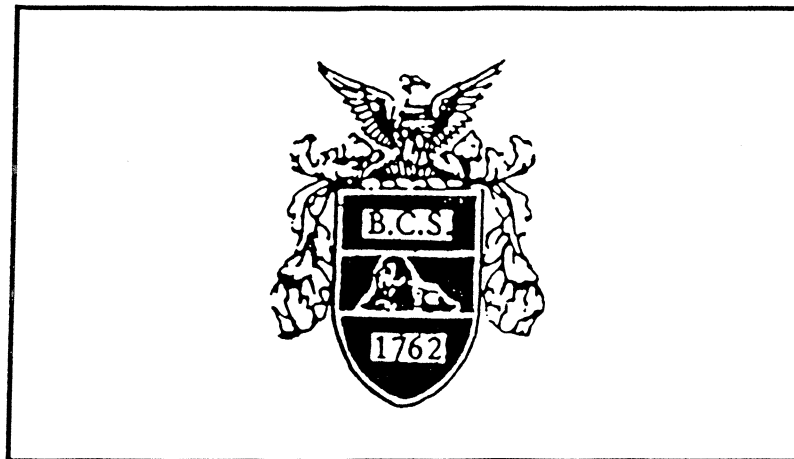


SCHOOL DISTRICT
OF

BERLIN BOROUGH



Berlin Borough Board of Education
Berlin, New Jersey

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual
Financial Report**

of the

Berlin Borough Board of Education

Berlin, New Jersey

For the Fiscal Year Ended June 30, 2017

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	69
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	75

Notes to the Required Supplementary Information

C-3	Budget-to-GAAP Reconciliation	76
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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	78
L-2	Schedule of the District Contributions - Public Employees Retirement System	79
L-3	Schedule of the District's Proportionate Share of the Net Pension Liability - Teachers' Pension and Annuity Fund	80

Notes to the Required Supplementary Information - Part III 81

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	84

F.	Capital Projects Fund:	
F-1	Summary Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	88

G.	Proprietary Fund:	
	Enterprise Fund:	
G-1	Combining Statement of Net Position	91
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	92
G-3	Combining Statement of Cash Flows	93

	Internal Service Fund:	
G-4	Combining Statement of Net Position	94
G-5	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	95
G-6	Combining Statement of Cash Flows	96

	<u>Page</u>
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	98
H-2 Combining Statement of Changes in Fiduciary Net Position	99
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	100
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	101

I. Long-Term Debt:

I-1 Schedule of Serial Bonds	103
I-2 Statement of Early Retirement Incentive Plan Payable	104
I-3 Budgetary Comparison Schedule - Debt Service Fund	105
I-4 Schedule of Obligations under Capital Leases	106

STATISTICAL SECTION (Unaudited)

J-1 Net Position by Component	108
J-2 Changes in Net Position, Last Ten Fiscal Years	109
J-3 Fund Balances, Governmental Funds, Last Ten Fiscal Years	111
J-4 Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	112
J-5 General Fund - Other Local Revenue by Source, Last Ten Fiscal Years	113
J-6 Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	114
J-7 Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	115
J-8 Principal Property Tax Payers, Current Year and Nine Years Ago	116
J-9 Property Tax Levies and Collections, Last Ten Fiscal Years	117
J-10 Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	118
J-11 Ratios of Net General Bonded Debt Outstanding, Last Ten Fiscal Years	119
J-12 Ratios of Overlapping Governmental Activities Debt, As of December 31, 2016	120
J-13 Legal Debt Margin Information, Last Ten Fiscal Years	121
J-14 Demographic and Economic Statistics	122
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	123
J-17 Operating Statistics, Last Ten Fiscal Years	124
J-18 School Building Information, Last Ten Fiscal Years	125
J-19 Schedule of Required Maintenance, Last Ten Fiscal Years	126
J-20 Insurance Schedule	127

SINGLE AUDIT SECTION

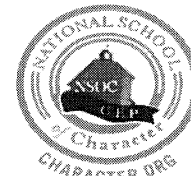
K-2 Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance as Required by New Jersey Treasury Circular OMB 15-08	129
K-3 Schedule of Expenditures of Federal Awards, Schedule A	131
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	132
K-5 Notes to the Schedules of Awards and Financial Assistance	134
K-6 Schedule of Findings and Questioned Costs	136
K-7 Financial Statement Findings	138
K-7 Federal Awards and State Financial Assistance Findings and Questioned Costs	139
K-8 Summary Schedule of Prior Audit Findings	140

Introductory Section



Mrs. Kristen Martello
Superintendent

BERLIN BOROUGH SCHOOL DISTRICT
"Where Students Discover Their Potential"



Cande Kristoff
Business Administrator

October 30, 2017

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, 2017 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 level PSD/K through 8. These include regular as well as special education for handicapped youngsters. The District completed the 2016-2017 school year with an enrollment of 828 students as of June 30, 2017. 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
2016-2017	828	-2.93
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

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.

3) MAJOR INITIATIVES

- Curriculum
 - o ELA & Math Curriculums Aligned to NJ Student Learning Standards
 - o Purchase of additional ELA materials grades K to 8
 - o Implementation of new math program and curriculum K-5.
 - o Implementation of STEAM for K-5
 - o Alignment of science curriculum to Next Generation Science Standards K-8
 - o Professional development for staff in all new curriculums
- Professional Development Initiatives
 - o Job-embedded PLCs to ensure continuous PD and student achievement
 - o Daily morning teacher collaboration time
 - o Teacher driven Flex Option training throughout the school year
 - o Peer observations
- Embedding technology in the classroom



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- o Continue to support 1:1 iPad initiative grades 6-8
 - o Sets of 6 iPads in all classrooms K-5
 - o All classrooms equipped with Apple TV and Smart Boards
 - o Development of STEAM Lab
 - o 3 State of the art computer labs
 - o Pledged to be Future Ready
- Character Education
 - o Continue support and initiatives
 - o Annual Theme selected by parents, staff and students
 - o Service Learning
 - o Common Language of 6 Pillars in everything

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 iPad initiative in the 5th through 8th grades. There are three fully equipped computer labs to support technology instruction and every classroom is equipped with state of the art SMART board technology and Apple TV.

CONSTRUCTION - A renovated media center with two classrooms was completed in September 2014 which now holds the STEAM Lab in 2017. 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.

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, by 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



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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, 2017.

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.



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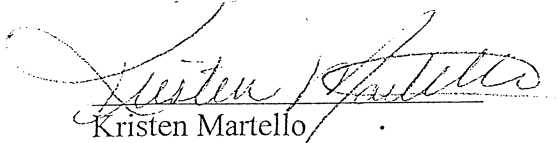
9) OTHER INFORMATION

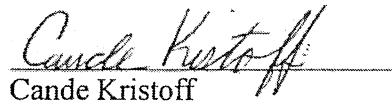
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was 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

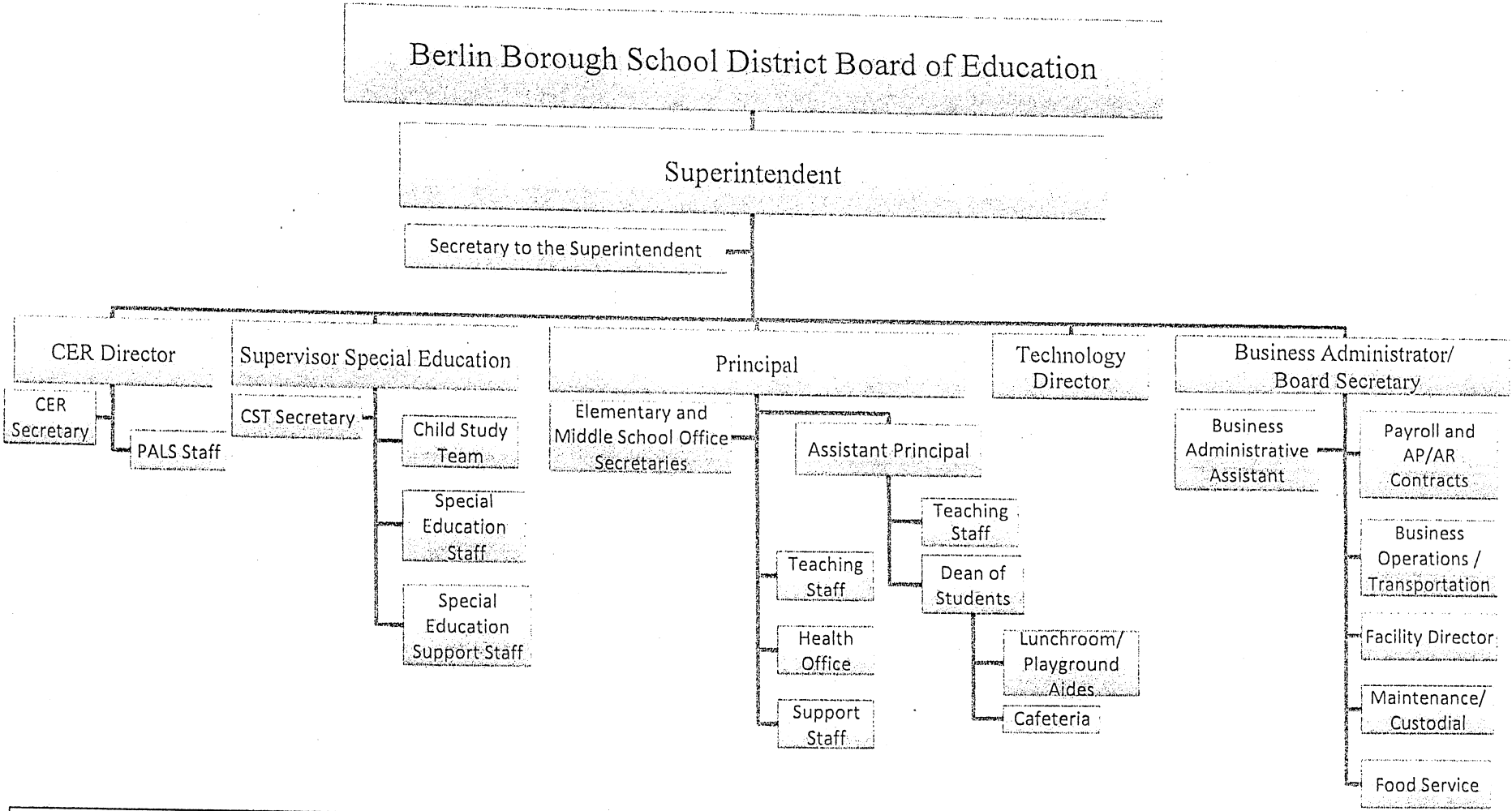

Cande Kristoff
Business Administrator



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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, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Rebecca Holland, President	2019
Linda Welte, Vice-President	2018
Lisa Asare	2017
Francis Ballak	2017
Michele Goshaw	2018
Nicholas C. Guerere	2018
Lisa Kehoe	2019
Dennis Quinn	2019
Francine Viscome	2017

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
247 South White Horse Pike
Berlin, NJ 08009

Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

651 Route 73 North, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
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E-Mail: iscpas@concentric.net

-Member of-
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, 2017, 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 from 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, 2017, 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, schedule of the School District's proportionate share of the net pension liability, and schedule of the School District's contributions, 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 introductory section, combining statements and related major fund supporting statements and schedules, statistical section, and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Office of School Finance, Department of Education, State of New Jersey and are not a required part of the basic financial statements. The accompanying schedule of state financial assistance, as required by State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, is also presented for purposes of additional analysis and is not a required part of the 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 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 accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical section listed in the table of contents 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 October 12, 2017 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



Robert P. Inverso
Certified Public Accountant
Public School Accountant No. CS001095

Marlton, New Jersey
October 12, 2017

INVERSO & STEWART, LLC
Certified Public Accountants

651 Route 73 North, Suite 402
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 E-Mail: lscpas@concentric.net

-Member of-
 American Institute of CPAs
 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, 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, 2017, 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 October 12, 2017.

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 from 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 no instances of noncompliance or other matters that are 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.

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, and federal and state awarding agencies and pass-through entities, 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 No. CS001095

Marlton, New Jersey
October 12, 2017

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, 2017**

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, 2017. 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 \$1,710,012 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$3,130,141. 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 \$190,408 or a 10.02% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$327,280 resulting in an ending fund balance of \$1,543,917. This increase is largely due to the results of operations in the General Fund.
- Business-type activities have an unrestricted net position of \$425,947, which may be used to meet the School District's ongoing obligations of the food service, latchkey and community education and recreation operations.
- The School District's long-term obligations increased by \$97,318 which is the result of the reduction of certificates of participation, serial bond debt, capital leases, change in 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 2017. 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 2017.

The liabilities of the primary government activities exceeded the assets by \$2,147,110 with an unrestricted deficit balance of \$3,130,141. The net position of the primary government does not include internal balances.

A deficit net investment of \$676,120 in land, improvements, buildings, equipment and vehicles provides the services to the School District's 828 public school students. A balance of \$745,626 has been restricted for future capital projects, \$440,288 has been restricted for repayment of debt, and \$473,237 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, 2017 and 2016**

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
Assets:						
Current assets	\$ 1,718,261	\$ 1,322,791	\$ 442,136	\$ 368,809	\$ 2,160,397	\$ 1,691,600
Capital assets	<u>2,501,193</u>	<u>3,121,158</u>	<u>11,151</u>	<u>16,758</u>	<u>2,512,344</u>	<u>3,137,916</u>
Total assets	<u>4,219,454</u>	<u>4,443,949</u>	<u>453,287</u>	<u>385,567</u>	<u>4,672,741</u>	<u>4,829,516</u>
Deferred Outflow of Resources	<u>1,030,847</u>	<u>465,764</u>			<u>1,030,847</u>	<u>465,764</u>
Liabilities:						
Current Liabilities	1,131,551	933,386	16,189	8,795	1,147,740	942,181
Noncurrent Liabilities	<u>6,194,659</u>	<u>6,121,399</u>			<u>6,194,659</u>	<u>6,121,399</u>
Total liabilities	<u>7,326,210</u>	<u>7,054,785</u>	<u>16,189</u>	<u>8,795</u>	<u>7,342,399</u>	<u>7,063,580</u>
Deferred Inflows of Resources	<u>71,201</u>	<u>132,120</u>			<u>71,201</u>	<u>132,120</u>
Net position	<u>\$ (2,147,110)</u>	<u>\$ (2,277,192)</u>	<u>\$ 437,098</u>	<u>\$ 376,772</u>	<u>\$ (1,710,012)</u>	<u>\$ (1,900,420)</u>
Net position consist of:						
Invested in						
Capital Assets	\$ (676,120)	\$ (789,369)	\$ 11,151	\$ 16,758	\$ (664,969)	\$ (772,611)
Restricted	1,659,151	1,326,575			1,659,151	1,326,575
Unrestricted	<u>(3,130,141)</u>	<u>(2,814,398)</u>	<u>425,947</u>	<u>360,014</u>	<u>(2,704,194)</u>	<u>(2,454,384)</u>
Net position	<u>\$ (2,147,110)</u>	<u>\$ (2,277,192)</u>	<u>\$ 437,098</u>	<u>\$ 376,772</u>	<u>\$ (1,710,012)</u>	<u>\$ (1,900,420)</u>

Berlin Borough School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues						
Charges for services	\$	\$	\$ 591,887	\$ 602,002	\$ 591,887	\$ 602,002
Operating grants and Contributions	2,079,522	1,953,661	98,276	99,513	2,177,798	2,053,174
Capital grants and Contributions						
General Revenues:						
Property Taxes	7,561,129	7,417,209			7,561,129	7,417,209
Unrestricted State Aid	3,699,940	3,663,142			3,699,940	3,663,142
Other Revenues	137,802	61,664			137,802	61,664
Total Revenues	13,478,393	13,095,676	690,163	701,515	14,168,556	13,797,191
Expenses:						
Governmental Activities:						
Instruction	5,498,740	5,326,061			5,498,740	5,326,061
Tuition	5,404				5,404	
Related Services	1,339,796	1,293,235			1,339,796	1,293,235
Administrative Services	630,141	613,655			630,141	613,655
Central Services	340,426	311,180			340,426	311,180
Operations and Maintenance	1,209,023	1,244,194			1,209,023	1,244,194
Transportation	324,335	357,586			324,335	357,586
Employee benefits	3,799,889	3,467,551			3,799,889	3,467,551
Charter School						
Interest on long-term Debt	154,323	169,488			154,323	169,488
Other	46,234	49,009			46,234	49,009
Business-Type Activities:						
Community Education			147,875	291,062	147,875	291,062
Latchkey			114,234		114,234	
Shared Services			59,246	93,431	59,246	93,431
Food Service Operations			308,482	245,606	308,482	245,606
Total Expenses	13,348,311	12,831,959	629,837	630,099	13,978,148	13,462,058
Change in net position						
Before transfers	130,082	263,717	60,326	71,416	190,408	335,133
Transfers						
Changes in net position	130,082	263,717	60,326	71,416	190,408	335,133
Net position (restated), July 1,	(2,277,192)	(2,540,909)	376,772	305,356	(1,900,420)	(2,235,553)
Net position, June 30,	\$ (2,147,110)	\$ (2,277,192)	\$ 437,098	\$ 376,772	\$ (1,710,012)	\$ (1,900,420)

Governmental Activities

Governmental activities increased the net position of the School District by \$130,082 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 \$327,280. Depreciation expense of \$587,449. Reduction of debt in the amount of \$97,318.

Business-type Activities

Business-type activities increased the School District's net position by \$60,326. 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 \$64,134, Latchkey had a net gain of \$37,175 and the Food Service Fund had a net loss of \$40,983.

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 1,543,917, an increase of \$327,280 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 (\$115,234) in the General Fund, \$96,637 in the Capital Projects Fund, and \$1,904 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) \$599,467 reserved for future budget appropriation in accordance with state statute, 2) \$648,989 reserved for capital projects, 3) \$150,000 reserved for maintenance, 4) \$162,154 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 \$251,392 while total fund balance (budgetary basis) was \$1,373,618. 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 \$11,888,381. Unassigned fund balance (budgetary basis) represents 2.11% of expenditures while total fund balance (budgetary basis) represents 11.55% 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, 2017, totaled \$2,512,344 (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 \$625,572, or a 19.94% decrease. The decrease is due to depreciation expense.

Capital Asset (net of accumulated depreciation) June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		District-Wide	
	2017	2016	2017	2016	2017	2016
Land	\$ 400,000	\$ 400,000	\$	\$	\$ 400,000	\$ 400,000
Site Improvements	68,145	85,978			68,145	85,978
Buildings and Building Improvements	1,885,698	2,393,895			1,885,698	2,393,895
Equipment	147,350	241,285	11,151	16,758	158,501	258,043
Total	\$ 2,501,193	\$ 3,121,158	\$ 11,151	\$ 16,758	\$ 2,512,344	\$ 3,137,916

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, 2017, the School District had \$2,665,000 in serial bonds payable, \$420,000 in certificates of participation payable, \$92,313 in capital leases payable, \$484,695 in compensated absences, and \$3,329,080 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 \$21,897,806. The available amount as of June 30, 2017 is \$18,812,806.

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 2017-18 fiscal year.

- For 2017-18 fiscal year the School District will not be receiving an increase in state aid. The local tax levy in the General Fund increased by \$195,328 or 2.82%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2017-18 General Fund Budget is \$117,459 more than the previous year or a 1.07% increase. The tax rate for 2017 is \$0.989 which is a .027 cent decrease 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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 742,118	\$ 430,215	\$ 1,172,333
Receivables, net	327,154	5,808	332,962
Inventory		6,113	6,113
Restricted assets:			
Restricted cash and cash equivalents	648,989		648,989
Capital assets, net (Note 5)	<u>2,501,193</u>	<u>11,151</u>	<u>2,512,344</u>
Total assets	<u>4,219,454</u>	<u>453,287</u>	<u>4,672,741</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	<u>1,030,847</u>		<u>1,030,847</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5,250,301</u>	<u>453,287</u>	<u>5,703,588</u>
LIABILITIES:			
Accounts payable:			
Related to pensions	107,076		107,076
Other	77,741	1,900	79,641
Intergovernmental payable:			
State	96,603		96,603
Unearned revenue		14,289	14,289
Accrued interest	53,702		53,702
Noncurrent liabilities:			
Due within one year	796,429		796,429
Due beyond one year	<u>6,194,659</u>		<u>6,194,659</u>
Total liabilities	<u>7,326,210</u>	<u>16,189</u>	<u>7,342,399</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	<u>71,201</u>		<u>71,201</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>7,397,411</u>	<u>16,189</u>	<u>7,413,600</u>
NET POSITION:			
Net investment in capital assets	(676,120)	11,151	(664,969)
Restricted for:			
Debt Service Fund	440,288		440,288
Capital Projects	745,626		745,626
Other Purposes	473,237		473,237
Unrestricted	<u>(3,130,141)</u>	<u>425,947</u>	<u>(2,704,194)</u>
Total net position	<u>\$ (2,147,110)</u>	<u>\$ 437,098</u>	<u>\$ (1,710,012)</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, 2017

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	\$ 3,899,824	\$ -	\$ 197,637	\$ -	\$ (3,702,187)	\$ -	\$ (3,702,187)
Special education	1,440,240		120,082		(1,320,158)		(1,320,158)
Other instruction	158,676				(158,676)		(158,676)
Support Services:							
Tuition	5,404				(5,404)		(5,404)
Student & instruction related services	1,339,796		153,431		(1,186,365)		(1,186,365)
General administrative services	304,931				(304,931)		(304,931)
School administrative services	325,210				(325,210)		(325,210)
Central services	340,426				(340,426)		(340,426)
Plant operations and maintenance	1,209,023				(1,209,023)		(1,209,023)
Pupil transportation	324,335		4,000		(320,335)		(320,335)
Employee benefits	3,799,889		1,455,154		(2,344,735)		(2,344,735)
Interest on long-term debt	154,323		149,218		(5,105)		(5,105)
Unallocated depreciation	46,234				(46,234)		(46,234)
Total governmental activities	<u>13,348,311</u>		<u>2,079,522</u>		<u>(11,268,789)</u>		<u>(11,268,789)</u>
Business-type activities:							
Community Education and Recreation	147,875	212,009				64,134	64,134
Latchkey	114,234	151,409				37,175	37,175
Food service	308,482	169,223	98,276			(40,983)	(40,983)
Shared Services	59,246	59,246					
Total business-type activities	<u>629,837</u>	<u>591,887</u>	<u>98,276</u>			<u>60,326</u>	<u>60,326</u>
Total primary government	<u>\$ 13,978,148</u>	<u>\$ 591,887</u>	<u>\$ 2,177,798</u>	<u>\$ -</u>	<u>\$ (11,268,789)</u>	<u>\$ 60,326</u>	<u>\$ (11,208,463)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net					6,938,012		6,938,012
Taxes levied for debt service					623,117		623,117
Federal and State aid not restricted					3,699,940		3,699,940
Investment earnings							
Miscellaneous income					137,802		137,802
Transfers							
Total general revenues, special items, extraordinary items and transfers					<u>11,398,871</u>		<u>11,398,871</u>
Change in Net Position					130,082	60,326	190,408
Net Position - July 1					(2,277,192)	376,772	(1,900,420)
Net Position - June 30					<u>\$ (2,147,110)</u>	<u>\$ 437,098</u>	<u>\$ (1,710,012)</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, 2017

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 170,087	\$ 124,469	\$ 5,248	\$ 442,314	\$ 742,118
Receivables, net	110,628	8,026	204,000		322,654
Interfund receivables, net	119,137				119,137
Restricted cash and cash equivalents	648,989				648,989
Total assets	\$ 1,048,841	\$ 132,495	\$ 209,248	\$ 442,314	\$ 1,832,898
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable:	\$ 41,849	\$ 35,892	\$ -	\$ -	\$ 77,741
Intergovernmental payable:					
State		96,603			96,603
Interfund payables			112,611	2,026	114,637
Total liabilities	41,849	132,495	112,611	2,026	288,981
Fund Balances:					
Restricted Fund Balance:					
Reserved excess surplus - designated for subsequent year's expenditures	160,039				160,039
Reserve for excess surplus	162,154				162,154
Maintenance reserve	150,000				150,000
Capital reserve	648,989				648,989
Assigned Fund Balance:					
Designated for subsequent year's expenditures	1,044			438,384	439,428
Unassigned Fund Balance	(115,234)		96,637	1,904	(16,693)
Total fund balances	1,006,992		96,637	440,288	1,543,917
Total liabilities and fund balances	\$ 1,048,841	\$ 132,495	\$ 209,248	\$ 442,314	

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 \$15,437,658 and the accumulated depreciation is \$12,936,465. 2,501,193

Accounts payable related to the April 1, 2018 required PERS contribution that is not to be liquidated with current financial resources. (107,076)

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	1,030,847	
Net Pension Liability	(3,329,080)	
Deferred Inflows of resources from Pensions	(71,201)	(2,369,434)

The following long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds:

General Obligation Bonds	(2,665,000)	
Certificates of Participation	(420,000)	
Capital Leases	(92,313)	
Accrued Interest Payable	(53,702)	
Compensated Absences Payable	(484,695)	(3,715,710)

Net position of governmental activities \$ (2,147,110)

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, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 6,938,012	\$ -	\$ -	\$ 623,117	\$ 7,561,129
Tuition	85,483				85,483
Transportation	1,955				1,955
Miscellaneous	46,887		3,477		50,364
Total revenues-local sources	7,072,337		3,477	623,117	7,698,931
State sources	5,142,994	175,770		149,218	5,467,982
Federal sources		311,480			311,480
Total revenues	12,215,331	487,250	3,477	772,335	13,478,393
EXPENDITURES:					
Current expense:					
Regular instruction	3,690,169	197,637			3,887,806
Special education instruction	1,320,158	120,082			1,440,240
Other instruction	158,676				158,676
Support services and undistributed costs:					
Tuition	5,404				5,404
Student & instruction related services	1,186,365	153,431			1,339,796
General administrative services	294,565				294,565
School administrative services	325,210				325,210
Central services	340,426				340,426
Plant operations and maintenance	642,820				642,820
Pupil transportation	320,335	4,000			324,335
Unallocated employee benefits	3,479,252	12,100			3,491,352
Capital outlay	125,001				125,001
Debt service:					
Principal				620,000	620,000
Interest and other charges				155,482	155,482
Total expenditures	11,888,381	487,250		775,482	13,151,113
Excess (deficiency) of revenues over (under) expenditures	326,950		3,477	(3,147)	327,280
Other Financing Sources (Uses):					
Transfers in				3,477	3,477
Transfers out			(3,477)		(3,477)
Total other financing sources (uses)			(3,477)	3,477	
Net change in fund balance	326,950			330	327,280
Fund balances, July 1	680,042		96,637	439,958	1,216,637
Fund balances, June 30	<u>\$ 1,006,992</u>	<u>\$ -</u>	<u>\$ 96,637</u>	<u>\$ 440,288</u>	<u>\$ 1,543,917</u>

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, 2017

Total net change in fund balances - governmental funds (from B-2)	\$	327,280
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p style="padding-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	\$ (587,449)	
Loss on Disposal of Equipment	<u>(32,516)</u>	(619,965)
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.		215,000
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.		405,000
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.		113,214
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.		1,159
Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities.		(308,537)
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>(3,069)</u>
Change in net position of governmental activities	\$	<u>130,082</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, 2017

	Business-type Activities			Internal Service Fund	Total
	Enterprise Funds			Shared Services	
	Food Service Program	Protect All Latchkey Students (PALS)	Community Education and Recreation		
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 86,451	\$ 175,783	\$ 167,981	\$ -	\$ 430,215
Accounts receivable	5,808				5,808
Inventories	6,113				6,113
Total current assets	<u>98,372</u>	<u>175,783</u>	<u>167,981</u>		<u>442,136</u>
Noncurrent assets:					
Equipment	71,290				71,290
Less accumulated depreciation	(60,139)				(60,139)
Total noncurrent assets	<u>11,151</u>				<u>11,151</u>
Total assets	<u>\$ 109,523</u>	<u>\$ 175,783</u>	<u>\$ 167,981</u>	<u>\$ -</u>	<u>\$ 453,287</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ 215	\$ 1,685	\$ -	\$ 1,900
Unearned revenue	4,389		9,900		14,289
Total liabilities	<u>4,389</u>	<u>215</u>	<u>11,585</u>		<u>16,189</u>
NET POSITION					
Net investment in capital assets	11,151				11,151
Unrestricted	93,983	175,568	156,396		425,947
Total net position	<u>\$ 105,134</u>	<u>\$ 175,568</u>	<u>\$ 156,396</u>	<u>\$ -</u>	<u>\$ 437,098</u>

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, 2017

	Business-type Activities			Internal Service	Total
	Enterprise Funds			Fund	
	Food Service Program	Protect All Latchkey Students (PALS)	Community Education and Recreation	Shared Services	
Operating revenues:					
Charges for services:					
Daily sales-reimbursable programs	\$ 98,902	\$ -	\$ -	\$ -	\$ 98,902
Daily sales-non-reimbursable programs	70,321				70,321
Program Fees		151,409	212,009	59,246	422,664
Total operating revenue	<u>169,223</u>	<u>151,409</u>	<u>212,009</u>	<u>59,246</u>	<u>591,887</u>
Operating expenses:					
Salaries	130,212	78,910	89,886	59,246	358,254
Supplies and materials	8,563	2,041	6,202		16,806
Depreciation	5,607				5,607
Purchased services	15,655	6,654	16,678		38,987
Cost of sales - reimbursable programs	84,700				84,700
Cost of sales - non-reimbursable programs	20,050				20,050
Miscellaneous	8,833	26,629	35,109		70,571
Direct expenses	7,862				7,862
Repairs and maintenance	27,000				27,000
Other					
Total operating expenses	<u>308,482</u>	<u>114,234</u>	<u>147,875</u>	<u>59,246</u>	<u>629,837</u>
Operating income (loss)	<u>(139,259)</u>	<u>37,175</u>	<u>64,134</u>		<u>(37,950)</u>
Nonoperating revenues (expenses):					
State sources:					
State school lunch program	2,539				2,539
Federal sources:					
National school lunch program	67,092				67,092
National school breakfast program	3,838				3,838
U.S.D.A. commodities	24,807				24,807
Local sources:					
Interest revenue					
Total nonoperating revenues (expenses)	<u>98,276</u>				<u>98,276</u>
Change in net position	(40,983)	37,175	64,134		60,326
Total net position - July 1	<u>146,117</u>	<u>138,393</u>	<u>92,262</u>		<u>376,772</u>
Total net position - June 30	<u>\$ 105,134</u>	<u>\$ 175,568</u>	<u>\$ 156,396</u>	<u>\$ -</u>	<u>\$ 437,098</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, 2017

	Business-type Activities			Internal Service Fund Shared Services	Total
	Enterprise Funds				
	Food Service Program	Protect All Latchkey Students (PALS)	Community Education and Recreation		
Cash flows from operating activities:					
Receipts from customers	\$ 169,617	\$ 151,409	\$ 217,109	\$ 59,246	\$ 597,381
Payments to employees	(130,212)	(78,910)	(89,886)	(59,246)	(358,254)
Payments to suppliers	(148,462)	(35,109)	(56,304)		(239,875)
Net cash used for operating activities	<u>(109,057)</u>	<u>37,390</u>	<u>70,919</u>		<u>(748)</u>
Cash flows from noncapital financing activities:					
State sources	2,520				2,520
Federal sources	70,422				70,422
Net cash provided by non-capital financing activities	<u>72,942</u>				<u>72,942</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	(36,115)	37,390	70,919		72,194
Balances - July 1	122,566	138,393	97,062		358,021
Balances - June 30	<u>\$ 86,451</u>	<u>\$ 175,783</u>	<u>\$ 167,981</u>	<u>\$ -</u>	<u>\$ 430,215</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (139,259)	\$ 37,175	\$ 64,134	\$ -	\$ (37,950)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	5,607				5,607
Federal commodities	24,807				24,807
(Increase) decrease in receivables					
(Increase) decrease in inventories	(606)				(606)
Increase (decrease) in accounts payable		215	1,685		1,900
Increase (decrease) in unearned revenue	394		5,100		5,494
Total adjustments	<u>30,202</u>	<u>215</u>	<u>6,785</u>		<u>37,202</u>
Net cash provided by (used for) operating activities	<u>\$ (109,057)</u>	<u>\$ 37,390</u>	<u>\$ 70,919</u>	<u>\$ -</u>	<u>\$ (748)</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, 2017

	<u>Flexible Benefits Account</u>	<u>Unemployment Compensation Insurance Trust</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 4,707	\$ 4,693	\$ 116,180
Total assets	<u>\$ 4,707</u>	<u>\$ 4,693</u>	<u>\$ 116,180</u>
LIABILITIES:			
Interfund payable	\$ 4,500	\$ -	\$ -
Payroll deductions and withholdings			43,089
Due to student groups			73,091
Total liabilities	<u>4,500</u>	<u>-</u>	<u>\$ 116,180</u>
NET POSITION:			
Held in trust for unemployment claims and other purposes	<u>\$ 207</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, 2017

	Flexible Benefits Account	Unemployment Compensation Insurance Trust
ADDITIONS:		
Contributions:		
Board contributions		
Other	\$ 804	\$ -
Total Contributions	804	-
Investment earnings:		
Interest		
Net investment earnings	-	-
Total additions	804	-
DEDUCTIONS:		
Unemployment claims		
Payment of Flexible Benefits	597	
Transfer to General Fund		
Total deductions	597	-
Change in net position	207	-
Net position - July 1	-	4,693
Net position - June 30	\$ 207	\$ 4,693

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, 2017

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 attend Eastern Regional High School District. The School District has an approximate enrollment at June 30, 2017 of 828 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. GASB Statement No. 80, *Blending Requirements for Certain Component Units* - an Amendment of GASB Statement No. 14 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. 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.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements (Continued) - 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.

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.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

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.

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.

Protect All Latchkey Students Fund - This fund accounts for the financial activity related to providing day care services for School District students.

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.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Fund Financial Statements (Continued) – 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.

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.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

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.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017 and 2016 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, 2017.

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.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2017

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, 2017.

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, 2017

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 States 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 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. 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 30, 2017. 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.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - 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.

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting 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 May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting 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 June 2017, the GASB issued Statement 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. 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 \$2,181,014 as of June 30, 2017, \$690,000 was insured under FDIC and the remaining balance of \$1,491,014 was collateralized under GUDPA.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2016 to June 30, 2017 fiscal year is as follows:

Balance – July 1, 2016		\$ 440,989
Increased by:		
Board resolution		<u>273,000</u>
		713,989
Decreased by:		
Budget withdrawal		<u>65,000</u>
Balance – June 30, 2017		<u>\$ 648,989</u>

The June 30, 2017 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

Receivables at June 30, 2017 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	\$ 23,190	\$ -	\$ 204,000	\$ 209	\$ 227,399
Federal Aid				5,599	5,599
Other	<u>87,438</u>	<u>8,026</u>			<u>95,464</u>
Total	<u>\$ 110,628</u>	<u>\$ 8,026</u>	<u>\$ 204,000</u>	<u>\$ 5,808</u>	<u>\$ 328,462</u>

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</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	292,089			292,089
Building and Building Improvements	14,059,401			14,059,401
Equipment	1,095,605		409,437	686,168
Totals at historical cost	<u>15,447,095</u>	_____	<u>409,437</u>	<u>15,037,658</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements	(206,111)	(17,833)		(223,944)
Building and Building Improvements	(11,665,506)	(508,197)		(12,173,703)
Equipment	(854,320)	(61,419)	(376,921)	(538,818)
Totals accumulated depreciation	<u>(12,725,937)</u>	<u>(587,449)</u>	<u>(376,921)</u>	<u>(12,936,465)</u>
Total Capital Assets, being depreciated, net	<u>2,721,158</u>	<u>(587,449)</u>	<u>32,516</u>	<u>2,101,193</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,121,158</u>	<u>\$ (587,449)</u>	<u>\$ 32,516</u>	<u>\$ 2,501,193</u>
 <u>Business-Type Activities:</u>				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 92,451	\$ -	\$ 21,161	\$ 71,290
Less accumulated depreciation	<u>(75,693)</u>	<u>(5,607)</u>	<u>(21,161)</u>	<u>(60,139)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 16,758</u>	<u>\$ (5,607)</u>	<u>\$ -</u>	<u>\$ 11,151</u>

Depreciation expense in the amount of \$587,449 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 8,949
Administration	10,366
Plant Operations and Maintenance	521,900
Unallocated	<u>46,234</u>
Total depreciation expense	<u>\$ 587,449</u>

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2017 consisted of the following:

		<u>Food Service</u>
Food	\$	4,717
Supplies		<u>1,396</u>
	\$	<u>6,113</u>

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations:

	<u>Principal Outstanding June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2017</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 2,880,000	\$ -	\$ 215,000	\$ 2,665,000	\$ 230,000
Certificates of Part. Pay.	825,000		405,000	420,000	420,000
Capital Leases Payable	205,527		113,214	92,313	92,313
Compensated Absences	481,626	51,344	48,275	484,695	54,116
Net Pension Liability	<u>2,501,617</u>	<u>827,463</u>		<u>3,329,080</u>	
	<u>\$ 6,893,770</u>	<u>\$ 878,807</u>	<u>\$ 781,489</u>	<u>\$ 6,991,088</u>	<u>\$ 796,429</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 \$2,665,000 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>
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	495,000	49,500	544,500
2023	<u>495,000</u>	<u>24,750</u>	<u>519,750</u>
Total	<u>\$ 2,665,000</u>	<u>\$ 469,925</u>	<u>\$ 3,134,925</u>

As of June 30, 2017 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, 2017

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, 2017:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>420,000</u>	\$ <u>18,522</u>	\$ <u>438,522</u>
	\$ <u>420,000</u>	\$ <u>18,522</u>	\$ <u>438,522</u>

Compensated Absences

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

Capital Leases

As of June 30, 2017, the District had the following capital lease:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Value</u>
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, 2017:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>92,313</u>	\$ <u>3,123</u>	\$ <u>95,436</u>
	\$ <u>92,313</u>	\$ <u>3,123</u>	\$ <u>95,436</u>

8. OPERATING LEASES

The District has various commitments for four copiers and a postage machine under operating leases which fully expire in 2022. Total operating lease payments made during the year ended June 30, 2017 was \$20,091. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2018	\$ 23,778
June 30, 2019	23,778
June 30, 2020	23,778
June 30, 2021	15,916
June 30, 2022	<u>1,208</u>
Total future minimum lease payments	<u>\$ 88,458</u>

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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) and the Public Employees' Retirement System (PERS). IN addition, several School District employees participate in the Defined Contribution Retirement Program (DCRP), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. 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)

Plan Description - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement, death and disability, and medical benefits to qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Vesting and Benefit Provisions – 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 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.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll on or after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions - The contribution requirements of plan members are determined by N.J.S.A.18A:66 and requires contributions by active members and contributing employers. 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 member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

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

Contributions (Continued) - Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

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. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2017 was \$425,758 and was paid by April 1, 2016. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$395,116.

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

At June 30, 2017, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

For the year ended June 30, 2017, the School District recognized pension expense of \$3,159,871 and revenue of \$3,159,871 for support provided by the State. Although the School 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 School District.

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

	<u>06/30/16</u>	<u>06/30/15</u>
Collective deferred outflows of resources	\$ 17,414,701,002	\$ 7,521,378,257
Collective deferred inflows of resources	134,532,594	554,399,005
Collective net pension liability (Non-Employer – State of New Jersey)	79,028,907,033	63,577,864,440
State's portion of the net pension liability that was associated with the School District	42,055,303	34,159,911
State's portion of the net pension liability that was associated with the School District as a percentage of the collective net pension liability	.0534603348%	.0540468402%

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

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

Actuarial assumptions – The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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: 7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 TPAF's target asset allocation as of June 30, 2016 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%	0.39%
Government Bonds	01.50%	1.28%
Credit Bonds	13.00%	2.76%
Mortgages	02.00%	2.38%
Inflation-Indexed Bonds	01.50%	1.41%
High Yield Bonds	02.00%	4.70%
Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	06.50%	8.16%
Private Real Estate Property	05.25%	3.64%
Timber	01.00%	3.86%
Farmland	01.00%	4.39%
Private Equity	09.00%	8.97%
Commodities	00.50%	2.87%
Hedge Funds – MultiStrategy	05.00%	3.70%
Hedge Funds – Equity Hedge	03.75%	4.72%
Hedge Funds - Distressed	03.75%	3.49%
	<u>100.00%</u>	

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

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

Discount rate. The discount rate used to measure the State's total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 contribution rate in the most recent fiscal year. The state contributed 30% of the actuarially determined 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 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2016, the pension plans measurement date, attributable to the School District is \$0.00, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 4.13%, as well as what the School 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 (3.13%) or 1 percentage point higher (5.13%) that the current rate:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	50,223,430	42,055,303	35,384,973
	\$ 50,223,430	\$ 42,055,303	\$ 35,384,973

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)

Plan Description - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS designated purpose is to provide retirement, death and disability, and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Vesting and Benefit Provisions - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
4	Members who were eligible to enroll on or after May 21, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tier.

Contributions - The contribution requirements of plan members are determined by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. 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 member contribution rate was 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 336, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 14.08% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2016, the School Districts contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$99,858 and was paid by April 1, 2017. School District employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$55,140.

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:

Fiscal Year	Normal Contributions	Adjustment	Accrued Liability	Non Contributory Life	Total Liability Paid by District
2017	\$ 15,620	\$ -	\$ 79,491	\$ 4,747	\$ 99,858
2016	16,220	-	74,720	4,869	95,809
2015	14,970	-	69,246	5,704	89,920

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

At June 30, 2017, the School District reported a liability of \$3,329,080 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The School District's proportion of the of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2017, the School District recognized pension expense of \$307,531. At June 30, 2017, the School District reported a liability of \$3,329,080 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	\$ 61,911	\$ -
Changes of assumptions	689,608	
Net Difference between projected and actual earnings on pension plan investments	126,941	
Changes in proportion	45,311	71,201
District contributions subsequent to the measurement date	107,076	
Total	\$ 1,030,847	\$ 71,201

\$107,076 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, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net liability in the year ended June 30, 2017.

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
2017	\$ 168,625
2018	168,625
2019	227,200
2020	191,090
2021	97,030
Total	\$ 852,570

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between projected and actual earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	-	5.00
Changes in proportion		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Additional Information

Collective balances at June 30, 2016 and 2015 are as follows:

	<u>6/30/2016</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$ 8,685,338,380	\$ 3,578,755,666
Collective deferred inflows of resources	\$ 870,133,595	\$ 993,410,455
Collective net pension liability	\$ 29,617,131,759	\$ 22,447,996,119
District's Proportion	.0112403878%	.0111440567%

Actuarial assumptions – The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Inflation rate: 3.08%
- Salary Increases:
 - Through 2025: 1.65-4.15% based on age
 - Thereafter: 2.65-5.15% based on age
- Investment Rate of Return: 7.65%

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 3 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

In addition, the tables for service retirements and using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 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%	00.87%
U.S. Treasuries	01.50%	01.74%
Investment Grade Credit	08.00%	01.79%
Mortgages	02.00%	01.67%
High Yield Bonds	02.00%	04.56%
Inflation Indexed Bonds	01.50%	03.44%
Broad US Equities	26.00%	08.53%
Developed Foreign Equities	13.25%	06.83%
Emerging Market Equities	06.50%	09.95%
Private Equity	09.00%	12.40%
Hedge Funds/Absolute Ret	12.50%	04.68%
Real Estate (Property)	02.00%	06.91%
Commodities	00.50%	05.45%
Global Debt ex US	05.00%	-0.25%
REIT	05.25%	05.63%
	100.00%	

Discount rate. The discount rate used to measure the State's total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the School 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 (2.98%) or 1 percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the net pension liability	\$ 4,079,399	\$ 3,329,080	\$ 2,709,627

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>
2017	\$ 5,477	\$ 5,477
2016	8,690	8,690
2015	5,567	5,567

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

10. STATE POST-RETIREMENT MEDICAL BENEFITS

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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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.

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 \$231.1 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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 at:

<http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2017, the School District has recognized as revenues and expenditures on-behalf payments made by the state for normal retirement costs, post-retirement medical costs and long term disability insurance related to TPAF, in the fund statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, post-retirement medical costs and long term disability insurance were \$569,792, \$474,766, and \$2,612 respectively. In addition, \$395,884 on-behalf payments were made by the state for the 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.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

12. RISK MANAGEMENT (Continued)

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.

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>
2016-2017	\$ -	\$ -	\$ -	\$ -	\$ 4,693
2015-2016	-	-	-	309	4,693
2014-2015	-	-	-	-	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, 2017, the liability for compensated absences in the governmental activities fund types was \$484,695.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017**

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, 2018. The following interfund receivables/payables were recorded on the various balance sheets as of June 30, 2017:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 119,137	\$ -
Capital Projects		112,611
Debt Service		2,026
Fiduciary		4,500
	<u>\$ 119,137</u>	<u>\$ 119,137</u>

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, 2017, 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>
2016-2017	\$ -	\$ 804	\$ 597	\$ 207
2015-2016	-	1,608	1,658	-
2014-2015	-	804	961	50

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

18. TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

The Borough of Berlin (Municipality) provides for long-term tax exemptions, as authorized by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Municipality are for affordable housing. Taxes abated include municipal, local school, and county taxes.

The municipality recognized revenue of \$27,561 from the annual service charge in lieu of payment of taxes in 2016. The assessed value on these tax exemption properties amounted to \$3,002,300 which would have resulted in 2016 taxes billed in full of \$91,690. A portion of the \$64,129 abatement would have been allocated to the District.

19. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$115,234 in the General Fund as of June 30, 2017 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 \$115,234 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, 2017**

20. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2017, a deficit of \$3,130,141 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, 2017	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance – Unassigned	\$ (115,234)
Liabilities:	
Accrued Interest Payable	(53,702)
Net Pension Difference	(2,476,510)
Compensated Absences	<u>(484,695)</u>
Unrestricted Net Position (Deficit)	<u>\$ (3,130,141)</u>

21. 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:

RESTRICTED

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, 2017 is \$162,154 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$160,039 of excess fund balance generated during the 2015-2016 fiscal year has been restricted and designated for utilization in the 2017-2018 budget.

Capital Reserve – As of June 30, 2017, the balance in the capital reserve account is \$648,989. Of this amount \$15,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2018 and \$633,989 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, 2017, the balance in the maintenance reserve account is \$150,000. 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, 2017**

21. 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, \$1,044 of general fund balance at June 30, 2017.

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, \$438,384 of debt service fund balance at June 30, 2017.

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, 2017, the fund balance of the general fund was a deficit of \$115,234. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 19).

Capital Projects Fund – As of June 30, 2017, \$96,637 of capital projects fund balance was unassigned.

Debt Service Fund – As of June 30, 2017, \$1,904 of debt service fund balance was unassigned.

22. LITIGATION

The District is involved in one legal proceeding. The outcome or potential liability exposure from this litigation is unknown at this time.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 6,938,012	\$ -	\$ 6,938,012	\$ 6,938,012	\$ -
Tuition from other LEA's within state	15,000	-	15,000	85,483	70,483
Transportation				1,955	1,955
Other restricted miscellaneous revenue	25,000	-	25,000	25,000	-
Unrestricted miscellaneous revenue	15,000	-	15,000	21,887	6,887
Total local sources	<u>6,993,012</u>	<u>-</u>	<u>6,993,012</u>	<u>7,072,337</u>	<u>79,325</u>
State sources:					
Categorical Special Education aid	495,390	-	495,390	495,390	-
Equalization aid	3,013,468	-	3,013,468	3,013,468	-
Categorical Security Aid	35,051	-	35,051	35,051	-
Transportation Aid	54,903	-	54,903	54,903	-
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	-
Professional Community Learning Aid	8,400	-	8,400	8,400	-
Lead Testing for Schools Aid				2,216	2,216
Additional Nonpublic Transportation aid				1,392	1,392
On-behalf TPAF pension contributions (non-budgeted)				569,792	569,792
On-behalf TPAF pension post medical contributions (non-budgeted)				474,766	474,766
On-behalf TPAF - LTDI (non-budgeted)				2,612	2,612
Reimbursed TPAF social security contributions (non-budgeted)				395,884	395,884
Total state sources	<u>3,701,976</u>	<u>-</u>	<u>3,701,976</u>	<u>5,148,638</u>	<u>1,446,662</u>
TOTAL REVENUES	<u>10,694,988</u>	<u>-</u>	<u>10,694,988</u>	<u>12,220,975</u>	<u>1,525,987</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers			235,581	233,501	2,080
Kindergarten	297,987	(62,406)	1,904,066	1,893,593	10,473
Grades 1-5	1,954,528	(50,462)	1,286,668	1,272,828	13,840
Grades 6-8	1,302,023	(15,355)			
Total Instruction	<u>3,554,538</u>	<u>(128,223)</u>	<u>3,426,315</u>	<u>3,399,922</u>	<u>26,393</u>
Regular Programs - Home Instruction:					
Salaries of teachers	5,040	1,645	6,685	6,685	-
Purchased prof. and educational services	8,000	(1,645)	6,355		6,355
Total Home Instruction	<u>13,040</u>	<u>-</u>	<u>13,040</u>	<u>6,685</u>	<u>6,355</u>
Regular Programs - Undistributed Instruction:					
Purchased prof. and educational services	50,725	-	50,725	19,063	31,662
Purchased technical services	5,500	-	5,500	3,000	2,500
Other purchased services	1,850	-	1,850	900	950
General supplies	271,755	(1,460)	270,295	259,154	11,141
Textbooks	6,690	1,000	7,690	1,445	6,245
Total Undistributed Instruction	<u>336,520</u>	<u>(460)</u>	<u>336,060</u>	<u>283,562</u>	<u>52,498</u>
Total - Regular Programs - Instruction	<u>3,904,098</u>	<u>(128,683)</u>	<u>3,775,415</u>	<u>3,690,169</u>	<u>85,246</u>
Special Educ Instruction: Learning and/or Lang. Disabilities					
Salaries of teachers	195,233	(64,732)	130,501	127,533	2,968
Other salaries for instruction	49,236	(14,879)	34,357	32,471	1,886
Other purchased services	1,000	(1,000)			-
General Supplies	1,500	1,000	2,500	1,731	769
Total Learning and/or Language Disabilities	<u>246,969</u>	<u>(79,611)</u>	<u>167,358</u>	<u>161,735</u>	<u>5,623</u>

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

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Multiple Disabilities					
Salaries of teachers	\$ 66,623	\$ (7,071)	\$ 59,552	\$ 58,463	\$ 1,089
Other salaries for instruction	22,028	1,231	23,259	21,072	2,187
General Supplies	820	-	820	800	20
Total Multiple Disabilities	<u>89,471</u>	<u>(5,840)</u>	<u>83,631</u>	<u>80,335</u>	<u>3,296</u>
Special Educ Instruction: Resource Room/Resource Center					
Salaries of teachers	673,000	167,933	840,933	840,886	47
Other salaries for instruction	91,557	47,202	138,759	138,759	-
General Supplies	8,000	(80)	7,920	7,918	2
Total Resource Room/Resource Center	<u>772,557</u>	<u>215,055</u>	<u>987,612</u>	<u>987,563</u>	<u>49</u>
Special Educ Instruction: Preschool Disabilities - PT					
Salaries of teachers	62,087	970	63,057	62,238	819
Other salaries for instruction	9,739	15,185	24,924	24,924	-
General Supplies	1,500	1,987	3,487	3,363	124
Total Preschool Disabilities - Part-Time	<u>73,326</u>	<u>18,142</u>	<u>91,468</u>	<u>90,525</u>	<u>943</u>
Total Special Education - Instruction	<u>1,182,323</u>	<u>147,746</u>	<u>1,330,069</u>	<u>1,320,158</u>	<u>9,911</u>
Basic Skills/Remedial - Instruction					
Salaries of teachers	65,224	(2,215)	63,009	63,009	-
General supplies	500	-	500	499	1
Total Basic Skills/Remedial - Instruction	<u>65,724</u>	<u>(2,215)</u>	<u>63,509</u>	<u>63,508</u>	<u>1</u>
Bilingual Education - Instruction					
Salaries of teachers	21,354	-	21,354	19,315	2,039
Total Bilingual Education - Instruction	<u>21,354</u>	<u>-</u>	<u>21,354</u>	<u>19,315</u>	<u>2,039</u>
School-Sponsored Cocurricular Act - Inst.					
Salaries	22,618	-	22,618	16,960	5,658
Total School-Sponsored Cocurr. Act. - Inst	<u>22,618</u>	<u>-</u>	<u>22,618</u>	<u>16,960</u>	<u>5,658</u>
School-Sponsored Athletics - Inst.					
Salaries	52,125	50	52,175	52,175	-
Supplies and materials	5,300	(50)	5,250	2,624	2,626
Other objects	4,725	-	4,725	4,094	631
Total School-Sponsored Athletics - Inst	<u>62,150</u>	<u>-</u>	<u>62,150</u>	<u>58,893</u>	<u>3,257</u>
Undistributed Expenditures - Instruction					
Tuition to CSSD & reg. day schools	35,100	(29,000)	6,100		6,100
Tuition to priv. sch. for the disabled w/ state	43,800	(21,764)	22,036		22,036
Tuition - other	25,696	-	25,696	5,404	20,292
Total Undistributed Expenditures - Instruction	<u>104,596</u>	<u>(50,764)</u>	<u>53,832</u>	<u>5,404</u>	<u>48,428</u>
Undistributed Expenditures - Attend. and Social Work					
Salaries	32,152	-	32,152	23,229	8,923
Total Undistributed Expenditures - Attendance	<u>32,152</u>	<u>-</u>	<u>32,152</u>	<u>23,229</u>	<u>8,923</u>

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

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**BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Health Services					
Salaries	\$ 110,459	\$ 3,057	\$ 113,516	\$ 111,210	\$ 2,306
Purchased professional & tech. services	2,500	-	2,500	2,500	-
Supplies and materials	1,500	1,241	2,741	2,082	659
Other objects	250	(241)	9		9
Total Undistributed Expenditures - Health Svcs.	114,709	4,057	118,766	115,792	2,974
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	137,922	47,039	184,961	182,087	2,874
Purchased prof. and educational services	1,850	-	1,850	1,045	805
Supplies and Materials	1,200	-	1,200	1,197	3
Total Undst. Expend. - Speech, OT, PT & Related Services	140,972	47,039	188,011	184,329	3,682
Undist. Expend. - Other Supp. Serv. Stud. - Extra. Serv.					
Salaries	91,511	(5,243)	86,268	83,567	2,701
Purchased professional & educ. services	116,000	(56,890)	59,110	53,138	5,972
Supplies and Materials	1,000	-	1,000	982	18
Total Undst. Expend. - Other Supp. Serv. Stud. - Extra. Serv.	208,511	(62,133)	146,378	137,687	8,691
Undist. Expend. - Other Supp. Serv. Stud. - Guidance					
Salaries of other professional staff	59,781	28,587	88,368	85,724	2,644
Purchased professional & educ. services	8,000	-	8,000	1,304	6,696
Supplies and Materials	750	-	750	648	102
Total Undst. Expend. - Other Supp. Serv. Stud. - Guidance	68,531	28,587	97,118	87,676	9,442
Undist. Expend. - Other Supp. Serv. Stud. - Child Study Teams					
Salaries of other professional staff	203,708	(15,678)	188,030	160,852	27,178
Salaries of secretarial and clerical assistants	33,672	-	33,672	33,672	-
Purchased prof. and technical services	90,500	(16,130)	74,370	73,840	530
Other purchased prof. and tech. services	2,500	(1,000)	1,500	250	1,250
Miscellaneous purchased services	2,200	(51)	2,149	1,438	711
Supplies and materials	2,500	2,463	4,963	4,595	368
Other Objects	800	-	800	759	41
Total Undst. Expend. - Other Supp. Serv. Stud. - Child Study Te.	335,880	(30,396)	305,484	275,406	30,078
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	110,071	7,022	117,093	117,093	-
Salaries of other professional staff	10,000	-	10,000	8,840	1,160
Salaries of secretarial and clerical assistants	34,371	(2,842)	31,529	31,529	-
Purchased prof. and educational services	19,333	-	19,333	18,554	779
Other purchased services	6,200	(220)	5,980	2,355	3,625
Supplies and materials	500	-	500	500	-
Other objects	800	220	1,020	1,020	-
Total Undst. Expend. - Improvement of Instr. Services	181,275	4,180	185,455	179,891	5,564
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	79,996	7,602	87,598	87,598	-
Purchased professional & tech. services	4,060	(200)	3,860		3,860
Other purchased services	47,745	(17,699)	30,046	30,046	-
Supplies and materials	12,550	17,899	30,449	30,247	202
Total Undst. Expend. - Educ. Media Serv./Sch. Library	144,351	7,602	151,953	147,891	4,062

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

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BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2017

(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	\$ 20,000	\$ -	\$ 20,000	\$ 14,464	\$ 5,536
Purchased prof. and educational services	20,000	-	20,000	20,000	-
Other purchased services	2,250	-	2,250		2,250
Total Undst. Expend. - Educ. Media Serv./Sch. Library	42,250	-	42,250	34,464	7,786
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	162,838	(7,273)	155,565	155,564	1
Legal services	35,000	12,812	47,812	42,784	5,028
Audit fees	19,000	-	19,000	18,900	100
Architectural/Engineering Fees	4,500	4,000	8,500	5,490	3,010
Other purchased professional services	15,730	-	15,730	13,946	1,784
Purchased technical services	2,000	(1,771)	229		229
Communications / telephone	14,343	13,046	27,389	26,524	865
BOE Other purchased services	2,025	-	2,025	802	1,223
Miscellaneous purchased services	12,607	(139)	12,468	11,250	1,218
General supplies	5,700	350	6,050	6,029	21
BOE In-House Training/Meeting Supplies	200	-	200	200	-
Miscellaneous expenditures	5,550	(5,550)			-
BOE Membership Dues and Fees	9,100	4,869	13,969	13,076	893
Total Undst. Expend. - Supp. Serv. General Admin.	288,593	20,344	308,937	294,565	14,372
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	155,856	(1,493)	154,363	154,362	1
Salaries of other professional staff	69,201	-	69,201	69,201	-
Salaries of secretarial and clerical assistants	83,428	(3,709)	79,719	76,221	3,498
Purchased professional & tech. services	19,682	-	19,682	18,540	1,142
Other purchased services	2,000	-	2,000		2,000
Supplies and materials	2,750	1,600	4,350	3,470	880
Other objects	3,500	120	3,620	3,416	204
Total Undst. Expend. - Supp. Serv. School Admin.	336,417	(3,482)	332,935	325,210	7,725
Undist. Expend. - Central Services					
Salaries	248,294	(300)	247,994	247,594	400
Unused Vacation Payment to Terminated/Retired Staff		16,554	16,554	14,899	1,655
Purchased professional services	12,539	-	12,539	10,696	1,843
Supplies and materials	2,000	300	2,300	2,269	31
Miscellaneous expenditures	2,161	-	2,161	981	1,180
Total Undst. Expend. - Central Services	264,994	16,554	281,548	276,439	5,109
Undist. Expend. - Information Technology					
Salaries	60,254	3,455	63,709	63,709	-
Purchased technical services	1,195	(140)	1,055		1,055
Supplies and materials	1,000	-	1,000	278	722
Total Undst. Expend. - Information Technology	62,449	3,315	65,764	63,987	1,777
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	76,000	34,278	110,278	110,277	1
Cleaning, repair, and maintenance services	53,291	9,513	62,804	58,068	4,736
General supplies	19,000	8,785	27,785	23,763	4,022
Total Undst. Expend. - Required Maint. Sch. Facilities	148,291	52,576	200,867	192,108	8,759

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, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$ 189,460	\$ (37,099)	\$ 152,361	\$ 152,088	\$ 273
Salaries of Non-Instructional Aides	75,218	(5,793)	69,425	28,993	40,432
Unused Vacation Payment to Terminated/Retired Staff		3,460	3,460	3,460	
Purchased professional & tech. services	10,444	-	10,444	8,446	1,998
Cleaning, repair, and maintenance services	15,100	7,984	23,084	23,083	1
Other purchased property services	24,000	352	24,352	24,352	-
Insurance	69,409	(859)	68,550	67,783	767
Miscellaneous Purchased Services	4,949	-	4,949	4,171	778
General supplies	25,500	13,371	38,871	34,096	4,775
Energy (Natural Gas)	78,000	(14,600)	63,400	42,790	20,610
Energy (heat & electricity)	72,000	(360)	71,640	57,250	14,390
Other objects	1,000	-	1,000	848	152
Total Undst. Expend. - Other oper. & Maint. of Plant	565,080	(33,544)	531,536	447,360	84,176
Undist. Expend. - Care & Upkeep of Grounds					
General supplies	4,000	(1,896)	2,104	900	1,204
Total Undst. Expend. - Care & Upkeep of Grounds	4,000	(1,896)	2,104	900	1,204
Undist. Expend. - Security					
Purchased professional services		360	360	345	15
General supplies	2,000	107	2,107	2,107	-
Total Undst. Expend. - Security	2,000	467	2,467	2,452	15
Total Undst. Expend. - Oper. & Maint. of Plant Services	719,371	17,603	736,974	642,820	94,154
Undist. Expend. - Student Trans. Services					
Contr. serv. - aid in lieu of payments - nonpublic	9,667	-	9,667	6,961	2,706
Contr. serv. (bet. home & sch.) - vendors	226,960	904	227,864	223,544	4,320
Contr. serv. (other than bet. home & sch.) - vendors	60,000	(7,744)	52,256	30,730	21,526
Contr. serv. (sp ed stds) - vendors	54,000	(3,060)	50,940	48,900	2,040
Misc. Purchased Services - Transportation		10,560	10,560	10,200	360
Total Undst. Expend. - Student Trans. Services	350,627	660	351,287	320,335	30,952
Unallocated Benefits - Employee Benefits					
Social security contributions	155,691	15,000	170,691	147,137	23,554
Other retirement contributions - PERS	107,634	(7,218)	100,416	100,416	-
Other retirement contributions - regular	9,900	(9,900)	-	-	-
Other retirement contributions - DCRP		8,496	8,496	8,166	330
Unemployment compensation	23,772	6,712	30,484	30,484	-
Workmen's compensation	95,284	4,339	99,623	99,623	-
Health benefits	1,687,157	(14,103)	1,673,054	1,584,777	88,277
Tuition reimbursement	20,000	(3,826)	16,174	16,174	-
Other employee benefits	69,787	(65,108)	4,679	4,577	102
Unused Sick Payment to Terminated/Retired Staff		45,594	45,594	44,844	750
Total Unallocated Benefits - Employee Benefits	2,169,225	(20,014)	2,149,211	2,036,198	113,013
On-behalf TPAF pension contributions (non-budgeted)				569,792	(569,792)
On-behalf TPAF pension Post Medical contributions (non-budgeted)				474,766	(474,766)
On-behalf TPAF - LTDI (non-budgeted)				2,612	(2,612)
Reimbursed TPAF social security contributions (non-budgeted)				395,884	(395,884)
Total Undistributed Expenditures - TPAF	-	-	-	1,443,054	(1,443,054)
Total Undistributed Expenditures	5,564,903	(16,848)	5,548,055	6,594,377	(1,046,322)
Total General Current Expense	10,823,170	-	10,823,170	11,763,380	(940,210)

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, 2017

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Kindergarten	\$ 20,000	\$ -	\$ 20,000	\$ 19,285	\$ 715
Grades 1-5	30,000	(30,000)	-	-	-
Undistributed - Instruction		30,000	30,000	29,978	22
Total Equipment	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>49,263</u>	<u>737</u>
Facilities Acquisition and Construction Services:					
Construction services	40,000	-	40,000	39,968	32
Assessment for debt service on SDA funding	35,770	-	35,770	35,770	-
Total Facilities Acquisition and Construction Services	<u>75,770</u>	<u>-</u>	<u>75,770</u>	<u>75,738</u>	<u>32</u>
Assets acquired under capital leases (non-budgeted):					
Equipment					
Instructional	-	-	-	-	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Outlay	<u>125,770</u>	<u>-</u>	<u>125,770</u>	<u>125,001</u>	<u>769</u>
Total Expenditures	<u>10,948,940</u>	<u>-</u>	<u>10,948,940</u>	<u>11,888,381</u>	<u>(939,441)</u>
Other Financing Sources (Uses):					
Proceeds of Capital Lease					-
Total Other Financing Sources				<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(253,952)	-	(253,952)	332,594	586,546
Fund Balance, July 1	1,041,024		1,041,024	1,041,024	
Fund Balance, June 30	<u>\$ 787,072</u>	<u>\$ -</u>	<u>\$ 787,072</u>	<u>\$ 1,373,618</u>	<u>\$ 586,546</u>
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 160,039	
Reserve for Excess Surplus				162,154	
Capital Reserve				648,989	
Maintenance Reserve				150,000	
Unassigned Fund Balance					
Unreserved Designated for Subsequent Year's Expenditures				1,044	
Unreserved				251,392	
				<u>1,373,618</u>	
Last State Aid Payments not Recognized on a GAAP Basis				<u>(366,626)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,006,992</u>	

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, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State sources	\$ 262,449	\$ 9,924	\$ 272,373	\$ 175,770	\$ (96,603)
Federal sources	311,480		311,480	311,480	
Total revenues	573,929	9,924	583,853	487,250	(96,603)
EXPENDITURES:					
Instruction:					
Salaries of teachers	52,348	-	52,348	52,348	-
Other salaries for instruction	8,648	-	8,648	8,648	-
Reading Specialist	26,311	-	26,311	26,311	-
Purchased professional - tech. services	202,395	3,572	205,967	101,748	104,219
Other purchased services	111,434	7,308	118,742	111,434	7,308
General supplies	5,356	-	5,356	5,356	-
Textbooks	11,874	-	11,874	11,874	-
Total instruction	418,366	10,880	429,246	317,719	111,527
Support services:					
Other salaries for instruction	840	-	840	840	-
Personal services-employee benefits	12,100	-	12,100	12,100	-
Purchased prof. and educational services	71,781	-	71,781	5,950	65,831
Purchased professional and technical services	34,790	-	34,790	124,573	(89,783)
Other purchased services (400-500)	21,113	-	21,113	21,113	-
Contracted services - ESC's	13,984	(956)	13,028	4,000	9,028
Supplies and materials	955	-	955	955	-
Total support services	155,563	(956)	154,607	169,531	(14,924)
Facilities acquisition and construction services:					
Instructional equipment		-			-
Noninstructional equipment		-			-
Total facilities acq. and const. services	-	-	-	-	-
Total expenditures	573,929	9,924	583,853	487,250	96,603
Total outflows	573,929	9,924	583,853	487,250	96,603
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Berlin Borough School District
 Notes to Required Supplementary Information
 Budgetary Comparison
 For the Fiscal Year Ended June 30, 2017

**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	\$ 12,220,975	\$ 487,250
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.	360,982	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(366,626)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 12,215,331	\$ 487,250
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 11,888,381	\$ 487,250
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	\$ 11,888,381	\$ 487,250

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 Four Fiscal Years

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0112403878%	0.0111440567%	0.0109075174%	0.0116049596%
District's proportionate share of the net pension liability (asset)	\$ 3,329,080	\$ 2,501,617	\$ 2,042,186	\$ 2,217,938
District's covered-employee payroll	760,334	800,775	773,750	769,212
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	437.84%	312.40%	263.93%	288.34%
Plan fiduciary net position as a percentage of the total pension liability	31.20%	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 Four Fiscal Years

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 107,076	\$ 99,858	\$ 95,809	\$ 89,920
Contributions in relation to the contractually required contributions	<u>(107,076)</u>	<u>(99,858)</u>	<u>(95,809)</u>	<u>(89,920)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 760,334	\$ 800,775	\$ 773,750	\$ 769,212
Contributions as a percentage of covered-employee payroll	14.08%	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 Four Fiscal Years

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0534603348%	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>\$ 42,055,303</u>	<u>\$ 34,159,911</u>	<u>\$ 27,441,258</u>	<u>\$ 23,799,599</u>
Total	<u>\$ 42,055,303</u>	<u>\$ 34,159,911</u>	<u>\$ 27,441,258</u>	<u>\$ 23,799,599</u>
District's covered-employee payroll	\$ 5,474,389	\$ 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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	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, 2017

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

Changes of benefit term: 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: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

2. Public Employees' Retirement System (PERS)

Changes of benefit term: 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: Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 3 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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, 2017

	Brought Forward (Exh. E-1B)	Brought Forward (Exh. E-1C)	Total
REVENUES:			
Local sources			
State sources	\$ 140,000	\$ 35,770	\$ 175,770
Federal sources		311,480	311,480
Total Revenues	<u>140,000</u>	<u>347,250</u>	<u>487,250</u>
EXPENDITURES:			
Instruction:			
Salaries of teachers		52,348	52,348
Other salaries for instruction		8,648	8,648
Reading Specialist		26,311	26,311
Purchased professional and technical services	101,748		101,748
Other purchased services		111,434	111,434
General supplies		5,356	5,356
Textbooks		11,874	11,874
Total instruction	<u>101,748</u>	<u>215,971</u>	<u>317,719</u>
Support services:			
Other salaries for instruction		840	840
Personal services-employee benefits		12,100	12,100
Purchased prof. and educational services		5,950	5,950
Purchased professional and technical services	34,252	90,321	124,573
Other purchased services (400-500)		21,113	21,113
Contracted Sevices - ESCs	4,000		4,000
Supplies and materials		955	955
Total support services	<u>38,252</u>	<u>131,279</u>	<u>169,531</u>
Facilities acquisition and const. serv.:			
Instructional equipment			
Non-instructional equipment			
Total facilities acquisition and const. serv.:			
Total Expenditures	<u>140,000</u>	<u>347,250</u>	<u>487,250</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	<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, 2017

	<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	\$ 67,006	\$ 4,000	\$ 15,461	\$ 16,636	\$ 23,952	\$ 2,645	\$ 10,300	\$ 140,000
Federal sources								
Total Revenues	<u>67,006</u>	<u>4,000</u>	<u>15,461</u>	<u>16,636</u>	<u>23,952</u>	<u>2,645</u>	<u>10,300</u>	<u>140,000</u>
EXPENDITURES:								
Instruction:								
Salaries of teachers								
Other salaries for instruction								
Reading Specialist								
Purchased professional and technical services	67,006		15,461	16,636		2,645		101,748
Other purchased services								
General supplies								
Textbooks								
Total instruction	<u>67,006</u>		<u>15,461</u>	<u>16,636</u>		<u>2,645</u>		<u>101,748</u>
Support services:								
Other salaries for instruction								
Personal services-employee benefits								
Purchased prof. and educational services								
Purchased professional and technical services					23,952		10,300	34,252
Contracted Sevices - ESCs		4,000						4,000
Supplies and materials								
Total support services		<u>4,000</u>			<u>23,952</u>		<u>10,300</u>	<u>38,252</u>
Facilities acquisition and const. serv.:								
Instructional equipment								
Non-instructional equipment								
Total facilities acquisition and const. serv.:								
Total Expenditures	<u>67,006</u>	<u>4,000</u>	<u>15,461</u>	<u>16,636</u>	<u>23,952</u>	<u>2,645</u>	<u>10,300</u>	<u>140,000</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, 2017

	No Child Left Behind (N.C.L.B.)		IDEA				Carried Forward (Exh. E-1A)	
	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	\$ -	\$ -	\$ -	\$ -	\$ 11,874	\$ 18,540	\$ 5,356	\$ 35,770
Federal sources	84,950	16,900	200,982	8,648				311,480
Total Revenues	84,950	16,900	200,982	8,648	11,874	18,540	5,356	347,250
EXPENDITURES:								
Instruction:								
Salaries of teachers	46,539	5,809						52,348
Other salaries for instruction				8,648				8,648
Reading Specialist	26,311							26,311
Purchased professional and technical services								-
Other purchased services			111,434					111,434
General supplies							5,356	5,356
Textbooks					11,874			11,874
Total instruction	72,850	5,809	111,434	8,648	11,874		5,356	215,971
Support services:								
Substitutes		840						840
Personal services-employee benefits	12,100							12,100
Purchased prof. and educational services		5,950						5,950
Purchased professional and technical services			71,781			18,540		90,321
Other purchased services (400-500)		3,346	17,767					21,113
Travel								-
Supplies and materials		955						955
Total support services	12,100	11,091	89,548			18,540		131,279
Facilities acquisition and const. serv.:								
Instructional equipment								
Non-instructional equipment								
Total facilities acquisition and const. serv.:								
Total Expenditures	84,950	16,900	200,982	8,648	11,874	18,540	5,356	347,250
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, 2017

Revenues and Other Financing Sources:

Interest earned on investments	\$ 3,477
State sources - SDA Grant	
Transfer from Capital Reserve	
 Total revenues and other financing sources	 <u>3,477</u>

Expenditures and Other Financing (Uses):

Purchased professional and technical services	
Construction services	
Transfer to Debt Service Fund	<u>3,477</u>
Total expenditures and other financing (uses)	<u>3,477</u>

Excess (deficiency) or revenues over (under) expenditures

Fund Balance - July 1, 2016	<u>96,637</u>
Fund Balance - June 30, 2017	<u>\$ 96,637</u>

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, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Costs</u>
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			

Fiduciary Funds

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2017

	Food Service	Protect all Latchkey Students (PALS)	Community Education and Recreation	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 86,451	\$ 175,783	\$ 167,981	\$ 430,215
Accounts receivable:				
State	209			209
Federal	5,599			5,599
Inventories	6,113			6,113
Total current assets	<u>98,372</u>	<u>175,783</u>	<u>167,981</u>	<u>442,136</u>
Fixed assets:				
Equipment	71,290			71,290
Less Accumulated depreciation	<u>(60,139)</u>			<u>(60,139)</u>
Total fixed assets	<u>11,151</u>			<u>11,151</u>
Total assets	<u>\$ 109,523</u>	<u>\$ 175,783</u>	<u>\$ 167,981</u>	<u>\$ 453,287</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ -	\$ 215	\$ 1,685	\$ 1,900
Unearned revenue	4,389		9,900	14,289
Total current liabilities	<u>4,389</u>	<u>215</u>	<u>11,585</u>	<u>16,189</u>
NET POSITION:				
Net investment in capital assets	11,151			11,151
Unrestricted	<u>93,983</u>	<u>175,568</u>	<u>156,396</u>	<u>425,947</u>
Total net position	<u>\$ 105,134</u>	<u>\$ 175,568</u>	<u>\$ 156,396</u>	<u>\$ 437,098</u>

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Comparative Statement of Revenues, Expenses and Changes in Net Position
for the Fiscal Year ended June 30, 2017

	Food Service	Protect all Latchkey Students (PALS)	Community Education and Recreation	Total
OPERATING REVENUES:				
Local sources:				
Daily sales-reimbursable programs:				
School lunch program	\$ 98,902	\$ -	\$ -	\$ 98,902
Total-daily sales-reimbursable programs	98,902			98,902
Daily sales non-reimbursable programs	70,321			70,321
Program Fees		151,409	212,009	363,418
Total operating revenue	169,223	151,409	212,009	532,641
OPERATING EXPENSES:				
Salaries	130,212	78,910	89,886	299,008
Supplies and materials	8,563	2,041	6,202	16,806
Depreciation	5,607			5,607
Purchased services	15,655	6,654	16,678	38,987
Cost of Sales - reimbursable programs	84,700			84,700
Cost of Sales - non-reimbursable programs	20,050			20,050
Miscellaneous	8,833	26,629	35,109	70,571
Direct Expenses	7,862			7,862
Repairs and maintenance	27,000			27,000
Other				
Total operating expenses	308,482	114,234	147,875	570,591
Operating income (loss)	(139,259)	37,175	64,134	(37,950)
Non-operating revenues:				
State sources:				
State school lunch program	2,539			2,539
Federal sources:				
National school lunch program	67,092			67,092
National school breakfast program	3,838			3,838
U.S.D.A. commodities	24,807			24,807
Total non-operating revenues	98,276			98,276
Net income (loss)	(40,983)	37,175	64,134	60,326
Net position - July 1	146,117	138,393	92,262	376,772
Net position - June 30	\$ 105,134	\$ 175,568	\$ 156,396	\$ 437,098

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2017

	Food Service	Protect all Latchkey Students (PALS)	Community Education and Recreation	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 169,617	\$ 151,409	\$ 217,109	\$ 538,135
Cash payments to employees for services	(130,212)	(78,910)	(89,886)	(299,008)
Cash payments to suppliers for goods and services	(148,462)	(35,109)	(56,304)	(239,875)
Net cash used by operating activities	(109,057)	37,390	70,919	(748)
Cash flows from noncapital financing activities:				
Cash received from state and federal reimbursements	72,942			72,942
Net cash provided by noncapital financing activities	72,942			72,942
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	(36,115)	37,390	70,919	72,194
Cash and cash equivalents, July 1	122,566	138,393	97,062	358,021
Cash and cash equivalents, June 30	<u>\$ 86,451</u>	<u>\$ 175,783</u>	<u>\$ 167,981</u>	<u>\$ 430,215</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (139,259)	\$ 37,175	\$ 64,134	\$ (37,950)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	5,607			5,607
Federal commodities	24,807			24,807
Change in assets and liabilities:				
(Increase)/decrease in receivables				
(Increase)/decrease in inventory	(606)			(606)
Increase/(decrease) in unearned revenue	394		5,100	5,494
Increase/(decrease) in accounts payable		215	1,685	1,900
Net cash used by operating activities	<u>\$ (109,057)</u>	<u>\$ 37,390</u>	<u>\$ 70,919</u>	<u>\$ (748)</u>

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services
Statement of Net Position
as of June 30, 2017

	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, 2017

	Internal Service Fund
OPERATING REVENUES:	
Local sources:	
Program revenues	\$ 59,246
Total operating revenue	59,246
 OPERATING EXPENSES:	
Salaries	59,246
Total operating expenses	59,246
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, 2017

	Internal Service Fund
Cash flows from operating activities:	
Cash receipts from customers	\$ 59,246
Cash payments to employees for services	(59,246)
Cash payments to suppliers for goods and services	-
Net cash used by operating activities	-
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents, July 1	-
Cash and cash equivalents, June 30	\$ -
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	-
Net cash used by operating activities	\$ -

Proprietary Funds

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2017

	Agency Funds		Employee Benefits Trust Funds		Total
	Student Activity	Payroll	Flexible Spending Account	Unemployment Compensation Insurance Fund	
ASSETS:					
Cash and cash equivalents	\$ 73,091	\$ 43,089	\$ 4,707	\$ 4,693	\$ 125,580
Interfund receivable					
TOTAL ASSETS	<u>\$ 73,091</u>	<u>\$ 43,089</u>	<u>\$ 4,707</u>	<u>\$ 4,693</u>	<u>\$ 125,580</u>
LIABILITIES:					
LIABILITIES:					
Interfund payable	\$ -	\$ -	\$ 4,500	\$ -	\$ 4,500
Payroll deductions and withholdings		43,089			43,089
Due to student groups	73,091				73,091
Total liabilities	<u>73,091</u>	<u>43,089</u>	<u>4,500</u>		<u>120,680</u>
NET POSITION:					
Reserved for unemployment claims				4,693	4,693
Reserved for flexible benefits			207		207
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207</u>	<u>\$ 4,693</u>	<u>\$ 4,900</u>

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
for the Fiscal Years ended June 30, 2017

	Employee Benefits Trust Funds		Total
	Flexible Benefits Program	Unemployment Compensation Fund	
REVENUES:			
Local sources:			
Employee Contributions	\$ 804	\$ -	\$ 804
Interest on Investments			-
Total Revenues	<u>804</u>	<u>-</u>	<u>804</u>
EXPENDITURES:			
Current Expense:			
Undistributed Expenditures:			
Transfer to General Fund			
Payment of Flexible Benefits	597		597
Unemployment claims			-
Total Expenditures	<u>597</u>	<u>-</u>	<u>597</u>
Excess (deficiency) of revenues over (under) expenditures)	207	-	207
Net Position - July 1	-	4,693	4,693
Net Position - June 30	<u>\$ 207</u>	<u>\$ 4,693</u>	<u>\$ 4,900</u>

BERLIN BOROUGH SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
for the Fiscal Year ended June 30, 2017

	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable June 30, 2017</u>	<u>Balance June 30, 2017</u>
Elementary School	<u>\$ 68,114</u>	<u>\$ 111,959</u>	<u>\$ 106,982</u>	<u>\$ -</u>	<u>\$ 73,091</u>
Total	<u><u>\$ 68,114</u></u>	<u><u>\$ 111,959</u></u>	<u><u>\$ 106,982</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 73,091</u></u>

BERLIN BOROUGH SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2017

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
ASSETS:				
Cash and cash equivalents	\$ 33,481	\$ 9,522,224	\$ 9,512,616	\$ 43,089
Total assets	<u>\$ 33,481</u>	<u>\$ 9,522,224</u>	<u>\$ 9,512,616</u>	<u>\$ 43,089</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 33,481	\$ 3,484,258	\$ 3,474,650	\$ 43,089
Net payroll		4,538,544	4,538,544	
Contra		<u>1,499,422</u>	<u>1,499,422</u>	
Total liabilities	<u>\$ 33,481</u>	<u>\$ 9,522,224</u>	<u>\$ 9,512,616</u>	<u>\$ 43,089</u>

Long-Term Debt Schedules

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Serial Bonds
June 30, 2017

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
			Date	Amount					
School Refunding Bonds	9/1/11	\$ 3,660,000	03/01/18	\$ 230,000	2.250%	\$ 2,880,000	\$ -	\$ 215,000	\$ 2,665,000
			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>\$ 2,880,000</u>	<u>\$ -</u>	<u>\$ 215,000</u>	<u>\$ 2,665,000</u>

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Certificates of Participation Payable
 June 30, 2017

Purpose	Amount of Original Issue	Annual Maturities		Rate of Interest	Balance July 1, 2016	Issued Current Year	Retired Current Year	Balance June 30, 2017
		Date	Amount					
Various Capital Improvements	\$ 5,575,000	02/01/18	\$ 420,000	4.410%	\$ 825,000	\$ -	\$ 405,000	\$ 420,000
					\$ 825,000	\$ -	\$ 405,000	\$ 420,000

BERLIN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 623,117	\$ -	\$ 623,117	\$ 623,117	\$ -
Miscellaneous	1,574		1,574		(1,574)
Total revenues - local sources	<u>624,691</u>		<u>624,691</u>	<u>623,117</u>	<u>(1,574)</u>
State sources:					
Debt service aid type II	<u>149,218</u>		<u>149,218</u>	<u>149,218</u>	
Total revenues - state sources	<u>149,218</u>		<u>149,218</u>	<u>149,218</u>	
Total Revenues	<u>773,909</u>		<u>773,909</u>	<u>772,335</u>	<u>(1,574)</u>
EXPENDITURES:					
Regular debt service:					
Princ. payments - Comm. Appr. Lease Purchase Agrm.	405,000		405,000	405,000	-
Interest for Comm. Appr. Lease Purchase Agrm.	36,383		36,383	36,382	1
Redemption of principal	215,000		215,000	215,000	-
Interest on bonds	<u>119,100</u>		<u>119,100</u>	<u>119,100</u>	<u>-</u>
Total Expenditures	<u>775,483</u>		<u>775,483</u>	<u>775,482</u>	<u>1</u>
Excess (Deficiency) of revenues over (under) expenditures	(1,574)		(1,574)	(3,147)	(1,573)
Other Financing Sources:					
Operating Transfer In - Capital Projects				3,477	3,477
Total Other Financing Sources				<u>3,477</u>	<u>3,477</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(1,574)		(1,574)	330	1,904
Fund Balances, July 1	<u>439,958</u>		<u>439,958</u>	<u>439,958</u>	
Fund Balances, June 30	<u>\$ 438,384</u>	<u>\$ -</u>	<u>\$ 438,384</u>	<u>\$ 440,288</u>	<u>\$ 1,904</u>

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Obligations Under Capital Leases
June 30, 2017

Purpose	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2016	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2017
Computer Equipment	6.00%	\$ 40,487	\$ 13,480	\$ -	\$ 13,480	\$ -
Computer Equipment	6.91%	31,377	10,442		10,442	-
Computer Equipment	3.49%	217,799	142,695		70,124	72,571
Computer Equipment	2.99%	59,242	38,910		19,168	19,742
			<u>\$ 205,527</u>	<u>\$ -</u>	<u>\$ 113,214</u>	<u>\$ 92,313</u>

Statistical Section

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

Exhibit J-1

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 208,209	\$ (210,130)	\$ (602,224)	\$ (862,909)	\$ (793,335)	\$ (832,748)	\$ (1,177,849)	\$ (868,697)	\$ (789,369)	\$ (676,120)
Restricted for:	-	-	-	-	-	-	-	-	-	-
Capital projects	317	-	175,000	406,000	596,637	526,637	264,637	278,637	537,626	745,626
Special revenue	(650)	-	-	-	-	-	-	-	-	-
Debt service	327,013	320,374	343,954	356,148	466,671	469,995	446,561	444,534	439,958	440,288
Other purposes	313,623	229,932	72,212	206,532	508,977	571,684	501,607	391,323	348,991	473,237
Unrestricted	(449,681)	(566,635)	(667,888)	(449,121)	(635,002)	(622,403)	(632,534)	(2,786,706)	(2,814,398)	(3,130,141)
Total governmental activities net position	\$ 398,831	\$ (226,459)	\$ (678,946)	\$ (343,350)	\$ 143,948	\$ 113,165	\$ (597,578)	\$ (2,540,909)	\$ (2,277,192)	\$ (2,147,110)
Business-type activities:										
Net investment in capital assets	\$ 51,075	\$ 44,732	\$ 38,386	\$ 32,041	\$ 29,773	\$ 23,992	\$ 18,983	\$ 21,350	\$ 16,758	\$ 11,151
Unrestricted	142,129	145,504	165,340	167,256	167,205	198,943	205,273	284,006	360,014	425,947
Total business-type activities net position	\$ 193,204	\$ 190,236	\$ 203,726	\$ 199,297	\$ 196,978	\$ 222,935	\$ 224,256	\$ 305,356	\$ 376,772	\$ 437,098
District-wide:										
Net investment in capital assets	\$ 259,284	\$ (165,398)	\$ (563,838)	\$ (830,868)	\$ (763,562)	\$ (808,756)	\$ (1,158,866)	\$ (847,347)	\$ (772,611)	\$ (664,969)
Restricted:										
Capital projects	317	-	175,000	406,000	596,637	526,637	264,637	278,637	537,626	745,626
Special revenue	(650)	-	-	-	-	-	-	-	-	-
Debt service	327,013	320,374	343,954	356,148	466,671	469,995	446,561	444,534	439,958	440,288
Other purposes	313,623	229,932	72,212	206,532	508,977	571,684	501,607	391,323	348,991	473,237
Unrestricted	(307,552)	(421,131)	(502,548)	(281,865)	(467,797)	(423,460)	(427,261)	(2,502,700)	(2,454,384)	(2,704,194)
Total district net position	\$ 592,035	\$ (36,223)	\$ (475,220)	\$ (144,053)	\$ 340,926	\$ 336,100	\$ (373,322)	\$ (2,235,553)	\$ (1,900,420)	\$ (1,710,012)

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

Exhibit J-2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 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	\$ 3,899,824
Special education	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	1,440,240
Other instruction	116,626	145,580	169,133	140,315	148,704	174,973	185,917	158,996	144,225	158,676
Support Services:										
Tuition	240,091	460,011	450,951	229,109	137,383	104,984	114,569	103,224	-	5,404
Student & instruction related services	999,962	909,601	1,064,281	687,036	828,595	923,850	1,180,791	1,165,228	1,293,235	1,339,796
School administrative services	324,618	354,355	347,323	365,283	370,855	382,264	394,340	398,476	347,100	325,210
General and business administrative services	665,292	685,839	641,951	497,590	535,947	631,708	565,355	658,730	577,735	645,357
Plant operations and maintenance	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	1,209,023
Pupil transportation	432,637	446,822	448,985	287,509	261,511	281,930	308,691	328,177	357,586	324,335
Unallocated employee benefits	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	3,799,889
Charter School						7,678	-	-	-	
Interest on long-term debt	352,435	336,328	308,282	301,275	355,765	234,381	212,732	192,129	169,488	154,323
Unallocated depreciation	52,517	53,614	53,614	49,743	105,208	70,455	75,494	59,628	49,009	46,234
Total governmental activities expenses	<u>11,320,450</u>	<u>11,834,539</u>	<u>12,253,759</u>	<u>11,085,582</u>	<u>11,521,490</u>	<u>12,053,065</u>	<u>13,077,310</u>	<u>12,519,680</u>	<u>12,831,959</u>	<u>13,348,311</u>
Business-type activities:										
Community Education	246,324	261,459	225,590	236,083	251,330	266,191	255,403	239,573	291,062	147,875
Latchkey										114,234
Food service	231,605	239,154	263,892	260,347	278,940	284,424	285,609	258,512	245,606	308,482
Shared Services	-	49,915	60,649	148,214	145,725	124,204	126,991	109,833	93,431	59,246
Total business-type activities expense	<u>477,929</u>	<u>550,528</u>	<u>550,131</u>	<u>644,644</u>	<u>675,995</u>	<u>674,819</u>	<u>668,003</u>	<u>607,918</u>	<u>630,099</u>	<u>629,837</u>
Total district expenses	<u>\$ 11,798,379</u>	<u>\$ 12,385,067</u>	<u>\$ 12,803,890</u>	<u>\$ 11,730,226</u>	<u>\$ 12,197,485</u>	<u>\$ 12,727,884</u>	<u>\$ 13,745,313</u>	<u>\$ 13,127,598</u>	<u>\$ 13,462,058</u>	<u>\$ 13,978,148</u>
Program Revenues:										
Governmental activities:										
Operating grants and contributions	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	2,079,522
Total governmental activities program revenues	<u>1,691,736</u>	<u>1,339,322</u>	<u>1,670,910</u>	<u>1,319,567</u>	<u>1,629,606</u>	<u>1,614,390</u>	<u>1,598,477</u>	<u>1,783,508</u>	<u>1,953,661</u>	<u>2,079,522</u>

(Continued)

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

Exhibit J-2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Community education	\$ 246,459	\$ 245,682	\$ 223,777	\$ 235,668	\$ 251,773	\$ 297,708	\$ 275,715	\$ 288,864	\$ 345,380	\$ 212,009
Latchkey										151,409
Food service	168,502	180,550	188,135	178,237	174,772	168,366	161,546	174,818	163,191	169,223
Shared Services	49,915	60,649	60,649	148,214	145,725	124,204	126,991	109,833	93,431	59,246
Operating grants and contributions	65,492	70,987	90,814	77,899	101,277	110,374	104,941	115,503	99,513	98,276
Capital grants and contributions										
Total business type activities program revenues	<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>	<u>690,163</u>
Total district program revenues	<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>	<u>\$ 2,769,685</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (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)	\$ (11,268,789)
Business-type activities	2,524	(3,394)	13,244	(4,626)	(2,448)	25,833	1,190	81,100	71,416	60,326
Total district-wide net expense	<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>	<u>\$ (11,208,463)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 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	\$ 6,938,012
Taxes levied for debt service	555,735	575,687	596,348	629,870	620,899	615,088	589,954	618,685	615,236	623,117
Unrestricted grants and contributions	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	3,699,940
Tuition	6,757	13,509	20,652	46,328	13,951	509	16,988	-	-	-
Investment earnings	29,501	6,388	3,222	7,843	1,551	5,181	1,233	1,574	602	-
Miscellaneous income	52,102	37,959	48,604	35,929	48,682	14,335	54,304	30,373	61,062	137,802
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<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>	<u>11,398,871</u>
Business-type activities:										
Investment earnings	1,378	426	246	197	129	124	131	-	-	-
Miscellaneous income	8,112	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<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>	<u>-</u>
Total district-wide	<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>	<u>\$ 11,398,871</u>
Change in Net Position:										
Governmental activities	\$ (361,365)	\$ (625,290)	\$ (452,487)	\$ 335,596	\$ 487,298	\$ 77,017	\$ (710,743)	\$ 187,166	\$ 263,717	\$ 130,082
Business-type activities	12,014	(2,968)	13,490	(4,429)	(2,319)	25,957	1,321	81,100	71,416	60,326
Total district-wide	<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>	<u>\$ 190,408</u>

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

Exhibit J-3

	<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>	<u>2017</u>
General Fund:										
Reserved	\$ 313,623	\$ 229,932	\$ 247,212	\$ 612,532	\$ 1,008,977	\$ 1,001,684	\$ 669,607	\$ 573,323	\$ 788,588	\$ 1,122,226
Unassigned	128,247	(67,703)	(164,618)	(40,764)	(50,213)	(84,359)	(105,104)	(107,080)	(109,938)	(115,234)
Total general fund	<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>	<u>\$ 1,006,992</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	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	(650)									
Capital projects fund	317				96,637	96,637	96,637	96,637	96,637	96,637
Debt service fund					25,011	3,601	1,577	1,574	438,384	1,904
Designated for subsequent year's expenditures	12,712	(589)	5,182	277	277	25,011	3,601	1,577	2,966	438,384
Total all other governmental funds	<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>	<u>\$ 536,925</u>

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

Exhibit J-4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 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	\$ 7,561,129
Tuition charges	6,757	13,509	20,652	46,328	13,951	509	16,988	15,957	20,920	85,483
Interest earnings	29,501	7,846	3,222	7,843	1,551	5,181	1,233	1,574	-	-
Miscellaneous	54,792	39,191	51,294	38,619	51,392	14,335	54,304	14,416	40,744	52,319
State sources	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	5,467,982
Federal sources	272,926	285,760	1,078,157	298,360	405,335	298,096	287,785	296,570	328,934	311,480
Total revenue	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	13,478,393
Expenditures										
Instruction										
Regular Instruction	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	3,887,806
Special education instruction	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	1,440,240
Other special instruction	116,626	145,580	169,133	140,315	148,704	174,973	185,917	158,996	144,225	158,676
Other instruction										
Support Services:										
Tuition	240,091	460,011	450,951	229,109	137,383	104,984	114,569	103,224	236,122	5,404
Student & instruction related services	999,962	909,601	1,064,281	687,036	828,595	923,850	1,180,791	1,165,228	1,293,235	1,339,796
School administrative services	324,618	354,355	347,323	365,283	370,855	382,264	394,340	398,476	347,100	325,210
General and business admin. services	581,404	599,758	555,870	494,625	507,066	603,606	537,379	629,870	311,180	634,991
Plant operations and maintenance	642,151	662,046	623,918	619,189	554,592	591,145	674,380	638,523	660,386	642,820
Pupil transportation	432,637	446,822	448,918	287,509	261,511	281,930	308,691	328,177	357,586	324,335
Employee benefits	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	3,491,352
Capital outlay	36,716	185,639	45,986	104,783	715,285	504,038	698,285	260,179	161,550	125,001
Charter School						7,678	-	-	-	-
Debt service:										
Principal	395,000	420,000	445,000	470,000	490,000	520,000	540,000	570,000	590,000	620,000
Interest and other charges	358,646	342,990	326,091	307,832	355,765	242,387	222,063	200,928	178,611	155,482
Total expenditures	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	13,151,113
Excess (Deficiency) of revenues										
over (under) expenditures	66,556	(292,609)	(73,797)	494,811	188,517	(38,115)	(376,256)	(100,287)	209,223	327,280
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	12,635	1,775	7,232	5,637	310,588	3,601	1,577	1,574	441,383	3,477
Transfers out	(12,635)	(1,775)	(7,232)	(5,637)	(310,588)	(3,601)	(1,577)	(1,574)	(441,383)	(3,477)
Total other financing sources (uses)	-	-	-	-	309,585	-	-	-	-	-
Net change in fund balances	\$ 66,556	\$ (292,609)	\$ (73,797)	\$ 494,811	\$ 498,102	\$ (38,115)	\$ (376,256)	\$ (100,287)	\$ 209,223	\$ 327,280
Debt service as a percentage of										
noncapital expenditures	6.94%	6.74%	6.52%	7.19%	7.62%	6.54%	6.33%	6.14%	6.04%	5.95%

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</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u> <u>Refunds</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2017		85,483	25,000	9,020		12,866	132,369
	<u>\$ 45,681</u>	<u>\$ 241,054</u>	<u>\$ 147,614</u>	<u>\$ 165,437</u>	<u>\$ 11,969</u>	<u>\$ 30,582</u>	<u>\$ 642,337</u>

Source: District records

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

Exhibit J-6

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
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
2017	14,585,400	593,206,100	248,500	81,200	106,913,600	10,346,500	8,193,400	733,574,700	4,874,955	738,449,655	87,084,450	0.989	734,568,577

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	
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
2017	0.962	0.027	0.989	0.749	0.562	0.834	3.134

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

119

Taxpayer	2017		Taxpayer	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Berlin Farmers Market II, LLC	\$ 6,730,400	0.91%	Mark Center, Ltd.	\$ 7,183,500	1.75%
Berlin Residences, LLC	5,570,000	0.75%	NJ Bell Telephone	6,765,403	1.65%
AC I Berlin, LLC	5,100,000	0.69%	Berlin Reality Company	4,534,900	1.11%
Evinos Corporation, Inc.	4,901,100	0.66%	Berlin Center, LLC	2,250,000	0.55%
Hassbro, LLC	3,200,000	0.43%	50 Service Aveneue	1,986,900	0.49%
Berlin Center, LLC	3,200,000	0.43%	Evinos Corporation	1,976,900	0.48%
Berlin Equities, LLC	2,838,100	0.38%	Public Storage Properties, Inc	1,849,700	0.45%
Osborne Assoc % Rite Aid Corp	2,800,000	0.38%	Forte & Companies	1,834,200	0.45%
Public Storage	2,600,000	0.35%	Gregorary Sinelik	1,659,400	0.41%
The QuiKrete Cmpanies, Inc.	2,444,600	0.33%	Berlin Equities	1,635,000	0.40%
Total	\$ 39,384,200	5.33%		\$ 31,675,903	7.74%

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	
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%	
2017	7,561,129	7,561,129	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		
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	1.18%	567
2016	2,880,000		1,030,527			3,910,527	c	515
2017	2,665,000		512,313			3,177,313	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

General Bonded Debt Outstanding					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
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%	379
2017	2,665,000		2,665,000	0.36%	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, 2016**

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	\$ 11,008,998	100.000%	\$ 11,008,998
Eastern Regional High School District	1,795,000	16.000%	293,809
Camden County General Obligation Debt	437,189,420	1.949%	8,520,822
			<hr/>
Subtotal, overlapping debt			19,823,629
Berlin Borough School District Direct Debt			<hr/> 3,705,000
Total direct and overlapping debt			<hr/> \$ 23,528,629 <hr/>

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 2017

	Equalized valuation basis	
	2014	\$ 733,471,950
	2015	725,124,084
	2016	731,184,524
	[A]	<u>\$ 2,189,780,558</u>
Average equalized valuation of taxable property	[A/3]	\$ 729,926,853
Debt limit (3% of average equalized valuation)	[B]	21,897,806 ^a
Net bonded school debt	[C]	<u>3,085,000</u>
Legal debt margin	[B-C]	<u>\$ 18,812,806</u>

121

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 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	\$ 21,897,806
Total net debt applicable to limit	<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>	<u>3,085,000</u>
Legal debt margin	<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>	<u>\$ 18,812,806</u>
Total net debt applicable to the limit as a percentage of debt limit	21.08%	18.35%	16.93%	16.34%	15.35%	14.87%	14.32%	13.82%	13.12%	14.09%

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>
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	364,957,560	48,084	5.2%
2016	7,594	e	e	5.0%
2017	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

<u>Function/Program</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>	<u>2017</u>
Instruction										
Regular	66	61	52	52	52	47.5	54	53	55	55
Special education	10	16	19	16	16	16	17	35	17	18
Other special education			17	16	16	16	15	9	15	20
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Student & instruction related services	12	12	9	9	9	14	8	2	12	10
School administrative services	7	7	7	7	6	9	12	9	9	11
General and business administrative services	4	4	4	4	4	4.5	4	4	5	4
Plant operations and maintenance	11	10	8	8	9	13	8	12	10	6
Pupil transportation										
Special Schools										
Food Service										
Child Care										
Total	<u>110</u>	<u>110</u>	<u>115</u>	<u>112</u>	<u>112</u>	<u>120</u>	<u>118</u>	<u>124</u>	<u>123</u>	<u>124</u>

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				
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%
2017	825	12,250,630	14,849	4.61%	73	1:13	828.4	793.1	-2.83%	95.74%

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
District Building										
<u>Elementary</u>										
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	839	812	835	841	862	891	868	862	853	828

Number of Schools at June 30, 2017
 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
* School Facilities											
Berlin Community School	\$ 120,137	\$ 118,154	\$ 116,707	\$ 111,806	\$ 116,437	\$ 129,736	\$ 154,794	\$ 149,682	\$ 150,294	\$ 192,108	\$ 1,359,855
Project # (s)											
Total School Facilities	<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>\$ 192,108</u>	<u>\$ 1,359,855</u>

126

* 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, 2017**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy (1)		
Property and Auto Physical Damage	\$ 500,000,000	\$ 1,000
General and Auto liability	5,000,000	1,000
Comprehensive crime coverage		
Employee Dishonesty	\$100,000/\$500,000	1,000
Computer Fraud	50,000	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

INVERSO & STEWART, LLC
 Certified Public Accountants

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-Member of-
 American Institute of CPAs
 New Jersey Society of CPAs

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE
 REQUIRED BY NEW JERSEY CIRCULAR 15-08-OMB**

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 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, 2017. 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 state statutes, regulations, and the terms and conditions of its state awards 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 State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and State of New Jersey Circular 15-08-OMB 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 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, 2017.

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 State of New Jersey Circular 15-08-OMB, 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.

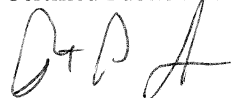
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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 State of New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

INVERSO & STEWART, LLC

Certified Public Accountants



Robert P. Inverso

Certified Public Accountant

Public School Accountant No. CS001095

Marlton, New Jersey
October 12, 2017

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2017

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, 2016			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2017		
						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	S010A160030	NCLB-0330-17	\$ 84,950	7/1/16 - 6/30/17	\$ -	\$ -	\$ -	\$ -	\$ 84,950	\$ (84,950)	\$ -	\$ -	\$ -
Title IIA	84.367A	S367A160029	NCLB-0330-17	16,900	7/1/16 - 6/30/17					16,900	(16,900)			
<u>Individuals With Disabilities Act (I.D.E.A.)</u>														
Part B - Basic - Current Year	84.027A	H027A160100	IDEA-0330-17	200,982	7/1/16 - 6/30/17					200,982	(200,982)			
Part B - Preschool - Current Year	84.173A	H173A160114	IDEA-0330-17	8,648	7/1/16 - 6/30/17					8,648	(8,648)			
Total Special Revenue Fund						\$ -	\$ -	\$ -	\$ -	\$ 311,480	\$ (311,480)	\$ -	\$ -	\$ -
U.S. Department of Agriculture														
<u>Enterprise Fund:</u>														
Food Distribution Program	10.565	171NJ304N1099	N/A	24,807	7/1/16 - 6/30/17					24,807	(24,807)			
School Breakfast Program	10.553	171NJ304N1099	N/A	3,838	7/1/16 - 6/30/17					3,503	(3,838)	(335)		
School Breakfast Program	10.553	16161NJ304N1099	N/A	5,243	7/1/15 - 6/30/16	(343)				343				
National School Lunch Program	10.555	171NJ304N1099	N/A	67,092	7/1/16 - 6/30/17					61,828	(67,092)	(5,264)		
National School Lunch Program	10.555	16161NJ304N1099	N/A	68,994	7/1/15 - 6/30/16	(4,748)				4,748				
Total Enterprise Fund						(5,091)				95,229	(95,737)	(5,599)		
Total Federal Awards						\$ (5,091)	\$ -	\$ -	\$ -	\$ 406,709	\$ (407,217)	\$ (5,599)	\$ -	\$ -

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, 2017

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2016			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2017		
				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	17-495-034-5120-089	\$ 495,390	7/1/16 - 6/30/17	\$ -	\$ -	\$ -	\$ -	\$ 446,329	\$ (495,390)	\$ -	\$ (49,061)	\$ -	\$ -
Special Education Categorical Aid	16-495-034-5120-089	488,215	7/1/15 - 6/30/16	(48,091)				48,091					
Equalization Aid	17-495-034-5120-078	3,013,468	7/1/16 - 6/30/17					2,715,029	(3,013,468)		(298,439)		
Equalization Aid	16-495-034-5120-078	2,999,343	7/1/15 - 6/30/16	(295,450)				295,450					
Transportation Aid	17-495-034-5120-014	54,903	7/1/16 - 6/30/17					49,466	(54,903)		(5,437)		
Transportation Aid	16-495-034-5120-014	49,114	7/1/15 - 6/30/16	(4,838)				4,838					
Security Aid	17-495-034-5120-084	35,051	7/1/16 - 6/30/17					31,580	(35,051)		(3,471)		
Security Aid	16-495-034-5120-084	33,172	7/1/15 - 6/30/16	(3,268)				3,268					
Under Adequacy Aid	17-495-034-5120-096	77,184	7/1/16 - 6/30/17					69,540	(77,184)		(7,644)		
Under Adequacy Aid	16-495-034-5120-096	77,184	7/1/15 - 6/30/16	(7,603)				7,603					
PARCC Readiness Aid	17-495-034-5120-098	8,790	7/1/16 - 6/30/17					7,919	(8,790)		(871)		
PARCC Readiness Aid	16-495-034-5120-098	8,790	7/1/15 - 6/30/16	(866)				866					
Per Pupil Growth Aid	17-495-034-5120-097	8,790	7/1/16 - 6/30/17					7,919	(8,790)		(871)		
Per Pupil Growth Aid	16-495-034-5120-097	8,790	7/1/15 - 6/30/16	(866)				866					
Professional Learning Community Aid	17-495-034-5120-101	8,400	7/1/16 - 6/30/17					7,568	(8,400)		(832)		
Additional Nonpublic Transportation Aid	17-103190	1,392	7/1/16 - 6/30/17						(1,392)		(1,392)		
Additional Nonpublic Transportation Aid	16-103190	1,044	7/1/15 - 6/30/16	(1,044)				1,044					
Lead Testing for Schools Aid	17-495-034-5120-104	2,216	7/1/16 - 6/30/17						(2,216)		(2,216)		
On Behalf TPAF Pension	17-495-034-5094-002	569,792	7/1/16 - 6/30/17					569,792	(569,792)				
On Behalf TPAF - Post Retirement Medical	17-495-034-5094-001	474,766	7/1/16 - 6/30/17					474,766	(474,766)				
On Behalf TPAF - LTDI	17-495-034-5094-004	2,612	7/1/16 - 6/30/17					2,612	(2,612)				
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	395,884	7/1/16 - 6/30/17					376,302	(395,884)		(19,582)		
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	369,594	7/1/15 - 6/30/16	(17,887)				17,887					
Total General Fund				(379,913)	-	-	-	5,138,735	(5,148,638)	-	(389,816)	-	-
<u>Special Revenue Fund</u>													
N.J. Nonpublic Aid:													
Textbook Aid	17-100-034-5120-064	11,874	7/1/16 - 6/30/17					11,874	(11,874)				
Nursing Aid	17-100-034-5120-070	18,540	7/1/16 - 6/30/17					18,540	(18,540)				
Technology Aid	17-100-034-5120-373	5,356	7/1/16 - 6/30/17					5,356	(5,356)				
Security Aid	17-100-034-5120-509	10,300	7/1/16 - 6/30/17					10,300	(10,300)				
Auxiliary Services:													
Compensatory Education	17-100-034-5120-067	107,496	7/1/16 - 6/30/17					107,496	(67,536)				39,960
Compensatory Education	16-100-034-5120-067	126,905	7/1/15 - 6/30/16			56,010				(56,010)			
ESL	17-100-034-5120-067	7,308	7/1/16 - 6/30/17					7,308					7,308
Transportation	17-100-034-5120-067	13,028	7/1/16 - 6/30/17					13,028	(3,470)				9,558
Transportation	16-100-034-5120-067	13,984	7/1/15 - 6/30/16			10,184				(10,184)			-
Handicapped Services:													
Examination & Classification	17-100-034-5120-066	38,717	7/1/16 - 6/30/17					38,717	(23,952)				14,765
Examination & Classification	16-100-034-5120-066	38,681	7/1/15 - 6/30/16			17,723				(17,723)			
Corrective Speech	17-100-034-5120-066	26,505	7/1/16 - 6/30/17					26,505	(15,461)				11,044
Corrective Speech	16-100-034-5120-066	29,262	7/1/15 - 6/30/16			16,889				(16,889)			
Supplemental Instruction	17-100-034-5120-066	30,604	7/1/16 - 6/30/17					30,604	(16,636)				13,968
Supplemental Instruction	16-100-034-5120-066	18,564	7/1/15 - 6/30/16			5,347				(5,347)			
Municipal Alliance Grant	N/A	2,645	7/1/16 - 6/30/17					2,645	(2,645)				
Total Special Revenue Fund				-	-	106,153	-	272,373	(175,770)	(106,153)	-	-	96,603

132

Continued

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2017

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2016			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2017		
				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	<u>\$ (204,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (204,000)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Debt Service Fund</u>													
Debt Service Aid Type II	17-495-034-5120-017	149,218	7/1/16 - 6/30/17					149,218	(149,218)				
<u>State Department of Agriculture</u>													
Enterprise Fund:													
State School Lunch Program	17-100-010-3350-023	2,539	7/1/16 - 6/30/17					2,330	(2,539)		(209)		
State School Lunch Program	16-100-010-3350-023	3,014	7/1/15 - 6/30/16	(190)				190			-		
Total Enterprise Fund				(190)	-	-	-	2,520	(2,539)	-	(209)	-	-
Total State Financial Assistance				<u>\$ (584,103)</u>	<u>\$ -</u>	<u>\$106,153</u>	<u>\$ -</u>	<u>\$ 5,562,846</u>	<u>\$ (5,476,165)</u>	<u>\$ (106,153)</u>	<u>\$ (594,025)</u>	<u>\$ -</u>	<u>\$ 96,603</u>
Less: State Financial Assistance Not Subject to New Jersey OMB Circular 15-08:													
On-Behalf TPAF Contribution - Pension (Non-Budgeted)										(569,792)			
On-Behalf TPAF Contribution - Post-Retirement Medical (Non-Budgeted)										(474,766)			
On-Behalf TPAF Contribution - LTDI (Non-Budgeted)										(2,612)			
Total State Financial Assistance Subject to New Jersey OMB Circular 15-08										<u>(4,428,995)</u>			

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, 2017

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*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The school district has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 (\$5,644) 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.

Berlin Borough School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2017
(Continued)

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	\$ -	\$ 5,142,994	\$ 5,142,994
Special Revenue Fund	311,480	175,770	487,250
Debt Service Fund		149,218	149,218
Food Service Fund	<u>95,737</u>	<u>2,539</u>	<u>98,276</u>
Total Awards & Financial Assistance	<u>\$ 407,217</u>	<u>\$ 5,470,521</u>	<u>\$ 5,877,738</u>

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, 2017. 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, 2017.

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, 2017

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? _____ yes X none reported

Noncompliance material to basic financial statements noted? _____ yes X no

Federal Awards

NOT APPLICABLE

Internal Control over major programs:

- 1) Material weakness(es) identified? _____ yes _____ no
- 2) Significant deficiencies identified? _____ 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) ? _____ 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, 2017**

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? yes X no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>17-495-034-5120-078</u>	State Aid Public Cluster: <u>Equalization Aid</u>
<u>17-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>17-495-034-5120-084</u>	<u>Security Aid</u>
<u>17-495-034-5120-096</u>	<u>Under Adequacy Aid</u>
<u>17-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>17-495-034-5120-098</u>	<u>PARCC Readiness</u>
<u>17-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>

**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

No findings identified.

**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 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 Circular 15-08-OMB.

FEDERAL AWARDS:

A federal single audit was not required.

STATE AWARDS:

No findings identified.

**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 financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, 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 Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

Finding #2016-001

Condition:

Community Education and Recreation receipts were not deposited promptly.

Current Status:

This condition has been corrected.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

Finding #2016-002

Condition:

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

Current Status:

This condition has been corrected.