,655	\$ 498,187
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 11,619,655	\$ 498,187

Required Supplementary Information - Part III
Schedules Related to Accounting and Reporting
For Pensions (GASB 68)

BERLIN BOROUGH SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0111440567%	0.0109075174%	0.0116049596%
District's proportionate share of the net pension liability (asset)	\$ 2,501,617	\$ 2,042,186	\$ 2,217,938
District's covered-employee payroll	800,775	773,750	769,212
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	312.40%	263.93%	288.34%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%	40.71%

This schedule does not contain ten years of information as GASB 68 was implemented during the fiscal year ended June 30, 2015.

BERLIN BOROUGH SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Contributions
Public Employees Retirement System
Last Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 99,858	\$ 95,809	\$ 89,920
Contributions in relation to the contractually required contributions	<u>(99,858)</u>	<u>(95,809)</u>	<u>(89,920)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 800,775	\$ 773,750	\$ 769,212
Contributions as a percentage of covered-employee payroll	12.47%	12.38%	11.69%

This schedule does not contain ten years of information as GASB 68 was implemented during the fiscal year ended June 30, 2015.

BERLIN BOROUGH SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
Last Three Fiscal Years

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0540468402%	0.0513431786%	0.0470913516%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 34,159,911</u>	<u>\$ 27,441,258</u>	<u>\$ 23,799,599</u>
Total	<u><u>\$ 34,159,911</u></u>	<u><u>\$ 27,441,258</u></u>	<u><u>\$ 23,799,599</u></u>
District's covered-employee payroll	\$ 5,187,746	\$ 5,308,697	\$ 5,277,559
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%

This schedule does not contain ten years of information as GASB 68 was implemented during the fiscal year ended June 30, 2015.

Berlin Borough School District
Notes to Required Supplementary Information
Pension Schedules
For the Fiscal Year Ended June 30, 2016

1. Teacher's Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Changes of assumptions: Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

2. Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Other Supplementary Information

Special Revenue Fund

BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2016

	Brought Forward (Exh. E-1B)	Brought Forward (Exh. E-1C)	Total
REVENUES:			
Local sources			
State sources	\$ 129,613	\$ 39,640	\$ 169,253
Federal sources		328,934	328,934
Total Revenues	129,613	368,574	498,187
EXPENDITURES:			
Instruction:			
Salaries of teachers		52,348	52,348
Other salaries for instruction		51,914	51,914
Reading Specialist		28,445	28,445
Purchased professional and technical services	77,340		77,340
Other purchased services		75,000	75,000
General supplies		12,281	12,281
Textbooks		13,076	13,076
Total instruction	77,340	233,064	310,404
Support services:			
Other salaries for instruction		1,050	1,050
Personal services-employee benefits		12,100	12,100
Purchased prof. and educational services		6,704	6,704
Purchased professional and technical services	52,273	90,826	143,099
Other purchased services (400-500)		18,576	18,576
Supplies and materials		6,254	6,254
Total support services	52,273	135,510	187,783
Facilities acquisition and const. serv.:			
Instructional equipment			
Non-instructional equipment			
Total facilities acquisition and const. serv.:			
Total Expenditures	129,613	368,574	498,187
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -

BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2016

	<u>Chapter 192 - Auxillary Services</u>		<u>Chapter 193 - Handicapped Services</u>			<u>Municipal Alliance</u>	<u>Nonpublic Security</u>	<u>Carried Forward (Exh. E-1A)</u>
	<u>Comp. Education</u>	<u>Transportation</u>	<u>Corrective Speech</u>	<u>Suppl. Instruction</u>	<u>Exam & Classification</u>			
REVENUES:								
State sources	\$ 70,895	\$ 3,800	\$ 12,373	\$ 13,217	\$ 20,958	\$ 2,645	\$ 5,725	\$ 129,613
Federal sources								
Total Revenues	<u>70,895</u>	<u>3,800</u>	<u>12,373</u>	<u>13,217</u>	<u>20,958</u>	<u>2,645</u>	<u>5,725</u>	<u>129,613</u>
EXPENDITURES:								
Instruction:								
Salaries of teachers								
Other salaries for instruction								
Reading Specialist								
Purchased professional and technical services	70,895	3,800				2,645		77,340
Other purchased services								
General supplies								
Textbooks								
Total instruction	<u>70,895</u>	<u>3,800</u>				<u>2,645</u>		<u>77,340</u>
Support services:								
Other salaries for instruction								
Personal services-employee benefits								
Purchased prof. and educational services								
Purchased professional and technical services			12,373	13,217	20,958		5,725	52,273
Other purchased services (400-500)								
Supplies and materials								
Total support services			<u>12,373</u>	<u>13,217</u>	<u>20,958</u>		<u>5,725</u>	<u>52,273</u>
Facilities acquisition and const. serv.:								
Instructional equipment								
Non-instructional equipment								
Total facilities acquisition and const. serv.:								
Total Expenditures	<u>70,895</u>	<u>3,800</u>	<u>12,373</u>	<u>13,217</u>	<u>20,958</u>	<u>2,645</u>	<u>5,725</u>	<u>129,613</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2016**

	No Child Left Behind (N.C.L.B.)		IDEA				Totals	
	Title I Current Yr.	Title II - Part A Current Yr.	Basic Current Yr.	Preschool Current Yr.	Nonpublic Textbook	Nonpublic Nursing		Nonpublic Technology
REVENUES:								
State sources	\$ -	\$ -	\$ -	\$ -	\$ 13,076	\$ 20,610	\$ 5,954	\$ 39,640
Federal sources	87,384	18,493	214,455	8,602				328,934
Total Revenues	87,384	18,493	214,455	8,602	13,076	20,610	5,954	368,574
EXPENDITURES:								
Instruction:								
Salaries of teachers	46,539	5,809						52,348
Other salaries for instruction			43,312	8,602				51,914
Reading Specialist	28,445							28,445
Purchased professional and technical services								-
Other purchased services			75,000					75,000
General supplies			6,327				5,954	12,281
Textbooks					13,076			13,076
Total instruction	74,984	5,809	124,639	8,602	13,076		5,954	233,064
Support services:								
Substitutes		1,050						1,050
Personal services-employee benefits	12,100							12,100
Purchased prof and educational services	160	6,544						6,704
Purchased professional and technical services			70,216			20,610		90,826
Other purchased services (400-500)		3,976	14,600					18,576
Travel								-
Supplies and materials	140	1,114	5,000					6,254
Total support services	12,400	12,684	89,816			20,610		135,510
Facilities acquisition and const. serv.:								
Instructional equipment								
Non-instructional equipment								
Total facilities acquisition and const. serv.:								
Total Expenditures	87,384	18,493	214,455	8,602	13,076	20,610	5,954	368,574
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Capital Projects Fund

**BERLIN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year ended June 30, 2016**

Revenues and Other Financing Sources:

Interest earned on investments	\$	-
State sources - SDA Grant		
Transfer from Capital Reserve		
		-
Total revenues and other financing sources		-

Expenditures and Other Financing (Uses):

Purchased professional and technical services		
Construction services		
Transfer to Debt Service Fund		
Transfer to General Fund		
		-
Total expenditures and other financing (uses)		-

Excess (deficiency) or revenues over (under) expenditures

Fund Balance - July 1, 2015		96,637
Fund Balance - June 30, 2016		\$ 96,637

BERLIN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Statement of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
Roof Replacement to Berlin Community School
From Inception and for the Fiscal Year ended June 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Costs
Revenues and Other Financing Sources:				
State sources - SDA Grant	\$ 204,000	\$ -	\$ 204,000	\$ 204,000
Transfer from capital reserve	306,000		306,000	306,000
Total revenues	510,000		510,000	510,000
Expenditures and Other Financing Uses:				
Purchased professional and technical services	2,410		2,410	2,410
Construction services	410,953		410,953	410,953
	413,363		413,363	413,363
 Excess (deficiency) or revenues over (under) expenditures	 \$ 96,637	 \$ -	 \$ 96,637	 \$ 96,637
Additional project information:				
Project Number	0330-020-10-GOAJ			
Grant Date	08/01/11			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 510,000			
Additional Authorized Cost				
Revised Authorized Cost	\$ 510,000			
 Percentage Increase over Original Authorized Cost	 0.00%			
Percentage Completion	100.00%			
Original target completion date	06/30/12			
Revised target completion date	N/A			

Proprietary Funds

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2016

	<u>Food Service</u>	<u>Community Education and Recreation</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 122,566	\$ 235,455	\$ 358,021
Accounts receivable:			
State	190		190
Federal	5,091		5,091
Inventories	<u>5,507</u>		<u>5,507</u>
Total current assets	<u>133,354</u>	<u>235,455</u>	<u>368,809</u>
Fixed assets:			
Equipment	92,451		92,451
Less Accumulated depreciation	<u>(75,693)</u>		<u>(75,693)</u>
Total fixed assets	<u>16,758</u>		<u>16,758</u>
Total assets	<u>\$ 150,112</u>	<u>\$ 235,455</u>	<u>\$ 385,567</u>
LIABILITIES:			
Current liabilities:			
Unearned revenue	<u>\$ 3,995</u>	<u>\$ 4,800</u>	<u>\$ 8,795</u>
Total current liabilities	<u>3,995</u>	<u>4,800</u>	<u>8,795</u>
NET POSITION:			
Net investment in capital assets	16,758		16,758
Unrestricted	<u>129,359</u>	<u>230,655</u>	<u>360,014</u>
Total net position	<u>\$ 146,117</u>	<u>\$ 230,655</u>	<u>\$ 376,772</u>

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Comparative Statement of Revenues, Expenses and Changes in Net Position
for the Fiscal Year ended June 30, 2016

	Food Service	Community Education and Recreation	Total
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	\$ 101,691	\$ -	\$ 101,691
Total-daily sales-reimbursable programs	101,691		101,691
Daily sales non-reimbursable programs	61,500		61,500
Program Fees		345,380	345,380
Total operating revenue	163,191	345,380	508,571
OPERATING EXPENSES:			
Salaries	91,411	199,050	290,461
Supplies and materials	9,576	14,843	24,419
Depreciation	4,592		4,592
Purchased services	15,655	20,753	36,408
Cost of Sales - reimbursable programs	67,469		67,469
Cost of Sales - non-reimbursable programs	40,803		40,803
Miscellaneous	1,196	42,898	44,094
Direct Expenses	2,518		2,518
Repairs and maintenance	8,496		8,496
Other	3,890	13,518	17,408
Total operating expenses	245,606	291,062	536,668
Operating income (loss)	(82,415)	54,318	(28,097)
Non-operating revenues:			
State sources:			
State school lunch program	2,592		2,592
Federal sources:			
National school lunch program	68,994		68,994
National school breakfast program	5,244		5,244
U.S.D.A. commodities	22,683		22,683
Total non-operating revenues	99,513		99,513
Net income (loss)	17,098	54,318	71,416
Net position - July 1	129,019	176,337	305,356
Net position - June 30	\$ 146,117	\$ 230,655	\$ 376,772

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2016

	Food Service	Community Education and Recreation	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 163,305	\$ 436,980	\$ 600,285
Cash payments to employees for services	(91,411)	(199,050)	(290,461)
Cash payments to suppliers for goods and services	(123,941)	(186,012)	(309,953)
Net cash used by operating activities	(52,047)	51,918	(129)
Cash flows from noncapital financing activities:			
Cash received from state and federal reimbursements	78,234		78,234
Net cash provided by noncapital financing activities	78,234		78,234
Cash flows from capital financing activities:			
Purchases of fixed assets			
Net cash used by capital financing activities			
Cash flows from investing activities:			
Interest on investments			
Net cash provided by investing activities			
Net increase (decrease) in cash and cash equivalents	26,187	51,918	78,105
Cash and cash equivalents, July 1	96,379	183,537	279,916
Cash and cash equivalents, June 30	\$ 122,566	\$ 235,455	\$ 358,021
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (82,415)	\$ 54,318	\$ (28,097)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	4,592		4,592
Federal commodities	22,683		22,683
Change in assets and liabilities:			
(Increase)/decrease in receivables			
(Increase)/decrease in inventory	2,979		2,979
Increase/(decrease) in unearned revenue	114	(2,400)	(2,286)
Increase/(decrease) in accounts payable			
Net cash used by operating activities	\$ (52,047)	\$ 51,918	\$ (129)

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services
Statement of Net Position
as of June 30, 2016

	Internal Service Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ -
Inventories	-
Total current assets	-
 Total assets	\$ -
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ -
Interfund payable	-
Total current liabilities	-
 Net Position:	
Unrestricted	-
 Total Net Position	\$ -

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services

Comparative Statement of Revenues, Expenses and Changes in Net Position
for the Fiscal Year ended June 30, 2016

	Internal Service Fund
OPERATING REVENUES:	
Local sources:	
Program revenues	\$ 93,431
Total operating revenue	93,431
OPERATING EXPENSES:	
Salaries	93,431
Total operating expenses	93,431
Operating income (loss)	
Net income (loss)	
Net Position - July 1	
Net Position - June 30	\$ -

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services
Statement of Cash Flows
for the Fiscal Year ended June 30, 2016

	<u>Internal Service Fund</u>
Cash flows from operating activities:	
Cash receipts from customers	\$ 93,431
Cash payments to employees for services	(93,431)
Cash payments to suppliers for goods and services	<u> </u>
Net cash used by operating activities	<u> </u>
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents, July 1	<u> </u>
Cash and cash equivalents, June 30	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ -
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Change in assets and liabilities:	
(Increase)/decrease in inventory	
Increase(decrease) in accounts payable	<u> </u>
Net cash used by operating activities	<u><u>\$ -</u></u>

Fiduciary Funds

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
 Combining Statement of Net Position
 June 30, 2016

	Agency Funds		Employee Benefits Trust Funds		Total
	Student Activity	Payroll	Flexible Spending Account	Unemployment Compensation Insurance Fund	
ASSETS:					
Cash and cash equivalents	\$ 68,114	\$ 33,481	\$ 4,487	\$ 4,693	\$ 110,775
Interfund receivable					
TOTAL ASSETS	\$ 68,114	\$ 33,481	\$ 4,487	\$ 4,693	\$ 110,775
LIABILITIES:					
LIABILITIES:					
Interfund payable	\$ -	\$ -	\$ 4,487	\$ -	\$ 4,487
Payroll deductions and withholdings		33,481			33,481
Due to student groups	68,114				68,114
Total liabilities	68,114	33,481	4,487		106,082
NET POSITION:					
Reserved for unemployment claims				4,693	4,693
Reserved for flexible benefits					
Total net position	\$ -	\$ -	\$ -	\$ 4,693	\$ 4,693

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
for the Fiscal Years ended June 30, 2016

	Employee Benefits Trust Funds		Total
	Flexible Benefits Program	Unemployment Compensation Fund	
REVENUES:			
Local sources:			
Employee Contributions	\$ 1,608	\$ -	\$ 1,608
Interest on Investments			-
Total Revenues	<u>1,608</u>	<u>-</u>	<u>1,608</u>
EXPENDITURES:			
Current Expense:			
Undistributed Expenditures:			
Transfer to General Fund			
Payment of Flexible Benefits	1,658		1,658
Unemployment claims		309	309
Total Expenditures	<u>1,658</u>	<u>309</u>	<u>1,967</u>
Excess (deficiency) of revenues over (under) expenditures	(50)	(309)	(359)
Net Position - July 1	<u>50</u>	<u>5,002</u>	<u>5,052</u>
Net Position - June 30	<u>\$ -</u>	<u>\$ 4,693</u>	<u>\$ 4,693</u>

BERLIN BOROUGH SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable June 30, 2016</u>	<u>Balance June 30, 2016</u>
Elementary School	<u>\$ 72,610</u>	<u>\$ 133,372</u>	<u>\$ 137,868</u>	<u>\$ -</u>	<u>\$ 68,114</u>
Total	<u><u>\$ 72,610</u></u>	<u><u>\$ 133,372</u></u>	<u><u>\$ 137,868</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 68,114</u></u>

BERLIN BOROUGH SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
ASSETS:				
Cash and cash equivalents	\$ 24,449	\$ 9,338,361	\$ 9,329,329	\$ 33,481
Total assets	<u>\$ 24,449</u>	<u>\$ 9,338,361</u>	<u>\$ 9,329,329</u>	<u>\$ 33,481</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 24,449	\$ 4,891,857	\$ 4,882,825	\$ 33,481
Net payroll		<u>4,446,504</u>	<u>4,446,504</u>	
Total liabilities	<u>\$ 24,449</u>	<u>\$ 9,338,361</u>	<u>\$ 9,329,329</u>	<u>\$ 33,481</u>

Long-Term Debt Schedules

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Serial Bonds
 June 30, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
			Date	Amount					
School Refunding Bonds	9/1/11	\$ 3,660,000	03/01/17	\$ 215,000	2.000%	\$ 3,085,000	\$ -	\$ 205,000	\$ 2,880,000
			03/01/18	230,000	2.250%				
			03/01/19	485,000	2.500%				
			03/01/20	475,000	5.000%				
			03/01/21	485,000	5.000%				
			03/01/22	495,000	5.000%				
			03/01/23	495,000	5.000%				
Total						<u>\$ 3,085,000</u>	<u>\$ -</u>	<u>\$ 205,000</u>	<u>\$ 2,880,000</u>

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Certificates of Participation Payable
June 30, 2016

<u>Purpose</u>	<u>Amount of Original Issue</u>	<u>Annual Maturities</u>		<u>Rate of Interest</u>	<u>Balance July 1, 2015</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2016</u>
		<u>Date</u>	<u>Amount</u>					
Various Capital Improvements	\$ 5,575,000	02/01/17	\$ 405,000	4.410%	\$ 1,210,000	\$ -	\$ 385,000	\$ 825,000
		02/01/18	420,000					
					<u>\$ 1,210,000</u>	<u>\$ -</u>	<u>\$ 385,000</u>	<u>\$ 825,000</u>

BERLIN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 615,236	\$ -	\$ 615,236	\$ 615,236	\$ -
Miscellaneous	3,601		3,601	602	
Total revenues - local sources	<u>618,837</u>		<u>618,837</u>	<u>615,838</u>	
State sources:					
Debt service aid type II	148,197		148,197	148,197	
Total revenues - state sources	<u>148,197</u>		<u>148,197</u>	<u>148,197</u>	
Total Revenues	<u>767,034</u>		<u>767,034</u>	<u>764,035</u>	
EXPENDITURES:					
Regular debt service:					
Princ. payments - Comm. Appr. Lease Purchase Agrm.	385,000		385,000	385,000	-
Interest for Comm. Appr. Lease Purchase Agrm.	53,361		53,361	53,361	-
Redemption of principal	205,000		205,000	205,000	-
Interest on bonds	125,250		125,250	125,250	-
Total Expenditures	<u>768,611</u>		<u>768,611</u>	<u>768,611</u>	
Excess (Deficiency) of revenues over (under) expenditures	(1,577)		(1,577)	(4,576)	
Other Financing Sources:					
Operating Transfer In - Capital Projects				441,383	441,383
Total Other Financing Sources				<u>441,383</u>	<u>441,383</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(1,577)		(1,577)	436,807	441,383
Fund Balances, July 1	<u>3,151</u>		<u>3,151</u>	<u>3,151</u>	
Fund Balances, June 30	<u>\$ 1,574</u>	<u>\$ -</u>	<u>\$ 1,574</u>	<u>\$ 439,958</u>	<u>\$ 441,383</u>

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Obligations Under Capital Leases
 June 30, 2016

Purpose	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2015	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2016
Telephone System	5.70%	\$ 74,240	\$ 11,995	\$ -	\$ 11,995	\$ -
Computer Equipment	6.00%	40,487	26,195		12,715	13,480
Computer Equipment	6.91%	31,377	20,190		9,748	10,442
Computer Equipment	3.49%	217,799	165,177		22,482	142,695
Computer Equipment	2.99%	59,242		59,242	20,332	38,910
			<u>\$ 223,557</u>	<u>\$ 59,242</u>	<u>\$ 77,272</u>	<u>\$ 205,527</u>

Statistical Section

**Berlin Borough School District
Net Position by Component,
Last Ten Fiscal Years**
(accrual basis of accounting)

Exhibit J-1

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 630,791	\$ 208,209	\$ (210,130)	\$ (602,224)	\$ (862,909)	\$ (793,335)	\$ (832,748)	\$ (1,177,849)	\$ (868,697)	\$ (789,369)
Restricted for:										
Capital projects	4,649	317	-	175,000	406,000	596,637	526,637	264,637	278,637	537,626
Special revenue	(650)	(650)	-	-	-	-	-	-	-	-
Debt service	333,093	327,013	320,374	343,954	356,148	466,671	469,995	446,561	444,534	439,958
Other purposes	239,043	313,623	229,932	72,212	206,532	508,977	571,684	501,607	391,323	348,991
Unrestricted	(446,730)	(449,681)	(566,635)	(667,888)	(449,121)	(635,002)	(622,403)	(632,534)	(2,786,706)	(2,814,398)
Total governmental activities net position	\$ 760,196	\$ 398,831	\$ (226,459)	\$ (678,946)	\$ (343,350)	\$ 143,948	\$ 113,165	\$ (597,578)	\$ (2,540,909)	\$ (2,277,192)
Business-type activities:										
Net investment in capital assets	\$ 50,858	\$ 51,075	\$ 44,732	\$ 38,386	\$ 32,041	\$ 29,773	\$ 23,992	\$ 18,983	\$ 21,350	\$ 16,758
Unrestricted	130,332	142,129	145,504	165,340	167,256	167,205	198,943	205,273	284,006	360,014
Total business-type activities net position	\$ 181,190	\$ 193,204	\$ 190,236	\$ 203,726	\$ 199,297	\$ 196,978	\$ 222,935	\$ 224,256	\$ 305,356	\$ 376,772
District-wide:										
Net investment in capital assets	\$ 681,649	\$ 259,284	\$ (165,398)	\$ (563,838)	\$ (830,868)	\$ (763,562)	\$ (808,756)	\$ (1,158,866)	\$ (847,347)	\$ (772,611)
Restricted:										
Capital projects	4,649	317	-	175,000	406,000	596,637	526,637	264,637	278,637	537,626
Special revenue	(650)	(650)	-	-	-	-	-	-	-	-
Debt service	333,093	327,013	320,374	343,954	356,148	466,671	469,995	446,561	444,534	439,958
Other purposes	239,043	313,623	229,932	72,212	206,532	508,977	571,684	501,607	391,323	348,991
Unrestricted	(316,398)	(307,552)	(421,131)	(502,548)	(281,865)	(467,797)	(423,460)	(427,261)	(2,502,700)	(2,454,384)
Total district net position	\$ 941,386	\$ 592,035	\$ (36,223)	\$ (475,220)	\$ (144,053)	\$ 340,926	\$ 336,100	\$ (373,322)	\$ (2,235,553)	\$ (1,900,420)

Berlin Borough School District
 Changes in Net Position, Last Ten Fiscal Years
 (accrual basis of accounting)

Exhibit J-2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 5,355,894	\$ 3,704,118	\$ 3,883,630	\$ 4,241,895	\$ 3,377,214	\$ 3,487,154	\$ 3,500,106	\$ 3,549,507	\$ 3,875,837	\$ 3,862,378
Special education	1,157,041	1,289,585	1,396,905	1,550,853	1,437,144	1,496,000	1,568,940	1,543,466	1,341,585	1,319,458
Other instruction	91,656	116,626	145,580	169,133	140,315	148,704	174,973	185,917	158,996	144,225
Support Services:										
Tuition	344,161	240,091	460,011	450,951	229,109	137,383	104,984	114,569	103,224	-
Student & instruction related services	931,786	999,962	909,601	1,064,281	687,036	828,595	923,850	1,180,791	1,165,228	1,293,235
School administrative services	336,755	324,618	354,355	347,323	385,283	370,855	382,264	394,340	398,476	347,100
General and business administrative services	863,005	665,292	685,839	641,951	497,590	535,947	631,708	565,355	658,730	577,735
Plant operations and maintenance	827,676	783,402	1,001,043	775,308	1,378,566	1,359,315	1,400,417	2,145,263	1,062,805	1,244,194
Pupil transportation	516,922	432,637	446,822	448,985	287,509	261,511	281,930	308,691	328,177	357,586
Unallocated employee benefits	2,204,580	2,359,167	2,160,811	2,201,183	2,334,798	2,435,053	2,771,379	2,801,185	3,174,865	3,467,551
Charter School							7,678	-	-	-
Interest on long-term debt	367,506	352,435	336,328	308,282	301,275	355,765	234,381	212,732	192,129	169,488
Unallocated depreciation	169,388	52,517	53,614	53,614	49,743	105,208	70,455	75,494	59,628	49,009
Total governmental activities expenses	13,166,370	11,320,450	11,834,539	12,253,759	11,085,582	11,521,490	12,053,065	13,077,310	12,519,680	12,831,959
Business-type activities:										
Community Education	247,905	246,324	261,459	225,590	236,083	251,330	266,191	255,403	239,573	291,062
Food service	216,367	231,605	239,154	263,892	260,347	278,940	284,424	285,609	258,512	245,606
Shared Services	-	-	49,915	60,649	148,214	145,725	124,204	126,991	109,833	93,431
Total business-type activities expense	464,272	477,929	550,528	550,131	644,644	675,995	674,819	668,003	607,918	630,099
Total district expenses	\$ 13,630,642	\$ 11,798,379	\$ 12,385,067	\$ 12,803,890	\$ 11,730,226	\$ 12,197,485	\$ 12,727,884	\$ 13,745,313	\$ 13,127,598	\$ 13,462,058
Program Revenues:										
Governmental activities:										
Operating grants and contributions	1,620,654	1,691,736	1,339,322	1,670,910	1,319,567	1,629,606	1,614,390	1,598,477	1,783,508	1,953,661
Total governmental activities program revenues	1,620,654	1,691,736	1,339,322	1,670,910	1,319,567	1,629,606	1,614,390	1,598,477	1,783,508	1,953,661

(Continued)

Berlin Borough School District
 Changes in Net Position, Last Ten Fiscal Years
 (accrual basis of accounting)

Exhibit J-2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Community education	\$ 229,719	\$ 246,459	\$ 245,682	\$ 223,777	\$ 235,668	\$ 251,773	\$ 297,708	\$ 275,715	\$ 288,864	\$ 345,380
Food service	160,467	168,502	180,550	188,135	178,237	174,772	168,366	161,546	174,818	163,191
Shared Services			49,915	60,649	148,214	145,725	124,204	126,991	109,833	93,431
Operating grants and contributions	64,544	65,492	70,987	90,814	77,899	101,277	110,374	104,941	115,503	99,513
Capital grants and contributions										
Total business type activities program revenues	<u>454,730</u>	<u>480,453</u>	<u>547,134</u>	<u>563,375</u>	<u>640,018</u>	<u>673,547</u>	<u>700,652</u>	<u>669,193</u>	<u>689,018</u>	<u>701,515</u>
Total district program revenues	<u>\$ 2,075,384</u>	<u>\$ 2,172,189</u>	<u>\$ 1,886,456</u>	<u>\$ 2,234,285</u>	<u>\$ 1,959,585</u>	<u>\$ 2,303,153</u>	<u>\$ 2,315,042</u>	<u>\$ 2,267,670</u>	<u>\$ 2,472,526</u>	<u>\$ 2,655,176</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (11,545,716)	\$ (9,628,714)	\$ (10,495,217)	\$ (10,582,849)	\$ (9,766,015)	\$ (9,891,884)	\$ (10,438,675)	\$ (11,478,833)	\$ (10,736,172)	\$ (10,878,298)
Business-type activities	(9,542)	2,524	(3,394)	13,244	(4,626)	(2,448)	25,833	1,190	81,100	71,416
Total district-wide net expense	<u>\$ (11,555,258)</u>	<u>\$ (9,626,190)</u>	<u>\$ (10,498,611)</u>	<u>\$ (10,569,605)</u>	<u>\$ (9,770,641)</u>	<u>\$ (9,894,332)</u>	<u>\$ (10,412,842)</u>	<u>\$ (11,477,643)</u>	<u>\$ (10,655,072)</u>	<u>\$ (10,806,882)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 5,332,390	\$ 5,708,340	\$ 5,888,340	\$ 5,926,097	\$ 6,163,141	\$ 6,212,099	\$ 6,336,341	\$ 6,463,068	\$ 6,608,384	\$ 6,801,973
Taxes levied for debt service	551,723	555,735	575,687	596,348	629,870	620,899	615,088	589,954	618,685	615,236
Unrestricted grants and contributions	2,720,526	2,914,914	3,348,044	3,535,439	3,218,500	3,482,000	3,544,238	3,642,543	3,664,322	3,663,142
Tuition	-	6,757	13,509	20,652	46,328	13,951	509	16,988	-	-
Investment earnings	21,043	29,501	6,388	3,222	7,843	1,551	5,181	1,233	1,574	602
Miscellaneous income	54,482	52,102	37,959	48,604	35,929	48,682	14,335	54,304	30,373	61,062
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>8,680,164</u>	<u>9,267,349</u>	<u>9,869,927</u>	<u>10,130,362</u>	<u>10,101,611</u>	<u>10,379,182</u>	<u>10,515,692</u>	<u>10,768,090</u>	<u>10,923,338</u>	<u>11,142,015</u>
Business-type activities:										
Investment earnings	1,864	1,378	426	246	197	129	124	131	-	-
Miscellaneous income	-	8,112	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>1,864</u>	<u>9,490</u>	<u>426</u>	<u>246</u>	<u>197</u>	<u>129</u>	<u>124</u>	<u>131</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 8,682,028</u>	<u>\$ 9,276,839</u>	<u>\$ 9,870,353</u>	<u>\$ 10,130,608</u>	<u>\$ 10,101,808</u>	<u>\$ 10,379,311</u>	<u>\$ 10,515,816</u>	<u>\$ 10,768,221</u>	<u>\$ 10,923,338</u>	<u>\$ 11,142,015</u>
Change in Net Position:										
Governmental activities	\$ (2,865,552)	\$ (361,365)	\$ (625,290)	\$ (452,487)	\$ 335,596	\$ 487,298	\$ 77,017	\$ (710,743)	\$ 187,166	\$ 263,717
Business-type activities	(7,678)	12,014	(2,968)	13,490	(4,429)	(2,319)	25,957	1,321	81,100	71,416
Total district-wide	<u>\$ (2,873,230)</u>	<u>\$ (349,351)</u>	<u>\$ (628,258)</u>	<u>\$ (438,997)</u>	<u>\$ 331,167</u>	<u>\$ 484,979</u>	<u>\$ 102,974</u>	<u>\$ (709,422)</u>	<u>\$ 268,266</u>	<u>\$ 335,133</u>

Berlin Borough School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-3

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 239,043	\$ 313,623	\$ 229,932	\$ 247,212	\$ 612,532	\$ 1,008,977	\$ 1,001,684	\$ 669,607	\$ 573,323	\$ 788,588
Unassigned	119,648	128,247	(67,703)	(164,618)	(40,764)	(50,213)	(84,359)	(105,104)	(107,080)	(109,938)
Total general fund	<u>\$ 358,691</u>	<u>\$ 441,870</u>	<u>\$ 162,229</u>	<u>\$ 82,594</u>	<u>\$ 571,768</u>	<u>\$ 958,764</u>	<u>\$ 917,325</u>	<u>\$ 564,503</u>	<u>\$ 466,243</u>	<u>\$ 678,650</u>
All Other Governmental Funds										
Reserved:										
Debt service reserve	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ -
Unreserved, reported in:										
Special revenue fund	(650)	(650)								
Capital projects fund	4,649	317				96,637	96,637	96,637	96,637	96,637
Debt service fund	76		(589)	5,182	277	25,011	3,601	1,577	1,574	438,384
Designated for subsequent year's expenditures	24,927	12,712			10,542	277	25,011	3,601	1,577	2,966
Total all other governmental funds	<u>\$ 470,385</u>	<u>\$ 453,762</u>	<u>\$ 440,794</u>	<u>\$ 446,565</u>	<u>\$ 452,202</u>	<u>\$ 563,308</u>	<u>\$ 566,632</u>	<u>\$ 543,198</u>	<u>\$ 541,171</u>	<u>\$ 537,987</u>

Berlin Borough School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 5,884,113	\$ 6,264,075	\$ 6,464,027	\$ 6,522,445	\$ 6,793,011	\$ 6,832,998	\$ 6,951,429	\$ 7,053,022	\$ 7,227,069	\$ 7,417,209
Tuition charges	-	6,757	13,509	20,652	46,328	13,951	509	16,988	15,957	20,920
Interest earnings	21,043	29,501	7,846	3,222	7,843	1,551	5,181	1,233	1,574	-
Miscellaneous	54,482	54,792	39,191	51,294	38,619	51,392	14,335	54,304	14,416	40,744
State sources	4,053,876	4,331,034	4,398,916	4,125,502	4,237,017	4,703,581	4,860,532	4,953,235	5,151,260	5,287,869
Federal sources	287,304	272,926	285,760	1,078,157	298,360	405,335	298,096	287,785	296,570	328,934
Total revenue	10,300,818	10,959,085	11,209,249	11,801,272	11,421,178	12,008,808	12,130,082	12,366,567	12,706,846	13,095,676
Expenditures										
Instruction										
Regular Instruction	2,975,939	3,115,926	3,417,340	3,602,063	3,448,744	3,519,482	3,491,023	3,541,757	3,828,934	3,865,073
Special education instruction	1,157,041	1,289,585	1,396,905	1,550,853	1,437,144	1,496,000	1,568,940	1,543,466	1,341,585	1,319,458
Other special instruction	91,656	116,626	145,580	169,133	140,315	148,704	174,973	185,917	158,996	144,225
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	344,161	240,091	460,011	450,951	229,109	137,383	104,984	114,569	103,224	236,122
Student & instruction related services	931,786	999,962	909,601	1,064,281	687,036	828,595	923,850	1,180,791	1,165,228	1,293,235
School administrative services	336,755	324,618	354,355	347,323	365,283	370,855	382,264	394,340	398,476	347,100
General and business admin.services	545,372	581,404	599,758	555,870	494,625	507,066	603,606	537,379	629,870	311,180
Plant operations and maintenance	553,419	642,151	662,046	623,918	619,189	554,592	591,145	674,380	638,523	660,386
Pupil transportation	516,922	432,637	446,822	448,918	287,509	261,511	281,930	308,691	328,177	357,586
Employee benefits	2,204,580	2,359,167	2,160,811	2,244,682	2,334,798	2,435,053	2,771,379	2,801,185	3,183,013	3,421,927
Capital outlay	49,849	36,716	185,639	45,986	104,783	715,285	504,038	698,285	260,179	161,550
Charter School	-	-	-	-	-	-	7,678	-	-	-
Debt service:										
Principal	370,000	395,000	420,000	445,000	470,000	490,000	520,000	540,000	570,000	590,000
Interest and other charges	373,342	358,646	342,990	326,091	307,832	355,765	242,387	222,063	200,928	178,611
Total expenditures	10,450,822	10,892,529	11,501,858	11,875,069	10,926,367	11,820,291	12,168,197	12,742,823	12,807,133	12,886,453
Excess (Deficiency) of revenues over (under) expenditures	(150,004)	66,556	(292,609)	(73,797)	494,811	188,517	(38,115)	(376,256)	(100,287)	209,223
Other Financing sources (uses)										
Proceeds from borrowing	-	-	-	-	-	4,266,960	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-	(3,957,375)	-	-	-	-
Accrued interest on sale of bonds	-	-	-	-	-	-	-	-	-	-
Transfers in	21,043	12,635	1,775	7,232	5,637	310,588	3,601	1,577	1,574	441,383
Transfers out	(21,043)	(12,635)	(1,775)	(7,232)	(5,637)	(310,588)	(3,601)	(1,577)	(1,574)	(441,383)
Total other financing sources (uses)	-	-	-	-	-	309,585	-	-	-	-
Net change in fund balances	\$ (150,004)	\$ 66,556	\$ (292,609)	\$ (73,797)	\$ 494,811	\$ 498,102	\$ (38,115)	\$ (376,256)	\$ (100,287)	\$ 209,223
Debt service as a percentage of noncapital expenditures	7.15%	6.94%	6.74%	6.52%	7.19%	7.62%	6.54%	6.33%	6.14%	6.04%

Source: District records

Berlin Borough School District
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-5

<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Other Refunds</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 53,469	\$ -	\$ -	\$ -	\$ -	\$ 1,013	\$ 54,482
2008	29,501	6,757	26,614	7,194	4,310	1,349	75,725
2009	6,388	13,509	20,000	13,938	598	1,965	56,398
2010	3,222	20,652	20,000	20,595	152	625	65,246
2011	2,206	46,328	11,000	21,287	2,878	764	84,463
2012	1,551	13,951	5,000	27,653		1,174	49,329
2013	1,580	509	5,000	2,702		6,633	16,424
2014	1,233	16,988	5,000	45,850	1,247	630	70,948
2015		15,957	5,000	4,506	1,856	3,054	30,373
2016		20,920	25,000	12,692	928	1,522	61,062
	<u>\$ 99,150</u>	<u>\$ 155,571</u>	<u>\$ 122,614</u>	<u>\$ 156,417</u>	<u>\$ 11,969</u>	<u>\$ 18,729</u>	<u>\$ 564,450</u>

Source: District records

**Berlin Borough School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2007	\$ 11,325,600	\$ 323,181,200	\$ 244,900	\$ 69,100	\$ 56,977,400	\$ 6,539,940	\$ 3,326,800	\$ 401,664,940	\$ 3,084,552	\$ 404,749,492	\$ 48,223,700	\$ 1.535	\$ 724,618,605
2008	10,144,800	327,901,200	244,900	56,600	58,052,700	6,539,940	3,036,300	405,976,440	3,465,128	409,441,568	48,431,400	1.568	806,310,513
2009	9,629,800	330,768,700	244,900	56,600	57,059,800	6,564,940	3,036,300	407,361,040	3,814,925	411,175,965	50,110,200	1.577	848,155,052
2010	8,946,000	332,971,200	244,900	56,600	55,620,900	5,994,500	3,036,300	406,870,400	3,959,735	410,830,135	50,367,100	1.647	814,676,056
2011	d 20,000,700	607,946,600	470,800	83,000	122,002,300	10,863,500	8,120,100	769,487,000	7,207,478	776,694,478	87,228,050	0.876	790,050,848
2012	17,123,400	602,314,500	470,800	83,000	119,714,000	10,777,300	7,169,800	757,652,800	6,727,655	764,380,455	86,692,350	0.906	792,412,612
2013	14,536,000	600,269,300	470,800	83,000	116,738,200	10,465,000	7,169,800	749,732,100	5,946,121	755,678,221	86,135,450	0.929	761,691,578
2014	14,189,200	599,566,100	470,800	79,700	115,907,400	10,465,000	7,169,800	747,848,000	4,828,606	752,676,606	86,473,950	0.957	741,738,667
2015	14,145,900	597,682,700	470,800	55,100	111,420,000	10,465,000	7,925,000	742,164,500	4,433,565	746,598,065	87,251,750	0.990	620,118,024
2016	13,659,800	595,357,500	248,500	81,200	109,297,000	10,465,000	7,925,000	737,034,000	4,737,947	741,771,947	87,226,950	0.990	726,840,733

Source: Municipal Tax Assessor

Note:

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Improvements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

c Information not available.

d Revaluation.

**Berlin Borough School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**
(rate per \$100 of assessed value)

Exhibit J-7

Fiscal Year Ended June 30,	Berlin Borough School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of Berlin	Eastern Regional High School	Camden County	
2007	\$ 1.398	\$ 0.137	\$ 1.535	\$ 0.742	\$ 0.802	\$ 1.249	\$ 4.328
2008	1.427	0.141	1.568	0.810	0.766	1.249	4.393
2009	1.432	0.145	1.577	0.935	0.836	1.279	4.627
2010	1.634	0.013	1.647	1.059	0.834	1.298	4.838
2011	0.796	0.080	0.876	0.579	0.452	0.723	2.630
2012	0.826	0.080	0.906	0.598	0.495	0.794	2.793
2013	0.851	0.078	0.929	0.619	0.462	0.838	2.848
2014	0.875	0.082	0.957	0.638	0.489	0.838	2.922
2015	0.908	0.082	0.990	0.681	0.510	0.807	2.988
2016	0.932	0.084	1.016	0.709	0.514	0.815	3.054

Source: Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

**Berlin Borough School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2016	
	Taxable Assessed Value	% of Total District Net Assessed Value
Berlin Reality	\$ 6,700,000	0.90%
Berlin Residences, LLC	5,570,000	0.75%
AC Berlin, LLC	5,100,000	0.69%
SINELNIK	4,648,800	0.63%
Evinos Corporation, Inc.	4,555,600	0.61%
Hassbro, LLC	3,200,000	0.43%
Berlin Center, LLC	3,200,000	0.43%
Berlin Equities, LLC	2,838,100	0.38%
Osborne Assoc % Rite Aid Corp	2,800,000	0.38%
Public Storage	2,600,000	0.35%
Total	\$ 41,212,500	5.56%

Taxpayer	2007	
	Taxable Assessed Value	% of Total District Net Assessed Value
Mark Center, Ltd.	\$ 7,183,500	1.89%
NJ Bell Telephone	6,765,403	1.78%
Berlin Reality Company	4,534,900	1.19%
Berlin Center, LLC	2,250,000	0.59%
50 Service Avenue	1,986,900	0.52%
Evinos Corporation	1,976,900	0.52%
Public Storage Properties, Inc	1,849,700	0.49%
Forte & Companies	1,834,200	0.48%
Gregorary Sinelik	1,659,400	0.44%
Berlin Equities	1,635,000	0.43%
Total	\$ 31,675,903	8.33%

Source: Municipal Tax Assessor

**Berlin Borough School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 5,884,113	\$ 5,884,113	100.00%	
2008	6,264,075	6,264,075	100.00%	
2009	6,464,027	6,464,027	100.00%	
2010	6,522,445	6,522,445	100.00%	
2011	6,793,011	6,793,011	100.00%	
2012	6,832,998	6,832,998	100.00%	
2013	6,951,429	6,951,429	100.00%	
2014	7,053,022	7,053,022	100.00%	
2015	7,227,069	7,227,069	100.00%	
2016	7,417,209	7,417,209	100.00%	

Source: District records including the Certificate and Report of School Taxes (A4F form)

- a** School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

**Berlin Borough School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

(dollars in thousands, except per capita)

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^b
	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2007	\$ 4,536,000	\$ 171,436	\$ 92,520	\$ -	\$ -	\$ 4,799,956	1.51%	606
2008	4,411,000	128,577	71,224			4,610,801	1.41%	582
2009	4,271,000	85,718	48,750			4,405,468	1.33%	555
2010	4,121,000	42,220	25,032			4,188,252	1.31%	549
2011	3,961,000		2,285,000			6,246,000	1.85%	818
2012	3,660,000		2,409,387			6,069,387	1.77%	794
2013	3,475,000		2,016,460			5,491,460	1.60%	721
2014	3,285,000		1,603,344			4,888,344	1.37%	643
2015	3,085,000		1,221,995			4,306,995	c	567
2016	2,880,000		1,030,527			3,910,527	c	c

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a Based on Per Capita Income for Camden County

b Based on School District Population as of July 1.

c Not available

Berlin Borough School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 4,536,000	\$ -	\$ 4,536,000	1.12%	573
2008	4,411,000		4,411,000	1.08%	557
2009	4,271,000		4,271,000	1.04%	538
2010	4,121,000		4,121,000	1.00%	540
2011	3,961,000		3,961,000	0.51%	519
2012	3,660,000		3,660,000	0.47%	479
2013	3,475,000		3,475,000	0.46%	456
2014	3,285,000		3,285,000	0.44%	432
2015	3,085,000		3,085,000	0.41%	406
2016	2,880,000		2,880,000	0.39%	c

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-6 for property tax data.

b Population data can be found in Exhibit J-14.

c Not available.

**Berlin Borough School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2015**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of Berlin	\$ 9,143,855	100.000%	\$ 9,143,855
Eastern Regional High School District	2,655,000	16.000%	432,764
Camden County General Obligation Debt	342,450,381	1.892%	6,479,161
Subtotal, overlapping debt			16,055,780
Berlin Borough School District Direct Debt			4,295,000
Total direct and overlapping debt			\$ 20,350,780

Sources: Assessed value data used to estimate applicable percentages provided by the Camden County Board of Taxation.

Note: Debt outstanding data provided by each governmental unit.
Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District.
This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Berlin Borough. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

**Berlin Borough School District
Legal Debt Margin Information,
Last Ten Fiscal Years
(dollars in thousands)**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis	
	2013	\$ 736,620,259
	2014	733,471,950
	2015	725,124,084
	[A]	<u>\$ 2,195,216,293</u>
Average equalized valuation of taxable property	[A/3]	\$ 731,738,764
Debt limit (3% of average equalized valuation)	[B]	21,952,163 ^a
Net bonded school debt	[C]	2,880,000
Legal debt margin	[B-C]	<u>\$ 19,072,163</u>

Fiscal Year

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 18,253,030	\$ 20,926,725	\$ 23,280,928	\$ 24,339,167	\$ 24,247,067	\$ 23,842,582	\$ 23,363,381	\$ 22,936,625	\$ 22,315,523	\$ 21,952,163
Total net debt applicable to limit	<u>4,536,000</u>	<u>4,411,000</u>	<u>4,271,000</u>	<u>4,121,000</u>	<u>3,961,000</u>	<u>3,660,000</u>	<u>3,475,000</u>	<u>3,285,000</u>	<u>3,085,000</u>	<u>2,880,000</u>
Legal debt margin	<u>\$ 13,717,030</u>	<u>\$ 16,515,725</u>	<u>\$ 19,009,928</u>	<u>\$ 20,218,167</u>	<u>\$ 20,286,067</u>	<u>\$ 20,182,582</u>	<u>\$ 19,888,381</u>	<u>\$ 19,651,625</u>	<u>\$ 19,230,523</u>	<u>\$ 19,072,163</u>
Total net debt applicable to the limit as a percentage of debt limit	24.85%	21.08%	18.35%	16.93%	16.34%	15.35%	14.87%	14.32%	13.82%	13.12%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

**Berlin Borough School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2007	7,922	\$ 316,927,532	\$ 40,006	4.0%
2008	7,926	327,922,398	41,373	5.3%
2009	7,943	330,754,463	41,641	8.3%
2010	7,630	320,406,590	41,993	8.3%
2011	7,638	336,950,370	44,115	8.6%
2012	7,647	342,142,074	44,742	8.7%
2013	7,617	343,351,509	45,077	6.2%
2014	7,599	356,286,714	46,886	7.0%
2015	7,590	e	e	5.2%
2016	e	e	e	e

Source:

- ^a Population information provided by the NJ Dept of Labor and Workforce Development.
- ^b Personal income for Berlin Borough.
- ^c Per Capita for Camden County.
- ^d Unemployment data provided by the NJ Dept of Labor and Workforce Development.
- ^e Not available.

Berlin Borough School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years

Exhibit J-16

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction										
Regular	67	66	61	52	52	52	47.5	54	53	55
Special education	11	10	16	19	16	16	16	17	35	17
Other special education				17	16	16	16	15	9	15
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Student & instruction related services	10	12	12	9	9	9	14	8	2	12
School administrative services	7	7	7	7	7	6	9	12	9	9
General and business administrative services	4	4	4	4	4	4	4.5	4	4	5
Plant operations and maintenance	10	11	10	8	8	9	13	8	12	10
Pupil transportation										
Special Schools										
Food Service										
Child Care										
Total	109	110	110	115	112	112	120	118	124	123

Source: District Personnel Records

Berlin Borough School District
 Operating Statistics,
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2007	809	\$ 9,657,631	\$ 11,938	11.90%	67	1:14		808.8	774.3	-1.05%	95.73%
2008	839	10,102,167	12,041	0.86%	76	1:14		831.5	797.5	2.81%	95.91%
2009	812	10,553,229	12,997	7.94%	77	1:14		814.9	781.0	-1.99%	95.84%
2010	835	11,057,992	13,243	1.89%	70	1:14		835.0	799.5	2.46%	95.75%
2011	841	10,043,752	11,943	-9.81%	68	1:12		846.0	841.0	1.32%	99.41%
2012	862	10,259,241	11,902	-0.34%	68	1:13		866.2	831.1	2.39%	95.95%
2013	906	10,901,772	12,033	1.10%	68	1:13		891.3	849.2	2.90%	95.28%
2014	865	11,282,475	13,043	8.39%	68	1:13		867.9	832.7	-2.62%	95.95%
2015	857	11,776,026	13,741	5.35%	70	1:13		861.5	823.3	-2.62%	95.57%
2016	854	12,117,842	14,190	2.90%	72	1:13		852.5	819.6	-1.04%	96.14%

Sources: District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**Berlin Borough School District
School Building Information
Last Ten Years**

Exhibit J-18

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
District Building										
Elementary										
Berlin Community School (1952)										
Square Feet	118,068	118,068	118,068	118,068	118,068	118,068	118,068	118,068	118,068	118,068
Capacity (students)	950	950	950	950	950	950	950	950	950	950
Enrollment	809	839	812	835	841	862	891	868	862	853

Number of Schools at June 30, 2016
Elementary = 1

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of any additions. Enrollment is based on the annual October district count.

Berlin Borough School District
 Schedule of Required Maintenance
 Last Ten Fiscal Years

Exhibit J-19

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-xxx

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
* School Facilities											
Berlin Community School	\$ 102,449	\$ 120,137	\$ 118,154	\$ 116,707	\$ 111,806	\$ 116,437	\$ 129,736	\$ 154,794	\$ 149,682	\$ 150,294	\$ 1,270,196
Project # (s)											
Total School Facilities	<u>\$ 102,449</u>	<u>\$ 120,137</u>	<u>\$ 118,154</u>	<u>\$ 116,707</u>	<u>\$ 111,806</u>	<u>\$ 116,437</u>	<u>\$ 129,736</u>	<u>\$ 154,794</u>	<u>\$ 149,682</u>	<u>\$ 150,294</u>	<u>\$ 1,270,196</u>

* School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

**Berlin Borough School District
Insurance Schedule
June 30, 2016**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy (1)		
Building and Contents (All Locations)		
Limits of liability per occurrence	\$ 250,000,000	\$ 1,000
General liability	5,000,000	1,000
General and Auto liability	5,000,000	1,000
Comprehensive crime coverage		
Employee Dishonesty	500,000	1,000
Forgery or Alteration	50,000	1,000
Boiler and machinery	100,000,000	1,000
Excess Liability	5,000,000	
Professional Liability	5,000,000	5,000
Workers Compensation (2)		
Bodily Injury by Accident	Statutory	
Bodily Injury by Disease	Statutory	
Errors and Omissions Liability (2)	2,000,000	5,000
Student Accident (3)		
School Time Compulsory Student Accident Coverage		
Maximun Benefit	1,000,000	
Surety Bonds (2)		
Board Secretary	250,000	

- (1) School Alliance Insurance Fund
- (2) NJ School Board Association
- (3) Berkley Life and Health Insurance Company

Source: District records

Single Audit Section

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 American Institute of CPAs
 New Jersey Society of CPAs

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
 ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
 ASSISTANCE AS REQUIRED BY NEW JERSEY TREASURY CIRCULAR OMB 15-08**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
 of the Board of Education
 Berlin Borough School District
 County of Camden
 Berlin, New Jersey

Report on Compliance for Each Major State Program

I have audited Berlin Borough School District (School District), in the County of Camden, State of New Jersey's compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2016. The School District's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the School District's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and New Jersey Treasury Circular OMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey Treasury Circular OMB 15-08 require that I 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 state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal and State Program

In my opinion, the Berlin Borough School District, in the County of Camden, State of New Jersey complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2016.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported under State of New Jersey OMB Circular 15-08 and which is described in the accompanying *Schedule of Findings and Questioned Costs and Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* as findings no: 2016-002. My opinion on the major state programs is not modified with respect to these matters.

The School District's response to the finding identified in my audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Berlin Borough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the New Jersey Treasury Circular OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Berlin Borough School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Expenditures for federal awards were less than the single audit dollar threshold required by the Uniform Guidance and therefore were not subject to a single audit. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required the Office of School Finance, Department of Education, State of New Jersey and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of New Jersey Treasury Circular OMB 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. I issued my report thereon dated September 30, 2016, which contained unmodified opinions on those financial statements. My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey Treasury Circular OMB 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended for the information of the Board of Education and the New Jersey Department of Education.

INVERSO & STEWART, LLC

Certified Public Accountants



Robert P. Inverso

Certified Public Accountant

Public School Accountant

Marlton, New Jersey
September 30, 2016

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2016		
						Accounts Receivable	Deferred Revenue	Due to Grantor at				Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education														
<u>Special Revenue Fund:</u>														
<u>No Child Left Behind(N.C.L.B.)</u>														
Title I	84.010A	S010A15003	NCLB-0330-16	\$ 87,384	7/1/15 - 6/30/16	\$ -	\$ -	\$ -	\$ -	\$ 87,384	\$ (87,384)	\$ -	\$ -	\$ -
Title IIA	84.367A	S367A150029	NCLB-0330-16	18,493	7/1/15 - 6/30/16					18,493	(18,493)			
<u>Individuals With Disabilities Act (I.D.E.A.)</u>														
Part B - Basic - Current Year	84.027A	H027A150100	IDEA-0330-16	214,455	7/1/15 - 6/30/16					214,455	(214,455)			
Part B - Preschool - Current Year	84.173A	H173A150114	IDEA-0330-16	8,602	7/1/15 - 6/30/16					8,602	(8,602)			
Part B - Preschool - Prior Year	84.173A	H173A150114	IDEA-0330-15	8,367	7/1/14 - 6/30/15	(3,650)				3,650				
Total Special Revenue Fund						\$ (3,650)	\$ -	\$ -	\$ -	\$ 332,584	\$ (328,934)	\$ -	\$ -	\$ -
U.S. Department of Agriculture														
<u>Enterprise Fund:</u>														
Food Distribution Program	10.565	16161NJ304N1099	N/A	22,683	7/1/15- 6/30/16					22,683	(22,683)			
School Breakfast Program	10.553	16161NJ304N1099	N/A	5,243	7/1/15- 6/30/16					4,901	(5,244)	(343)		
School Breakfast Program	10.553	16161NJ304N1099	N/A	5,733	7/1/14- 6/30/15	(384)				384				
National School Lunch Program	10.555	16161NJ304N1099	N/A	68,994	7/1/15- 6/30/16					64,246	(68,994)	(4,748)		
National School Lunch Program	10.555	16161NJ304N1099	N/A	84,145	7/1/14- 6/30/15	(6,082)				6,082				
Total Enterprise Fund						(6,466)				98,296	(96,921)	(5,091)		
Total Federal Awards						\$ (10,116)	\$ -	\$ -	\$ -	\$ 430,880	\$ (425,855)	\$ (5,091)	\$ -	\$ -

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2016

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2016		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
<u>General Fund:</u>													
Special Education Categorical Aid	16-495-034-5120-089	\$ 488,215	7/1/15 - 6/30/16	\$ -	\$ -	\$ -	\$ -	\$ 440,124	\$ (488,215)	\$ -	\$ (48,091)	\$ -	\$ -
Special Education Categorical Aid	15-495-034-5120-089	488,215	7/1/14 - 6/30/15	(47,757)				47,757					
Equalization Aid	16-495-034-5120-078	2,999,343	7/1/15 - 6/30/16					2,703,893	(2,999,343)		(295,450)		
Equalization Aid	15-495-034-5120-078	2,999,343	7/1/14 - 6/30/15	(293,396)				293,396					
Transportation Aid	16-495-034-5120-014	49,114	7/1/15 - 6/30/16					44,276	(49,114)		(4,838)		
Transportation Aid	15-495-034-5120-014	49,114	7/1/14 - 6/30/15	(4,804)				4,804					
Security Aid	16-495-034-5120-084	33,172	7/1/15 - 6/30/16					29,904	(33,172)		(3,268)		
Security Aid	15-495-034-5120-084	33,172	7/1/14 - 6/30/15	(3,245)				3,245					
Under Adequacy Aid	16-495-034-5120-083	77,184	7/1/15 - 6/30/16					69,581	(77,184)		(7,603)		
Under Adequacy Aid	15-495-034-5120-083	77,184	7/1/14 - 6/30/15	(7,550)				7,550					
PARCC Readiness Aid	16-495-034-5120-098	8,790	7/1/15 - 6/30/16					7,924	(8,790)		(866)		
PARCC Readiness Aid	15-495-034-5120-098	8,790	7/1/14 - 6/30/15	(860)				860					
Per Pupil Growth Aid	16-495-034-5120-097	8,790	7/1/15 - 6/30/16					7,924	(8,790)		(866)		
Per Pupil Growth Aid	15-495-034-5120-097	8,790	7/1/14 - 6/30/15	(860)				860					
Additional Nonpublic Transportation Aid	16-103190	1,044	7/1/15 - 6/30/16						(1,044)		(1,044)		
Additional Nonpublic Transportation Aid	15-103190	1,392	7/1/14 - 6/30/15	(1,392)				1,392					
On Behalf TPAF Pension	16-495-034-5094-002	428,024	7/1/15 - 6/30/16					428,024	(428,024)				
On Behalf TPAF - Post Retirement Medical	16-495-034-5094-001	509,659	7/1/15 - 6/30/16					509,659	(509,659)				
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	369,594	7/1/15 - 6/30/16					351,707	(369,594)		(17,887)		
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	389,403	7/1/14 - 6/30/15	(18,914)				18,914					
Total General Fund				(378,778)				4,971,794	(4,972,929)		(379,913)		
<u>Special Revenue Fund</u>													
<u>N.J. Nonpublic Aid:</u>													
Textbook Aid	16-100-034-5120-064	13,076	7/1/15 - 6/30/16					13,076	(13,076)				
Nursing Aid	16-100-034-5120-070	20,610	7/1/15 - 6/30/16					20,610	(20,610)				
Technology Aid	16-100-034-5120-373	5,954	7/1/15 - 6/30/16					5,954	(5,954)				
Security Aid	16-100-034-5120-509	5,725	7/1/15 - 6/30/16					5,725	(5,725)				
<u>Auxiliary Services:</u>													
Compensatory Education	16-100-034-5120-067	126,905	7/1/15 - 6/30/16					126,905	(70,895)				56,010
Compensatory Education	15-100-034-5120-067	111,975	7/1/14 - 6/30/15			17,020				(17,020)			
Transportation	16-100-034-5120-067	13,984	7/1/15 - 6/30/16					13,984	(3,800)				10,184
Transportation	15-100-034-5120-067	11,475	7/1/14 - 6/30/15			7,517				(7,517)			
<u>Handicapped Services:</u>													
Examination & Classification	16-100-034-5120-066	38,681	7/1/15 - 6/30/16					38,681	(20,958)				17,723
Examination & Classification	15-100-034-5120-066	22,883	7/1/14 - 6/30/15			11,707				(11,707)			
Corrective Speech	16-100-034-5120-066	29,262	7/1/15 - 6/30/16					29,262	(12,373)				16,889
Corrective Speech	15-100-034-5120-066	22,971	7/1/14 - 6/30/15			5,389				(5,389)			
Supplemental Instruction	16-100-034-5120-066	18,564	7/1/15 - 6/30/16					18,564	(13,217)				5,347
Supplemental Instruction	15-100-034-5120-066	32,957	7/1/14 - 6/30/15			15,929				(15,929)			
Municipal Alliance Grant	N/A	2,645	7/1/15 - 6/30/16					2,645	(2,645)				
Total Special Revenue Fund						57,562		275,406	(169,253)		(57,562)		106,153

130

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2016

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2015			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years Balances	June 30, 2016			
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at	
<u>Capital Projects Fund</u> SDA Grant	0330-020-10-GOAJ	\$ 204,000	7/1/11 - 6/30/12	\$ (204,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (204,000)	\$ -	\$ -	
<u>Debt Service Fund</u> Debt Service Aid Type II	16-495-034-5120-017	148,197	7/1/15 - 6/30/16					148,197	(148,197)					
<u>State Department of Agriculture</u> Enterprise Fund:														
State School Lunch Program	16-100-010-3350-023	2,592	7/1/15 - 6/30/16					2,402	(2,592)		(190)			
State School Lunch Program	15-100-010-3350-023	3,014	7/1/14 - 6/30/15	(220)				220						
Total Enterprise Fund				(220)	-	-	-	2,622	(2,592)	-	(190)	-	-	
Total State Financial Assistance				\$ (582,998)	\$ -	\$ 57,562	\$ -	\$ 5,398,019	\$ (5,292,971)	\$ (57,562)	\$ (584,103)	\$ -	\$ 106,153	
Less: State Financial Assistance Not Subject to New Jersey OMB Circular 15-08:														
On-Behalf TPAF Contribution - Pension (Non-Budgeted)										(428,024)				
On-Behalf TPAF Contribution - Post-Retirement Medical (Non-Budgeted)										(509,659)				
Total State Financial Assistance Subject to New Jersey OMB Circular 15-08										(4,355,288)				

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

Berlin Borough School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2016

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Berlin Borough School District ("School District"). The School District is defined in Note 1 to the School District's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when the expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more of the June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or two June state aid payments in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is (\$2,510) for the general fund and \$-0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 4,970,419	\$ 4,970,419
Special Revenue Fund	328,934	169,253	498,187
Debt Service Fund		148,197	148,197
Food Service Fund	<u>96,921</u>	<u>2,592</u>	<u>99,513</u>
Total Awards & Financial Assistance	<u>\$ 425,855</u>	<u>\$ 5,290,461</u>	<u>\$ 5,716,316</u>

**Berlin Borough School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2016
(Continued)**

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distribution, respectively. TPAF Pension Contributions represents the amount paid by the State on behalf of the School District for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

6. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weaknesses identified? yes X no

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

Noncompliance material to basic financial statements noted? X yes no

Federal Awards

NOT APPLICABLE

Internal Control over major programs:

1) Material weakness(es) identified? yes no

2) Significant deficiencies identified that are not considered to be a material weakness? yes none reported

Type of auditor's report on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Dollar threshold used to distinguish between type A and type B programs: _____

Auditee qualified as low-risk auditee? yes no

BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section 1 -- Summary of Auditor's Results (Cont'd)

State Awards Section

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

Auditee qualified as low-risk auditee? X yes no

Internal Control over major programs:

1) Material weakness(es) identified? yes X no

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

Type of auditor's report on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable? X yes no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>16-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>16-100-010-3350-023</u>	<u>School Lunch Program</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
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**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting in a Circular A-133 audit.

Finding #2016-001

Criteria or specific requirement:

N.J.A.C. 6A:23-16.12 and good internal control require the prompt deposit of cash receipts.

Condition:

Community Education and Recreation receipts were not deposited promptly.

Context:

The Community Education receipts testing disclosed a number of receipts that were not deposited promptly.

Effect:

The District did not comply with N.J.A.C. 6A:23-16-12.

Cause:

Oversight and change in personnel.

Recommendation:

That all Community Education and Recreation receipts be deposited promptly.

View of Responsible Officials and Planned Corrective Action:

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Section 3 -- Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs**

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and NJOMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS:

A federal single audit was not required.

STATE AWARDS:

Finding #2016-002

Information on the State Program:

Equalization Aid; GMIS No. 16-495-034-5120-078

Criteria or specific requirement:

The District is required to complete the Application for State School Aid (ASSA) in accordance with the instructions provided by the State Department of Education.

Condition:

The student counts for on roll, resident LEP low income and resident LEP not low income did not agree to supporting documents.

Questioned Costs:

None

Context:

My test of the ASSA disclosed an understatement of one student in the on-roll count, an overstatement of one student in the resident low income count and an understatement of one student in the resident LEP low income count when compared to the District's supporting documents.

Effect:

The reported differences may have an impact on the District's State Aid allocation.

Cause:

Oversight

Recommendation:

That care is exercised in preparing the Application for State School Aid.

View of Responsible Officials and Planned Corrective Action:

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**BERLIN BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT**

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and NJOMB's Circular 14-04 and/or 15-08, as applicable.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.