

**SCHOOL DISTRICT
OF**

**BERLIN
BOROUGH**

**Berlin Borough Board of Education
Berlin, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

**Comprehensive Annual
Financial Report**

of the

Berlin Borough Board of Education

Berlin, New Jersey

For the Fiscal Year Ended June 30, 2020

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

BERLIN BOROUGH SCHOOL DISTRICT

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Introductory Section

BERLIN BOROUGH SCHOOL DISTRICT

"Where Students Discover Their Potential"



Dr. Joseph Campisi
Superintendent

John Scavelli
Interim Business Admin./
Board Secretary

December 30, 2020

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, 2020 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 includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes 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 Title 2 U.S. Code of federal regulations, cost principals, and audit requirements for federal awards (uniform guidance); and the State of New Jersey Circular OMB15-08. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and 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 disabled students.

The District completed the 2019-2020 school year with an enrollment of 821 students as of June 30, 2020. 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
2019-2020	821	-0.36
2018-2019	824	+0.12
2017-2018	823	-0.60
2016-2017	828	-2.93
2015-2016	853	-1.04
2014-2015	862	-1.03
2013-2014	871	-2.24
2012-2013	891	+2.89
2011-2012	866	+1.29
2010-2011	855	+2.40

2) ECONOMIC CONDITION AND OUTLOOK

According to Wikipedia, the [2010 United States Census](#) counted 7,588 people, 2,806 households, and 1,967 families in the borough. The [population density](#) was 2,114.9 inhabitants per square mile (816.6/km²). There were 2,949 housing units at an average density of 821.9 per square mile (317.3/km²). The racial makeup was 90.47% (6,865) [White](#), 4.19% (318) [Black or African American](#), 0.09% (7) [Native American](#), 2.78% (211) [Asian](#), 0.04% (3) [Pacific Islander](#), 0.88% (67) from [other races](#), and 1.54% (117) from two or more races. [Hispanic or Latino](#) of any race were 3.12% (237) of the population.^[8]

Of the 2,806 households, 30.9% had children under the age of 18; 52.9% were married couples living together; 12.4% had a female householder with no husband present and 29.9% were non-families. Of all households, 25.7% were made up of individuals and 12.7% had someone living alone who was 65 years of age or older. The average household size was 2.65 and the average family size was 3.22.^[8]

22.8% of the population were under the age of 18, 8.3% from 18 to 24, 24.6% from 25 to 44, 27.5% from 45 to 64, and 16.9% who were 65 years of age or older. The median age was 41.1 years. For

every 100 females, the population had 90.9 males. For every 100 females ages 18 and older there were 86.3 males.

The Census Bureau's 2006-2010 American Community Survey showed that (in 2010 inflation-adjusted dollars) median household income was \$65,771 (with a margin of error of +/- \$8,475) and the median family income was \$79,347 (+/- \$13,820). Males had a median income of \$53,102 (+/- \$7,153) versus \$47,292 (+/- \$13,458) for females. The per capita income for the borough was \$33,672 (+/- \$5,917). About 4.4% of families and 6.6% of the population were below the poverty line, including 9.2% of those under age 18 and 3.9% of those age 65 or over.

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 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
- Embedding technology in the classroom
 - 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 3 State of the art computer labs
- 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.

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 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 budgets 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, 2020.

6) ACCOUNTING SYSTEM AND REPORTS

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

7) CASH MANAGEMENT

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

8) RISK MANAGEMENT

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

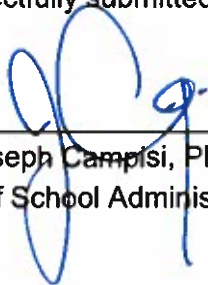
9) OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accounts. The accounting firm of Inverso & Stewart, LLC, performs the annual statutory audit of the Berlin Borough Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations, cost principles, and audit requirements for federal awards (uniform guidance); and State of New Jersey Circular OMB15-08. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is in the financial section of this report. The auditor's report related specifically to the single audit is 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,

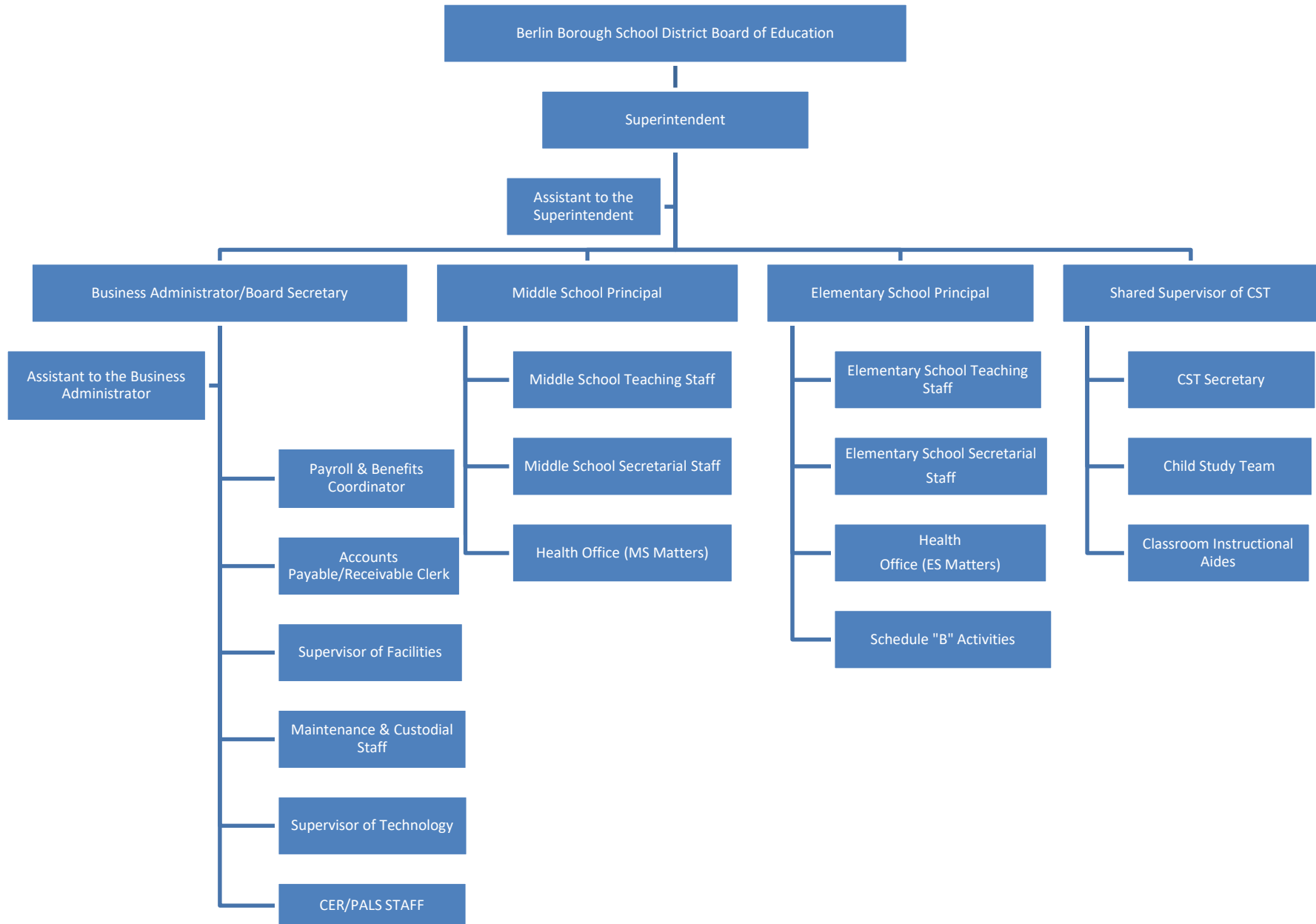


Joseph Campisi, Ph.D
Chief School Administrator



John Scavelli
Interim Business Administrator

BERLIN BOROUGH BOARD OF EDUCATION ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
JUNE 30, 2020**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Jocelyn Lewis, President	2020
Rebecca Holland, Vice-President	2022
Lisa Asare	2020
Jenine Del Palazzo	2021
Jeffrey Greenberg	2021
Lisa Kehoe	2022
Kristen Simone	2022
Brandy Titus	2021
Francine Viscome	2020

Other Officials

Dr. Joseph Campisi, Superintendent
Patricia Palmieri, Board Secretary/School Business
Administrator
Carol Mascioli, Interim Acting Business
Administrator (4/1/2020-6/24/2020)
Daniel H. Long, Solicitor
Wade, Long, Wood and Long, LLC

**BERLIN BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

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Marlton, NJ 08053

Attorney

Daniel H. Long
Wade, Long, Wood & Long, LLC
1250 Chews Landing Road
Laurel Springs, NJ 08021

Architect

Garrison Architects
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Bellmawr, NJ 08031

Bond Counsel

Parker McCay P.A.
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Mount Laurel, NJ 08054

Official Depository

TD Bank
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Berlin, NJ 08009

Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

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-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 Borough, 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, 2020, 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, 2020, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal 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, schedule of the State's proportionate share of the net OPEB liability associated with the School District and changes in the total OPEB liability and related ratios 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, and statistical section 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 schedules of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are also presented for purposes of additional analysis and are 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 sections 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 December 30, 2020 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, 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
December 30, 2020

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, 2020**

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, 2020. 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 \$1,040,613 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$3,211,694. 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 \$631,589 or a 37.77% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$260,384 resulting in an ending fund balance of \$1,647,700. This increase is largely due to the results of operations in the General Fund.
- Business-type activities have an unrestricted net position of \$491,403, 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 decreased by \$670,028 which is the result of the reduction of certificates of participation, serial bond debt, capital leases, change in compensated absences and a decrease 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 2021. 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 2021.

The liabilities of the primary government activities exceeded the assets by \$1,544,779 with an unrestricted deficit balance of \$3,211,694. The net position of the primary government does not include internal balances.

A deficit net investment of \$88,260 in land, improvements, buildings, equipment and vehicles provides the services to the School District's 814 public school students. A balance of \$1,075,938 has been restricted for future capital projects, \$275,350 has been restricted for future maintenance, and \$403,887 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, 2020 and 2019

	Governmental Activities		Business-Type Activites		District-Wide	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets	\$ 1,721,463	\$ 1,523,884	\$ 553,198	\$ 676,983	\$ 2,274,661	\$ 2,200,867
Capital assets	1,415,271	1,489,284	12,763	14,559	1,428,034	1,503,843
Total assets	3,136,734	3,013,168	565,961	691,542	3,702,695	3,704,710
Deferred Outflows of Resources	390,212	563,035			390,212	563,035
LIABILITIES						
Current liabilities	713,276	833,947	61,795	88,161	775,071	922,108
Noncurrent liabilities	3,545,168	4,171,417			3,545,168	4,171,417
Total Liabilities	4,258,444	5,005,364	61,795	88,161	4,320,239	5,093,525
Deferred Inflows of Resources	813,281	846,416			813,281	846,416
Net Position	\$ (1,544,779)	\$ (2,275,577)	\$ 504,166	\$ 603,381	\$ (1,040,613)	\$ (1,672,196)
Net Position Consists of:						
Net investment in Capital Assets	(88,260)	(530,608)	12,763	14,559	(75,497)	(516,049)
Restricted Assets	1,755,175	1,503,217			1,755,175	1,503,217
Unrestricted Assets	(3,211,694)	(3,248,186)	491,403	588,822	(2,720,291)	(2,659,364)
Net Position	\$ (1,544,779)	\$ (2,275,577)	\$ 504,166	\$ 603,381	\$ (1,040,613)	\$ (1,672,196)

Berlin Borough School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		District-Wide	
	2020	2019	2020	2019	2020	2019
Revenues:						
Charges for services	\$ 33,289	\$ 97,873	\$ 351,761	\$ 491,259	\$ 385,050	\$ 589,132
Operating Grants and contributions	4,882,557	5,474,950	68,472	87,592	4,951,029	5,562,542
Property taxes	8,063,655	7,927,187			8,063,655	7,927,187
State aid - unrestricted	4,029,199	3,922,371			4,029,199	3,922,371
Other revenues	85,847	80,885			85,847	80,885
Total Revenues	17,094,547	17,503,266	420,233	578,851	17,514,780	18,082,117
Expenses:						
Governmental Activities:						
Instruction	5,853,322	5,734,134			5,853,322	5,734,134
Tuition	262,677	294,139			262,677	294,139
Related Services	1,639,730	1,538,073			1,639,730	1,538,073
Administrative Services	532,908	706,676			532,908	706,676
Central Services	284,852	305,895			284,852	305,895
Operations and Maintenance	911,162	1,287,112			911,162	1,287,112
Transportation	565,661	479,394			565,661	479,394
Employee benefits	6,217,821	7,056,137			6,217,821	7,056,137
Interest on debt	81,500	105,583			81,500	105,583
Other	14,116	18,473			14,116	18,473
Business-Type Activities:						
Community Education			139,194	146,638	139,194	146,638
Latchkey			133,703	111,372	133,703	111,372
Shared Services			-	-	-	-
Food Service			246,551	240,202	246,551	240,202
Total Expenses	16,363,749	17,525,616	519,448	498,212	16,883,197	18,023,828
Increase (Decrease) in Net Position before transfers	730,798	(22,350)	(99,215)	80,639	631,583	58,289
Transfers						
Change in Net Position	730,798	(22,350)	(99,215)	80,639	631,583	58,289
Net Position, July 1	(2,275,577)	(2,253,227)	603,381	522,742	(1,672,196)	(1,730,485)
Net Position, June 30	<u>\$ (1,544,779)</u>	<u>\$ (2,275,577)</u>	<u>\$ 504,166</u>	<u>\$ 603,381</u>	<u>\$ (1,040,613)</u>	<u>\$ (1,672,196)</u>

Governmental Activities

Governmental activities increased the net position of the School District by \$730,798 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 \$260,384.
- Depreciation expense of \$112,333.
- Reduction of debt in the amount of \$670,028.

Business-type Activities

Business-type activities decreased the School District's net position by \$99,215. Key elements of the decrease in net position for business-type activities are as follows:

- The Community Education and Recreation Fund had a net loss of \$40,164
- Latchkey had a net loss of \$3,380
- Food Service Fund had a net loss of \$55,671.

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 \$1,647,700, an increase of \$260,384 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 (\$107,475) in the General 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) \$210,504 reserved for future budget appropriation in accordance with state statute, 2) \$1,075,938 reserved for capital projects, 3) \$275,350 reserved for maintenance, 4) \$193,383 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

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$283,330 while total fund balance (budgetary basis) was \$2,038,505. 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 \$13,344,301. Unassigned fund balance (budgetary basis) represents 2.12% of expenditures while total fund balance (budgetary basis) represents 15.28% 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, 2020, totaled \$1,428,034 (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 \$75,809, or a 5.04% decrease. The decrease is due to depreciation expense.

**Capital Asset (net of accumulated depreciation)
June 30, 2020 and 2019**

	Governmental Activities		Business-Type Activities		District-Wide	
	2020	2019	2020	2019	2020	2019
Land	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ 400,000	\$ 400,000
Site Improvements	33,164	38,423			33,164	38,423
Building and Building Improvements	851,631	921,647			851,631	921,647
Equipment	130,476	129,214	12,763	14,559	143,239	143,773
Net Assets	<u>\$ 1,415,271</u>	<u>\$ 1,489,284</u>	<u>\$ 12,763</u>	<u>\$ 14,559</u>	<u>\$ 1,428,034</u>	<u>\$ 1,503,843</u>

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, 2020, the School District had \$1,475,000 in serial bonds payable, \$28,531 in capital leases payable, \$564,977 in compensated absences, and \$1,990,191 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 \$21,984,226. The available amount as of June 30, 2020 is \$20,509,226.

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 2020-21 fiscal year.

- For 2020-21 fiscal year the School District will not be receiving an increase in state aid. The local tax levy in the General Fund increased by \$149,823 or 2.00%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2020-21 General Fund Budget is \$361,333 more than the previous year or a 3.07% increase. The tax rate for 2020 is \$1.110 which is a .02 cent increase from the previous year.

For the Future

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

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

Requests for Information

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

Basic Financial Statements

District-Wide Financial Statements

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 255,580	\$ 544,316	\$ 799,896
Receivables, net	114,595	2,273	116,868
Inventory		6,609	6,609
Restricted assets:			
Restricted cash and cash equivalents	1,351,288		1,351,288
Capital assets, net (Note 5)	1,415,271	12,763	1,428,034
Total assets	<u>3,136,734</u>	<u>565,961</u>	<u>3,702,695</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	<u>390,212</u>		<u>390,212</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>3,526,946</u>	<u>565,961</u>	<u>4,092,907</u>
LIABILITIES:			
Accounts payable:			
Related to pensions	109,482		109,482
Other	57,760	5,188	62,948
Intergovernmental payable:			
State	60,378		60,378
Internal balances	(44,922)	44,922	
Unearned revenue	547	11,685	12,232
Accrued interest	16,500		16,500
Noncurrent liabilities:			
Due within one year	513,531		513,531
Due beyond one year	3,545,168		3,545,168
Total liabilities	<u>4,258,444</u>	<u>61,795</u>	<u>4,320,239</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	<u>813,281</u>		<u>813,281</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>5,071,725</u>	<u>61,795</u>	<u>5,133,520</u>
NET POSITION:			
Net investment in capital assets	(88,260)	12,763	(75,497)
Restricted for:			
Capital Projects	1,075,938		1,075,938
Other Purposes	679,237		679,237
Unrestricted	<u>(3,211,694)</u>	<u>491,403</u>	<u>(2,720,291)</u>
Total net position	<u>\$ (1,544,779)</u>	<u>\$ 504,166</u>	<u>\$ (1,040,613)</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, 2020

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	\$ 3,959,299	\$ 33,289	\$ 116,575	\$ -	\$ (3,809,435)	\$ -	\$ (3,809,435)
Special education	1,575,854		219,994		(1,355,860)		(1,355,860)
Other instruction	318,169				(318,169)		(318,169)
Support Services:							
Tuition	262,677				(262,677)		(262,677)
Student & instruction related services	1,639,730		197,968		(1,441,762)		(1,441,762)
General administrative services	317,056				(317,056)		(317,056)
School administrative services	215,852				(215,852)		(215,852)
Central services	284,852				(284,852)		(284,852)
Plant operations and maintenance	911,162		13,424		(897,738)		(897,738)
Pupil transportation	565,661				(565,661)		(565,661)
Employee benefits	6,217,821		4,334,596		(1,883,225)		(1,883,225)
Interest on long-term debt	81,500				(81,500)		(81,500)
Unallocated depreciation	14,116				(14,116)		(14,116)
Total governmental activities	<u>16,363,749</u>	<u>33,289</u>	<u>4,882,557</u>		<u>(11,447,903)</u>		<u>(11,447,903)</u>
Business-type activities:							
Community Education and Recreation	139,194	99,030				(40,164)	(40,164)
Latchkey	133,703	130,323				(3,380)	(3,380)
Food service	246,551	122,408	68,472			(55,671)	(55,671)
Total business-type activities	<u>519,448</u>	<u>351,761</u>	<u>68,472</u>			<u>(99,215)</u>	<u>(99,215)</u>
Total primary government	<u>\$ 16,883,197</u>	<u>\$ 385,050</u>	<u>\$ 4,951,029</u>	<u>\$ -</u>	<u>(11,447,903)</u>	<u>(99,215)</u>	<u>(11,547,118)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net					7,491,155		7,491,155
Taxes levied for debt service					572,500		572,500
Federal and State aid not restricted					4,029,199		4,029,199
Miscellaneous income					85,847		85,847
Total general revenues, special items, extraordinary items and transfers					<u>12,178,701</u>		<u>12,178,701</u>
Change in Net Position					730,798	(99,215)	631,583
Net Position - July 1					(2,275,577)	603,381	(1,672,196)
Net Position - June 30					<u>\$ (1,544,779)</u>	<u>\$ 504,166</u>	<u>\$ (1,040,613)</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, 2020

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 232,085	\$ 23,495	\$ -	\$ -	\$ 255,580
Receivables, net	69,601	40,494			110,095
Interfund receivables, net	49,422				49,422
Restricted cash and cash equivalents	<u>1,351,288</u>				<u>1,351,288</u>
Total assets	<u>\$ 1,702,396</u>	<u>\$ 63,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,766,385</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable:	\$ 54,696	\$ 3,064	\$ -	\$ -	\$ 57,760
Intergovernmental payable:					
State		60,378			60,378
Unearned Revenue		<u>547</u>			<u>547</u>
Total liabilities	<u>54,696</u>	<u>63,989</u>			<u>118,685</u>
Fund Balances:					
Restricted Fund Balance:					
Reserved excess surplus - designated for subsequent year's expenditures	192,658				192,658
Reserve for excess surplus	193,383				193,383
Maintenance reserve	275,350				275,350
Capital reserve	1,075,938				1,075,938
Assigned Fund Balance:					
Designated for subsequent year's expenditures	17,846				17,846
Unassigned Fund Balance	<u>(107,475)</u>				<u>(107,475)</u>
Total fund balances	<u>1,647,700</u>				<u>1,647,700</u>
Total liabilities and fund balances	<u>\$ 1,702,396</u>	<u>\$ 63,989</u>	<u>\$ -</u>	<u>\$ -</u>	

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 \$15,420,376 and the accumulated depreciation is \$14,005,105.	1,415,271
Accrued interest on debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(16,500)
Accounts payable related to the April 1, 2021 required PERS contribution that is not to be liquidated with current financial resources.	(109,482)
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	\$ 390,212
Net Pension Liability	(1,990,191)
Deferred Inflows of resources from Pensions	<u>(813,281)</u>
	(2,413,260)
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	(1,475,000)
Capital Leases	(28,531)
Compensated Absences Payable	<u>(564,977)</u>
	<u>(2,068,508)</u>
Net position of governmental activities	<u>\$ (1,544,779)</u>

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, 2020

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 7,491,155	\$ -	\$ -	\$ 572,500	\$ 8,063,655
Tuition	33,289				33,289
Miscellaneous	85,847				85,847
Total revenues-local sources	7,610,291			572,500	8,182,791
Local Sources		7,818			7,818
State sources	5,994,394	208,144			6,202,538
Federal sources		331,999			331,999
Total revenues	13,604,685	547,961	-	572,500	14,725,146
EXPENDITURES:					
Current expense:					
Regular instruction	3,805,427	116,575			3,922,002
Special education instruction	1,355,860	219,994			1,575,854
Other instruction	318,169				318,169
Support services and undistributed costs:					
Tuition	262,677				262,677
Student & instruction related services	1,441,762	197,968			1,639,730
General administrative services	308,935				308,935
School administrative services	215,852				215,852
Central services	284,852				284,852
Plant operations and maintenance	830,429				830,429
Pupil transportation	565,661				565,661
Unallocated employee benefits	3,880,587				3,880,587
Capital outlay	74,090	13,424			87,514
Debt service:					
Principal				475,000	475,000
Interest and other charges				97,500	97,500
Total expenditures	13,344,301	547,961		572,500	14,464,762
Excess (deficiency) of revenues over (under) expenditures	260,384				260,384
Other Financing Sources (Uses):					
Total other financing sources (uses)					
Net change in fund balance	260,384				260,384
Fund balances, July 1	1,387,316				1,387,316
Fund balances, June 30	\$ 1,647,700	\$ -	\$ -	\$ -	\$ 1,647,700

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, 2020**

Total net change in fund balances - governmental funds (from B-2)		\$ 260,384
<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	\$ (112,333)	
Fixed Asset Additions	<u>38,320</u>	(74,013)
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.		475,000
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.		41,361
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.		16,000
Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities.		32,167
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>(20,101)</u>
Change in net position of governmental activities		<u>\$ 730,798</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, 2020

Business-type Activities

	Enterprise Funds			Total
	Food Service Program	Protect All Latchkey Students (PALS)	Community Education and Recreation	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 40,975	\$ 312,537	\$ 190,804	\$ 544,316
Accounts receivable	2,273			2,273
Inventories	6,609			6,609
Total current assets	49,857	312,537	190,804	553,198
Noncurrent assets:				
Equipment	80,364			80,364
Less accumulated depreciation	(67,601)			(67,601)
Total noncurrent assets	12,763			12,763
Total assets	62,620	312,537	190,804	565,961
LIABILITIES				
Current liabilities:				
Accounts payable	5,188	-	-	5,188
Interfund payable	19,922	25,000		44,922
Unearned revenue	10,185		1,500	11,685
Total liabilities	35,295	25,000	1,500	61,795
NET POSITION				
Net investment in capital assets	12,763			12,763
Unrestricted	14,562	287,537	189,304	491,403
Total net position	\$ 27,325	\$ 287,537	\$ 189,304	\$ 504,166

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, 2020

	Business-type Activities			Total
	Enterprise Funds			
	Food Service Program	Protect All Latchkey Students (PALS)	Community Education and Recreation	
Operating revenues:				
Charges for services:				
Daily sales-reimbursable programs	\$ 62,659	\$ -	\$ -	\$ 62,659
Daily sales-non-reimbursable programs	59,749			59,749
Program Fees		130,323	99,030	229,353
Total operating revenue	122,408	130,323	99,030	351,761
Operating expenses:				
Salaries	65,487	92,350	92,490	250,327
Employee Benefits	11,933			11,933
Supplies and materials	43,938	413	3,411	47,762
Depreciation	1,796			1,796
Purchased services	21,893	5,576	15,963	43,432
Cost of sales - reimbursable programs	53,184			53,184
Cost of sales - non-reimbursable programs	28,838			28,838
Miscellaneous	11,108	35,364	27,330	73,802
Direct expenses	7,106			7,106
Repairs and maintenance	1,268			1,268
Total operating expenses	246,551	133,703	139,194	519,448
Operating income (loss)	(124,143)	(3,380)	(40,164)	(167,687)
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	1,906			1,906
Federal sources:				
National school lunch program	42,724			42,724
National school breakfast program	2,903			2,903
U.S.D.A. commodities	20,939			20,939
Total nonoperating revenues (expenses)	68,472			68,472
Change in net position	(55,671)	(3,380)	(40,164)	(99,215)
Total net position - July 1	82,996	290,917	229,468	603,381
Total net position - June 30	\$ 27,325	\$ 287,537	\$ 189,304	\$ 504,166

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, 2020

Business-type Activities

	Enterprise Funds			Total
	Food Service Program	Protect All Latchkey Students (PALS)	Community Education and Recreation	
Cash flows from operating activities:				
Receipts from customers	\$ 126,622	\$ 130,323	\$ 102,565	\$ 359,510
Payments to employees	(74,636)	(92,350)	(92,491)	(259,477)
Payments to suppliers	(174,910)	(41,621)	(56,838)	(273,369)
Net cash used for operating activities	<u>(122,924)</u>	<u>(3,648)</u>	<u>(46,764)</u>	<u>(173,336)</u>
Cash flows from noncapital financing activities:				
State sources	2,417			2,417
Federal sources	55,308			55,308
Net cash provided by non-capital financing activities	<u>57,725</u>			<u>57,725</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	(65,199)	(3,648)	(46,764)	(115,611)
Balances - July 1	<u>106,174</u>	<u>316,185</u>	<u>237,568</u>	<u>659,927</u>
Balances - June 30	<u>\$ 40,975</u>	<u>\$ 312,537</u>	<u>\$ 190,804</u>	<u>\$ 544,316</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (124,143)	\$ (3,380)	\$ (40,164)	\$ (167,687)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,796			1,796
Federal commodities	20,939			20,939
(Increase) decrease in inventories	(2,017)			(2,017)
Increase (decrease) in unearned revenue	4,214		(6,600)	(2,386)
Increase (decrease) in accounts payable	(28,900)			(28,900)
Increase (decrease) in unearned revenue	5,187	(268)		4,919
Total adjustments	<u>1,219</u>	<u>(268)</u>	<u>(6,600)</u>	<u>(5,649)</u>
Net cash provided by (used for) operating activities	<u>\$ (122,924)</u>	<u>\$ (3,648)</u>	<u>\$ (46,764)</u>	<u>\$ (173,336)</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, 2020

	<u>Flexible Benefits Account</u>	<u>Unemployment Compensation Insurance Trust</u>	<u>Agency Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 6,527	\$ 4,693	\$ 86,302
Total assets	<u>6,527</u>	<u>4,693</u>	<u>86,302</u>
LIABILITIES:			
Interfund payable	4,500	-	-
Payroll deductions and withholdings	-	-	63,557
Due to student groups	-	-	22,745
Total liabilities	<u>4,500</u>	<u>-</u>	<u>\$ 86,302</u>
NET POSITION:			
Held in trust	<u>\$ 2,027</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, 2020

	<u>Flexible Benefits Account</u>	<u>Unemployment Compensation Insurance Trust</u>
ADDITIONS:		
Contributions:		
Other	\$ 11,310	\$ -
Total Contributions	<u>11,310</u>	<u>-</u>
Investment earnings:		
Interest	<u>-</u>	<u>-</u>
Net investment earnings	<u>-</u>	<u>-</u>
Total additions	<u>11,310</u>	<u>-</u>
DEDUCTIONS:		
Transfer to General Fund	1,435	
Unemployment claims	-	-
Payment of Flexible Benefits	<u>7,848</u>	<u>-</u>
Total deductions	<u>9,283</u>	<u>-</u>
Change in net position	2,027	-
Net position - July 1	<u>-</u>	<u>4,693</u>
Net position - June 30	<u><u>\$ 2,027</u></u>	<u><u>\$ 4,693</u></u>

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

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020 of 814 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. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Statements (Continued) - 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.

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

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The School District's enterprise funds are:

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

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.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Basis of Accounting

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

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

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

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

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

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

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

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

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2020 and 2019 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, 2020.

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

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

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

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

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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.

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:

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020.

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.

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.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Non-Operating Revenues and Expenses (Continued) - Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses.

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

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

Recently Issued Accounting Pronouncements – In 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. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. 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 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 District’s financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. 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 District’s financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. This Statement should have no impact on the District’s financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objectives of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after December 15, 2022. This Statement should have no impact on the District’s financial statements.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosure regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this Statement on the 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. 17:9-41 et 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 \$2,637,421 as of June 30, 2020, \$250,000 was insured under FDIC and the remaining balance of \$2,387,421 was collateralized under GUDPA.

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.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

3. CAPITAL RESERVE ACCOUNT (Continued)

The activity of the capital reserve for the July 1, 2019 to June 30, 2020 fiscal year is as follows:

Balance - June 30, 2019		\$ 903,060
Increased by:		
Interest Earned	\$ 1,128	
Board Resolution	<u>210,000</u>	<u>211,128</u>
		1,114,188
Decreased by:		
Budget Withdrawal		<u>38,250</u>
Balance - June 30, 2020		<u><u>\$ 1,075,938</u></u>

The June 30, 2020 capital reserve balance does not exceed the LRFPS balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

Receivables at June 30, 2020 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</u>	<u>Capital Projects</u>	<u>Proprietary Fund</u>	<u>Total</u>
Federal Aid	\$ -	\$ 10,019	\$ -	\$ 2,262	\$ 12,281
State Aid	69,601	26,583		11	96,195
Other	<u>-</u>	<u>3,892</u>			<u>3,892</u>
	<u><u>\$ 69,601</u></u>	<u><u>\$ 40,494</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,273</u></u>	<u><u>\$ 112,368</u></u>

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities:				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Total Capital Assets not being Depreciated	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
Capital Assets, being Depreciated:				
Site Improvements	297,589			297,589
Building and Improvements	14,059,401			14,059,401
Equipment	<u>625,066</u>	<u>38,320</u>		<u>663,386</u>
Total Historical Cost	<u>14,982,056</u>	<u>38,320</u>	<u>-</u>	<u>15,020,376</u>
Less Accumulated Depreciation:				
Site Improvements	(259,166)	(5,259)		(264,425)
Building and Improvements	(13,137,754)	(70,016)		(13,207,770)
Equipment	<u>(495,852)</u>	<u>(37,058)</u>		<u>(532,910)</u>
Total Accumulated Depreciation	<u>(13,892,772)</u>	<u>(112,333)</u>	<u>-</u>	<u>(14,005,105)</u>
Total Capital Assets, being depreciated, net	<u>1,089,284</u>	<u>(74,013)</u>		<u>1,015,271</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,489,284</u>	<u>\$ (74,013)</u>	<u>\$ -</u>	<u>\$ 1,415,271</u>
Business-Type Activities:				
Equipment	\$ 80,364	\$ -	\$ -	\$ 80,364
Less - Accumulated Depreciation	<u>(65,805)</u>	<u>(1,796)</u>		<u>(67,601)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,559</u>	<u>\$ (1,796)</u>	<u>\$ -</u>	<u>\$ 12,763</u>

Depreciation expense in the amount of \$112,333 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 17,196
Administration	8,121
Plant Operations and Maintenance	72,900
Unallocated	<u>14,116</u>
	<u>\$ 112,333</u>

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2020 consisted of the following:

	Food Service
Food	\$ 4,954
Supplies	1,655
	\$ 6,609

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2020, the following changes occurred in long-term obligations:

	Principal Outstanding June 30, 2019	Additions	Deletions	Principal Outstanding June 30, 2020	Amounts Due Within One Year
General Obligation Bonds	\$ 1,950,000	\$ -	\$ 475,000	\$ 1,475,000	\$ 485,000
Capital Lease Payable	69,892		41,361	28,531	28,531
Compensated Absences	544,876	20,101		564,977	
Net Pension Liability	2,163,959		173,768	1,990,191	
	\$ 4,728,727	\$ 20,101	\$ 690,129	\$ 4,058,699	\$ 513,531

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. Outstanding bonds issued by the District are as follows:

2011 School Refunding Bonds dated September 1, 2011 in the amount of \$1,475,000 due in annual installments through March 1, 2023, bearing an interest rate of 5.00%.

Principal and interest due on bonds outstanding are as follows:

Year ending June 30,	Principal	Interest	Total
2021	\$ 485,000	\$ 73,750	\$ 558,750
2022	495,000	49,500	544,500
2023	495,000	24,750	519,750
Total	\$ 1,475,000	\$ 148,000	\$ 1,623,000

As of June 30, 2020, the District had no authorized but not issued bonds.

Compensated Absences

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

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

7. LONG-TERM OBLIGATIONS (Continued)

Capital Leases

As of June 30, 2020, the District had the following capital lease:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Value</u>
Computer Equipment	August 6, 2021	5.28%	\$ 85,670

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, 2020:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 28,531	\$ 1,509	\$ 30,040
	<u>\$ 28,531</u>	<u>\$ 1,509</u>	<u>\$ 30,040</u>

8. OPERATING LEASES

The District has various commitments for four copiers and a postage machine under operating leases which fully expire in 2024. Total operating lease payments made during the year ended June 30, 2020 was \$22,406. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2021	\$ 17,165
June 30, 2022	6,119
June 30, 2023	1,203
June 30, 2024	<u>1,003</u>
Total future minimum lease payments	<u>\$ 25,490</u>

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.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

9. PENSION PLANS (Continued)

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

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 22, 2010
4	Members who were eligible to enroll on or after May 22, 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, the member contribution rate was 7.50% in State fiscal year 2020. 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. Funding for noncontributory group insurance benefits is based on actual claims paid.

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, 2020 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, 2019, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2020 was \$1,079,056 and was paid by April 1, 2020. School District employee contributions to the pension plan during the fiscal year ended June 30, 2020 were \$410,417.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (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 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, 2020, 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, 2020, the School District recognized pension expense of \$1,942,658 and revenue of \$1,942,658 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.

	06/30/19	06/30/18
Collective deferred outflows of resources	\$ 9,932,767,606	\$ 12,473,998,870
Collective deferred inflows of resources	17,539,845,423	16,180,773,643
Collective net pension liability (Non-Employer – State of New Jersey)	61,519,112,443	63,617,852,031
State's portion of the net pension liability that was associated with the School District	32,936,078	32,981,820
State's portion of the net pension liability that was associated with the School District as a percentage of the collective net pension liability	.0536672180%	.0518436548%

Actuarial assumptions – The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	1.55- 4.45%
Thereafter	based on years of service 2.75 – 5.65%
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality tables with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

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

Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

Discount rate. The discount rate used to measure the State's total pension liability was 5.60% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, 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 based on 70% of the actuarially determined contributions for the State. 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 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

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

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, 2019, 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 5.60%, 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 (4.60%) or 1 percentage point higher (6.60%) that the current rate:

	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the School District	38,838,926	32,936,078	28,038,578
	\$ 38,838,926	\$ 32,936,078	\$ 28,038,578

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. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting Membership in the PERS is mandatory for substantially all full-time employees of the Authority, 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. For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

Vesting and Benefit Provisions – 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 medical benefits, which vest after 25 years of service or under the disability provisions of 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 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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 tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. 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. The member contribution rate was 7.50% in State fiscal year 2019. 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, 2020 was 13.84% 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, 2019, the School Districts contractually required contribution to the pension plan for the fiscal year ended June 30, 2020 was \$107,869 and was paid by April 1, 2020. School District employee contributions to the pension plan during the fiscal year ended June 30, 2020 were \$60,320.

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	Accrued Liability	Non Contributory Life	Long Term Disability	Total Liability Paid by District
2020	\$ 9,942	\$ 92,003	\$ 5,493	\$ 431	\$ 107,869
2019	13,659	90,675	4,970	376	109,680
2018	14,013	87,260	5,189	614	107,076

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, 2020, the School District reported a liability of \$1,990,191 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

For the year ended June 30, 2020, the School District recognized pension expense of \$75,272. At June 30, 2020, the School District reported a liability of \$1,990,191 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	\$ 35,721	\$ 8,792
Changes of assumptions	198,728	690,789
Net Difference between projected and actual earnings on pension plan investments		31,416
Changes in proportion	46,281	82,284
District contributions subsequent to the measurement date	109,482	
Total	\$ 390,212	\$ 813,281

\$109,482 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, 2020, the plan measurement date is June 30, 2020) will be recognized as a reduction of the net liability in the year ended June 30, 2020.

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 (Inflows) of Resources
2021	\$ (93,678)
2022	(187,738)
2023	(143,493)
2024	(98,233)
2025	(9,409)
Total	\$ (532,551)

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Changes of assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
Net Difference between projected and actual earnings on pension plan investments		
Year of Pension Plan Deferral:		
June 30, 2015	5.00	5.00
June 30, 2016	5.00	5.00
June 30, 2017	5.00	5.00
June 30, 2018	5.00	5.00
June 30, 2019	5.00	5.00

Additional Information

Collective balances at June 30, 2019 and 2018 are as follows:

	<u>6/30/2019</u>	<u>6/30/2018</u>
Collective deferred outflows of resources	\$ 3,149,522,616	\$ 4,684,852,302
Collective deferred inflows of resources	\$ 7,645,087,574	\$ 7,646,736,226
Collective net pension liability	\$ 18,143,832,135	\$ 19,689,501,539
School District's Proportion	.0110452760%	.0109888948%

Actuarial assumptions – The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
Total	<u>100.00%</u>	

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount rate. The discount rate used to measure the State's total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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, 2019, calculated using the discount rate of 6.28%, 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 (5.28%) or 1 percentage point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
School District's proportionate share of the net pension liability	\$ 2,513,935	\$ 1,990,191	\$ 1,548,863

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>
2020	\$ 15,565	\$ 15,565
2019	15,441	15,441
2018	9,002	9,002

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Benefits Provided

The State Health Benefit Local Education Retired Employees Plan (the “OPEB Plan”) is a multiple-employer defined benefit OPEB plan, with a special funding situation, that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated. *io. 75 – Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions.* The OPEB Plan is administered by the State of New Jersey Division of Pensions and Benefits (the “Division”) and is part of the New Jersey State Health Benefits Program (SHBP). The Division issues a publicly available financial report that includes financial statements and required supplementary information which can be obtained by writing to or at the following website:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

The OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

Contributions

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey (the “State”) in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32F, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teacher’s Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

Plan Membership

As of June 30, 2018, the program membership consisted of the following:

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
	364,943

Total Non-Employer OPEB Liability

The State of New Jersey, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB Plan for qualified retired PERS, TPAF and PFRS participants. The School Districts’s proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the School District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Actuarial assumptions and other imputes - The total nonemployer OPEB liability as of the June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member enrolled in.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases Through 2026	1.55 – 3.05% based on years of service	2.00 – 6.00% based on age	3.25 – 15.25% based on age
Thereafter	1.55 - 3.05% based on years of service	3.00 - 7.00% based on age	3.10 - 9.98% based on age

Preretirement mortality rates were based on the Pub-2010 Healthy Teacher’s (TPAF), and “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational improvement projections from the central year using the Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational improvement projections from the central year using the Scale MP-2019.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 – June 30, 2018, July 1, 2014 – June 30, 2018, and July 1, 2013 – June 30, 2018 for TPAF, PERS and PFRS, respectively.

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate - The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the Division. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total Nonemployer OPEB Liability

The table below summarizes the State's proportionate share of the change in the total nonemployer OPEB liability associated with the School District:

	Total OPEB Liability
Balance as of June 30, 2018	\$ 26,328,134
Changes for the years'	
Service Cost	922,380
Interest	1,041,225
Changes of benefit terms	
Differences between expected and actual experience	(4,524,274)
Changes in assumptions	349,180
Gross Benefit Payments	(718,895)
Contributions from the Non-employer	N/A
Contributions from the Member	21,310
Net Investment Income	N/A
Administrative Expense	N/A
Net Changes	\$ (2,909,074)
Balance at 06/30/2019	\$ 23,419,060

Sensitivity of the total nonemployer OPEB liability to changes in the discount rate - The following presents the total nonemployer OPEB liability as of June 30, 2019, respectively, associated with the School District, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage -point lower or 1percentage-point higher than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
State of New Jersey's Proportionate Share of the Total Nonemployer OPEB Liability Associated with the School District	\$ 27,667,164	\$ 23,419,060	\$ 20,044,599

Sensitivity of the total nonemployer OPEB liability to changes in the healthcare cost trend rate - The following presents the total nonemployer OPEB liability as of June 30, 2019, associated with the School District, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage -point lower or 1percentage-point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
State of New Jersey's Proportionate Share of the Total Nonemployer OPEB Liability Associated with the School District	\$ 28,422,727	\$ 23,419,060	\$ 18,992,839

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2020, the School District recognized \$351,471 in OPEB expense and revenue, in the government-wide financial statements, for the State’s proportionate share of the OPEB Plan’s OPEB Expense, associated with the School District. This expense and revenue was based on the OPEB Plan’s June 30, 2019 measurement date.

In accordance with GASBS No. 75, the School District’s proportionate share of the OPEB liability is zero. As such, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources by the School District.

At June 30, 2020, the State’s proportionate share of the total nonemployer OPEB liability’s deferred outflows of resources and deferred inflows of resources, associated with the School District, from the following sources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and		
actual experiences	\$ -	\$ 5,884,338
Changes of assumptions	-	4,759,976
Total	\$ -	\$ 10,644,314

Amounts reported as deferred outflows of resources and deferred inflows of resources related to State’s proportionate share of the total nonemployer OPEB Liability, associated with the School District, will be recognized in OPEB expense as follows:

For the year ended:	
2020	\$ (1,429,154)
2021	(1,429,154)
2022	(1,429,154)
2023	(1,429,154)
2024	(1,429,154)
Therafter	(3,498,546)
Total	\$ (10,644,316)

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.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2020, 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 \$1,147,665, \$425,763, and \$1,315 respectively. In addition, \$390,452 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.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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.

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.

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 accumulate 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, 2020, the liability for compensated absences in the governmental activities fund types was \$564,977.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

15. INTERFUND BALANCES AND TRANSFERS

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, 2021. The following interfund balances were recorded on the various balance sheets as of June 30, 2020:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 49,422	\$ -
Proprietary		44,922
Fiduciary		4,500
	<u>\$ 49,422</u>	<u>\$ 49,422</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, 2020, 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>Board Contribution</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019-2020	\$ -	\$ 11,310	\$ 9,283	\$ 2,027
2018-2019	1,086	4,625	7,336	-
2017-2018	-	1,625	207	1,625

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.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

18. TAX ABATEMENTS (Continued)

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 \$34,801 from the annual service charge in lieu of payment of taxes in 2019. The assessed value on these tax exemption properties amounted to \$3,002,300 which would have resulted in 2019 taxes billed in full of \$99,586. A portion of the \$64,785 abatement would have been allocated to the District.

19. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$107,475 in the General Fund as of June 30, 2020 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 \$107,475 is equal to or less than the June state aid payments.

20. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2020, a deficit of \$3,211,694 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, 2020	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance – Unassigned	\$ (107,475)
Liabilities:	
Accrued Interest Payable	(16,500)
Net Pension Difference	(2,522,742)
Compensated Absences	<u>(564,977)</u>
Unrestricted Net Position (Deficit)	<u>\$ (3,211,694)</u>

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020 is \$193,383 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$192,658 of excess fund balance generated during the 2018-2019 fiscal year has been restricted and designated for utilization in the 2020-2021 budget.

Capital Reserve – As of June 30, 2020, the balance in the capital reserve account is \$1,075,938. This amount 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, 2020, the balance in the maintenance reserve account is \$275,350. Of this amount \$35,000 has been appropriated and anticipated as revenue in the original 2020-21 budget. An additional \$50,000 has been appropriated and anticipated as revenue in the revised 2020-21 budget due to a reduction in state aid for 2020-2021. The remaining 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).

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 \$17,846 and included as an anticipated revenue for the fiscal year ending June 30, 2021.

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, 2020, the fund balance of the general fund was a deficit of \$107,475. 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).

Required Supplementary Information - Part II

Budgetary Comparison Schedules

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 7,491,155	\$ -	\$ 7,491,155	\$ 7,491,155	\$ -
Tuition from other LEA's within state	15,000	-	15,000	33,289	18,289
Capital Reserve interest	500	-	500	1,128	628
Maintenance Reserve interest	100	-	100	206	106
Other restricted miscellaneous revenue	47,400	-	47,400	48,000	600
Unrestricted miscellaneous revenue	15,000	-	15,000	36,513	21,513
Total local sources	7,569,155	-	7,569,155	7,610,291	41,136
State sources:					
Categorical Special Education aid	521,625	-	521,625	521,625	-
Equalization aid	3,116,148	-	3,116,148	3,116,148	-
Categorical Security Aid	98,331	-	98,331	98,331	-
Transportation Aid	254,835	-	254,835	254,835	-
Extraordinary Aid				33,030	33,030
Homeless Tuition Aid				11,988	11,988
Additional Nonpublic Transportation aid				300	300
On-behalf TPAF pension contributions (non-budgeted)				1,147,665	1,147,665
On-behalf TPAF pension post medical contributions (non-budgeted)				425,763	425,763
On-behalf TPAF - LTDI (non-budgeted)				1,315	1,315
Reimbursed TPAF social security contributions (non-budgeted)				390,452	390,452
Total state sources	3,990,939	-	3,990,939	6,001,452	2,010,513
TOTAL REVENUES	11,560,094	-	11,560,094	13,611,743	2,051,649
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	267,673	(3,000)	264,673	257,157	7,516
Grades 1-5	2,108,733	(34,101)	2,074,632	2,063,213	11,419
Grades 6-8	1,217,744	50,000	1,267,744	1,239,675	28,069
Total Instruction	3,594,150	12,899	3,607,049	3,560,045	47,004
Regular Programs - Home Instruction:					
Salaries of teachers	5,040	-	5,040	3,916	1,124
Purchased prof. and educational services	1,000	-	1,000	-	1,000
Total Home Instruction	6,040	-	6,040	3,916	2,124
Regular Programs - Undistributed Instruction:					
Purchased prof. and educational services	140,655	(105,500)	35,155	34,865	290
Purchased technical services	4,500	-	4,500	-	4,500
Other purchased services	1,850	-	1,850	771	1,079
General supplies	254,360	(12,300)	242,060	201,940	40,120
Textbooks	51,016	(44,700)	6,316	3,890	2,426
Total Undistributed Instruction	452,381	(162,500)	289,881	241,466	48,415
Total - Regular Programs - Instruction	4,052,571	(149,601)	3,902,970	3,805,427	97,543
Special Educ Instruction: Learning and/or Lang. Disabilities					
Salaries of teachers	196,772	(44,499)	152,273	151,908	365
Other salaries for instruction	80,272	(10,179)	70,093	70,093	-
Purchased prof. and educational services	23,000	(9,000)	14,000	14,000	-
Other purchased services	200	-	200	200	-
General Supplies	1,700	-	1,700	540	1,160
Total Learning and/or Language Disabilities	301,944	(63,678)	238,266	236,741	1,525

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, 2020

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Multiple Disabilities					
Salaries of teachers	\$ 64,219	\$ (8,499)	\$ 55,720	\$ 54,725	\$ 995
Other salaries for instruction	32,244	(32,244)			-
Purchased prof. and educational services	8,235	200	8,435	8,302	133
General Supplies	4,370	-	4,370	678	3,692
Total Multiple Disabilities	109,068	(40,543)	68,525	63,705	4,820
Special Educ Instruction: Resource Room/Resource Center					
Salaries of teachers	796,767	12,307	809,074	808,235	839
Other salaries for instruction	100,454	(12,200)	88,254	87,585	669
Purchased prof. and educational services	18,000	42,000	60,000	54,289	5,711
General Supplies	9,370	(1,000)	8,370	8,304	66
Total Resource Room/Resource Center	924,591	41,107	965,698	958,413	7,285
Special Educ Instruction: Preschool Disabilities - PT					
Salaries of teachers	64,219	(1,194)	63,025	62,825	200
Other salaries for instruction	26,554	5,726	32,280	32,279	1
Purchased prof. and educational services	2,000	-	2,000	1,415	585
General Supplies	1,740	(700)	1,040	482	558
Total Preschool Disabilities - Part-Time	94,513	3,832	98,345	97,001	1,344
Total Special Education - Instruction	1,430,116	(59,282)	1,370,834	1,355,860	14,974
Basic Skills/Remedial - Instruction					
Salaries of teachers	88,689	85,470	174,159	170,884	3,275
Purchased prof. and educational services	34,272	2,725	36,997	36,997	-
General supplies	500	-	500	-	500
Total Basic Skills/Remedial - Instruction	123,461	88,195	211,656	207,881	3,775
Bilingual Education - Instruction					
Salaries of teachers	22,001	-	22,001	21,988	13
Total Bilingual Education - Instruction	22,001	-	22,001	21,988	13
School-Sponsored Cocurricular Act - Inst.					
Salaries	20,546	-	20,546	20,546	-
Total School-Sponsored Cocurr. Act. - Inst	20,546	-	20,546	20,546	-
School-Sponsored Athletics - Inst.					
Salaries	53,270	5,000	58,270	55,886	2,384
Supplies and materials	7,000	5,000	12,000	6,608	5,392
Other objects	5,000	1,900	6,900	5,260	1,640
Total School-Sponsored Athletics - Inst	65,270	11,900	77,170	67,754	9,416
Undistributed Expenditures - Instruction					
Tuition to CSSD & reg. day schools	45,934	6,004	51,938	50,379	1,559
Tuition to priv. sch. for the disabled w/i state	61,580	4,505	66,085	60,709	5,376
Tuition to priv. sch. for the disabled out of state	75,844	56	75,900	75,900	-
Tuition - other	116,028	(29,503)	86,525	75,689	10,836
Total Undistributed Expenditures - Instruction	299,386	(18,938)	280,448	262,677	17,771
Undistributed Expenditures - Attend. and Social Work					
Salaries	44,161	6,000	50,161	50,023	138
Total Undistributed Expenditures - Attendance	44,161	6,000	50,161	50,023	138

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, 2020

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Health Services					
Salaries	\$ 104,737	\$ 1,500	\$ 106,237	\$ 103,969	\$ 2,268
Purchased professional & tech. services	16,010	(8,400)	7,610	6,885	725
Supplies and materials	1,500	10,100	11,600	8,536	3,064
Other objects	450	-	450	256	194
Total Undistributed Expenditures - Health Svcs.	122,697	3,200	125,897	119,646	6,251
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	199,764	(4,961)	194,803	194,803	-
Purchased prof. and educational services	6,574	(4,538)	2,036	2,036	-
Supplies and Materials	1,240	-	1,240	1,196	44
Total Undst. Expend. - Speech, OT, PT & Related Services	207,578	(9,499)	198,079	198,035	44
Undist. Expend. - Other Supp. Serv. Stud. - Extra. Serv.					
Salaries	119,684	54,686	174,370	173,965	405
Purchased professional & educ. services	34,391	32,600	66,991	64,635	2,356
Supplies and Materials	1,000	(1,000)	-	-	-
Total Undst. Expend. - Other Supp. Serv. Stud. - Extra. Serv.	155,075	86,286	241,361	238,600	2,761
Undist. Expend. - Other Supp. Serv. Stud. - Guidance					
Salaries of other professional staff	114,136	(4,000)	110,136	109,686	450
Purchased professional & educ. services	2,000	-	2,000	811	1,189
Supplies and Materials	750	(300)	450	119	331
Total Undst. Expend. - Other Supp. Serv. Stud. - Guidance	116,886	(4,300)	112,586	110,616	1,970
Undist. Expend. - Other Supp. Serv. Stud. - Child Study Teams					
Salaries of other professional staff	229,036	(37,000)	192,036	191,545	491
Salaries of secretarial and clerical assistants	41,486	-	41,486	41,486	-
Purchased professional & educ. services	116,248	90,499	206,747	152,679	54,068
Other purchased prof. and tech. services	2,500	(500)	2,000	826	1,174
Residential Costs	1,000	(1,000)	-	-	-
Miscellaneous purchased services	-	800	800	219	581
Supplies and materials	2,847	700	3,547	1,237	2,310
Other Objects	199	-	199	181	18
Total Undst. Exp. - Other Supp. Serv. Stud. - Child Study Teams	393,316	53,499	446,815	388,173	58,642
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	87,840	-	87,840	86,489	1,351
Salaries of other professional staff	10,000	(10,000)	-	-	-
Salaries of secretarial and clerical assistants	27,540	-	27,540	14,667	12,873
Purchased prof. and educational services	42,950	(4,500)	38,450	31,524	6,926
Other purchased services	2,000	-	2,000	-	2,000
Supplies and materials	1,000	-	1,000	102	898
Other objects	1,000	-	1,000	-	1,000
Total Undst. Expend. - Improvement of Instr. Services	172,330	(14,500)	157,830	132,782	25,048
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	66,202	-	66,202	64,529	1,673
Purchased professional & tech. services	54,000	(1,500)	52,500	51,408	1,092
Other purchased services	63,637	(11,500)	52,137	52,137	-
Supplies and materials	9,923	17,000	26,923	25,292	1,631
Total Undst. Expend. - Educ. Media Serv./Sch. Library	193,762	4,000	197,762	193,366	4,396

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, 2020

(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	\$ (10,000)	\$ 10,000	\$ 8,062	\$ 1,938
Purchased prof. and educational services	21,500	3,187	24,687	209	24,478
Other purchased services	2,250	-	2,250	2,250	-
Total Undst. Expend. - Instructional Staff Training Services	43,750	(6,813)	36,937	10,521	26,416
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	155,251	(4,995)	150,256	140,000	10,256
Legal services	50,205	45,945	96,150	88,918	7,232
Audit fees	19,600	300	19,900	19,900	-
Architectural/Engineering Fees	5,500	(5,300)	200		200
Other purchased professional services	15,700	(5,000)	10,700	10,569	131
Purchased technical services	436	-	436		436
Communications / telephone	18,476	3,000	21,476	21,291	185
BOE Other purchased services	2,112	(1,500)	612	87	525
Miscellaneous purchased services	13,627	-	13,627	12,943	684
General supplies	5,738	-	5,738	5,270	468
BOE In-House Training/Meeting Supplies	200	-	200	180	20
Miscellaneous expenditures	5,825	(3,450)	2,375	2,175	200
BOE Membership Dues and Fees	8,500	-	8,500	7,602	898
Total Undst. Expend. - Supp. Serv. General Admin.	301,170	29,000	330,170	308,935	21,235
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	97,840	4,700	102,540	102,511	29
Salaries of secretarial and clerical assistants	86,047	700	86,747	85,237	1,510
Purchased professional & tech. services	27,361	(3,900)	23,461	22,631	830
Other purchased services	2,000	(2,000)			-
Supplies and materials	4,250	500	4,750	4,628	122
Other objects	3,626	-	3,626	845	2,781
Total Undst. Expend. - Supp. Serv. School Admin.	221,124	-	221,124	215,852	5,272
Undist. Expend. - Central Services					
Salaries	225,216	(7,000)	218,216	213,766	4,450
Purchased professional services	14,339	2,166	16,505	16,504	1
Supplies and materials	2,000	(1,500)	500	5	495
Miscellaneous expenditures	2,161	(866)	1,295	250	1,045
Total Undst. Expend. - Central Services	243,716	(7,200)	236,516	230,525	5,991
Undist. Expend. - Information Technology					
Salaries	42,434	2,500	44,934	44,645	289
Purchased technical services	1,195	-	1,195	1,195	-
Supplies and materials	1,000	8,700	9,700	8,487	1,213
Total Undst. Expend. - Information Technology	44,629	11,200	55,829	54,327	1,502
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	131,175	9,700	140,875	140,734	141
Cleaning, repair, and maintenance services	60,303	81,453	141,756	139,536	2,220
General supplies	19,732	44,000	63,732	57,590	6,142
Total Undst. Expend. - Required Maint. Sch. Facilities	211,210	135,153	346,363	337,860	8,503

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, 2020

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$ 147,165	\$ (13,498)	\$ 133,667	\$ 132,877	\$ 790
Salaries of Non-Instructional Aides	48,028	(13,502)	34,526	32,989	1,537
Unused Vacation Payment to Terminated/Retired Staff		-			
Purchased professional & tech. services	15,740	(800)	14,940	13,437	1,503
Cleaning, repair, and maintenance services	15,100	38,290	53,390	11,945	41,445
Other purchased property services	26,794	30	26,824	26,576	248
Insurance	74,087	6,504	80,591	80,589	2
Miscellaneous Purchased Services	949	-	949	793	156
General supplies	25,561	16,700	42,261	36,887	5,374
Energy (Natural Gas)	79,000	(29,750)	49,250	49,198	52
Energy (heat & electricity)	72,000	(24,352)	47,648	45,586	2,062
Other objects	1,104	-	1,104	510	594
Total Undst. Expend. - Other oper. & Maint. of Plant	505,528	(20,378)	485,150	431,387	53,763
Undist. Expend. - Care & Upkeep of Grounds					
Cleaning, repair, and maintenance services	1,188	10,312	11,500	10,260	1,240
General supplies	4,000	(1,710)	2,290	2,280	10
Total Undst. Expend. - Care & Upkeep of Grounds	5,188	8,602	13,790	12,540	1,250
Undist. Expend. - Security					
Purchased professional & tech. services	43,900	(1,000)	42,900	39,777	3,123
Cleaning, repair, and maintenance services	7,283	13,400	20,683	5,525	15,158
General supplies	2,917	15,000	17,917	3,340	14,577
Total Undst. Expend. - Security	54,100	27,400	81,500	48,642	32,858
Total Undst. Expend. - Oper. & Maint. of Plant Services	776,026	150,777	926,803	830,429	96,374
Undist. Expend. - Student Trans. Services					
Contr. serv. - aid in lieu of payments - nonpublic	15,000	-	15,000	10,882	4,118
Contr. serv. (bet. home & sch.) - vendors	241,272	90,828	332,100	332,100	-
Contr. serv. (other than bet. home & sch.) - vendors	104,525	(24,899)	79,626	77,823	1,803
Contr. serv. (sp ed stds) - vendors	118,722	16,710	135,432	135,431	1
Misc. Purchased Services - Transportation	13,923	-	13,923	9,425	4,498
Total Undst. Expend. - Student Trans. Services	493,442	82,639	576,081	565,661	10,420
Unallocated Benefits - Employee Benefits					
Social security contributions	139,426	61,000	200,426	163,102	37,324
Other retirement contributions - PERS	120,648	(12,779)	107,869	107,869	-
Other retirement contributions - regular	9,350	(9,350)	-	-	-
Other retirement contributions - DCRP		20,850	20,850	13,789	7,061
Unemployment compensation	27,500	7,779	35,279	30,356	4,923
Workmen's compensation	103,978	(16,503)	87,475	82,715	4,760
Health benefits	1,732,163	(236,507)	1,495,656	1,462,554	33,102
Tuition reimbursement	20,000	-	20,000	20,000	-
Other employee benefits	50,045	(30,000)	20,045	19,591	454
Unused Sick Payment to Terminated/Retired Staff	20,000	(4,500)	15,500	15,416	84
Total Unallocated Benefits - Employee Benefits	2,223,110	(220,010)	2,003,100	1,915,392	87,708
On-behalf TPAF pension contributions (non-budgeted)				1,147,665	(1,147,665)
On-behalf TPAF pension Post Medical contributions (non-budgeted)				425,763	(425,763)
On-behalf TPAF - LTDI (non-budgeted)				1,315	(1,315)
Reimbursed TPAF social security contributions (non-budgeted)				390,452	(390,452)
Total Undistributed Expenditures - TPAF	-	-	-	1,965,195	(1,965,195)
Total Undistributed Expenditures	6,052,158	145,341	6,197,499	7,790,755	(1,593,256)
Total General Current Expense	11,766,123	36,553	11,802,676	13,270,211	(1,467,535)

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, 2020

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Undistributed - Other Purchased Property Services	\$ -	\$ 38,320	\$ 38,320	\$ 38,320	\$ -
Total Equipment	-	38,320	38,320	38,320	-
Facilities Acquisition and Construction Services:					
Assessment for debt service on SDA funding	35,770	-	35,770	35,770	-
Total Facilities Acquisition and Construction Services	35,770	-	35,770	35,770	-
Assets acquired under capital leases (non-budgeted):					
Equipment					
Instructional	-	-	-	-	-
Total Facilities Acquisition and Construction Services	-	-	-	-	-
Total Capital Outlay	35,770	38,320	74,090	74,090	-
Total Expenditures	11,801,893	74,873	11,876,766	13,344,301	(1,467,535)
Excess (Deficiency) of Revenues Over (Under) Expenditures:	(241,799)	(74,873)	(316,672)	267,442	584,114
Fund Balance, July 1	1,771,063		1,771,063	1,771,063	
Fund Balance, June 30	<u>\$ 1,529,264</u>	<u>\$ (74,873)</u>	<u>\$ 1,454,391</u>	<u>\$ 2,038,505</u>	<u>\$ 584,114</u>
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 192,658	
Reserve for Excess Surplus				193,383	
Capital Reserve				1,075,938	
Maintenance Reserve				275,350	
Assigned Fund Balance					
Reserve for Encumbrances					
Unassigned Fund Balance					
Unreserved Designated for Subsequent Year's Expenditures				17,846	
Unreserved				<u>283,330</u>	
				<u>2,038,505</u>	
Last State Aid Payments not Recognized on a GAAP Basis				(390,805)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,647,700</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, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources	\$ 13,818	\$ -	\$ 13,818	\$ 7,818	\$ (6,000)
State sources	268,522	-	268,522	208,144	(60,378)
Federal sources	352,361	-	352,361	331,999	(20,362)
Total revenues	<u>634,701</u>	<u>-</u>	<u>634,701</u>	<u>547,961</u>	<u>(86,740)</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	63,681	-	63,681	63,481	200
Other salaries for instruction	8,760	-	8,760	8,760	-
Purchased professional - tech. services	139,863	-	139,863	124,782	15,081
Other purchased services	115,529	-	115,529	109,529	6,000
General supplies	21,654	-	21,654	21,641	13
Textbooks	8,381	-	8,381	8,376	5
Total instruction	<u>357,868</u>	<u>-</u>	<u>357,868</u>	<u>336,569</u>	<u>21,299</u>
Support services:					
Other salaries for instruction	-	-	-	-	-
Personal services-employee benefits	20,539	-	20,539	20,539	-
Purchased prof. and educational services	15,099	-	15,099	13,763	1,336
Purchased professional and technical services	205,769	-	205,769	152,090	53,679
Other purchased services (400-500)	9,076	-	9,076	9,076	-
Supplies and materials	2,500	-	2,500	2,500	-
Total support services	<u>252,983</u>	<u>-</u>	<u>252,983</u>	<u>197,968</u>	<u>55,015</u>
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	23,850	-	23,850	13,424	10,426
Total facilities acq. and const. services	<u>23,850</u>	<u>-</u>	<u>23,850</u>	<u>13,424</u>	<u>10,426</u>
Total expenditures	<u>634,701</u>	<u>-</u>	<u>634,701</u>	<u>547,961</u>	<u>86,740</u>
Total outflows	<u>634,701</u>	<u>-</u>	<u>634,701</u>	<u>547,961</u>	<u>86,740</u>
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, 2020

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 13,611,743	\$ 547,961
Difference - budget to GAAP:		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	383,747	-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(390,805)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 13,604,685</u>	<u>\$ 547,961</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 13,344,301	\$ 547,961
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.	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 13,344,301</u>	<u>\$ 547,961</u>

Required Supplementary Information - Part III
Schedules Related to Accounting and Reporting
For Pensions and
Other Post Employment Benefits

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportionate share of the net pension liability (asset)	0.0110452760%	0.0109888948%	0.0114920964%	0.0112403878%	0.0111440567%	0.0109075174%	0.0116049596%
District's proportionate share of the net pension liability (asset)	\$ 1,990,191	\$ 2,163,659	\$ 2,675,178	\$ 3,329,080	\$ 2,501,617	\$ 2,042,186	\$ 2,217,938
District's covered-employee payroll	791,012	704,593	716,393	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	251.60%	307.08%	373.42%	437.84%	312.40%	263.93%	288.34%
Plan fiduciary net position as a percentage of the total pension liability	24.04%	40.45%	36.78%	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 Seven Fiscal Years

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 109,482	\$ 107,869	\$ 109,304	\$ 106,462	\$ 99,858	\$ 95,809	\$ 89,920
Contributions in relation to the contractually required contributions	<u>(109,482)</u>	<u>(107,869)</u>	<u>(109,304)</u>	<u>(106,462)</u>	<u>(99,858)</u>	<u>(95,809)</u>	<u>(89,920)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 791,012	\$ 704,593	\$ 716,393	\$ 760,334	\$ 800,775	\$ 773,750	\$ 769,212
Contributions as a percentage of covered-employee payroll	13.84%	15.31%	15.26%	14.00%	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 Seven Fiscal Years

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.0536672180%	0.0518436548%	0.0506570773%	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>\$ 32,936,078</u>	<u>\$ 32,981,820</u>	<u>\$ 34,154,828</u>	<u>\$ 42,055,303</u>	<u>\$ 34,159,911</u>	<u>\$ 27,441,258</u>	<u>\$ 23,799,599</u>
Total	<u><u>\$ 32,936,078</u></u>	<u><u>\$ 32,981,820</u></u>	<u><u>\$ 34,154,828</u></u>	<u><u>\$ 42,055,303</u></u>	<u><u>\$ 34,159,911</u></u>	<u><u>\$ 27,441,258</u></u>	<u><u>\$ 23,799,599</u></u>
District's covered-employee payroll	\$ 5,301,480	\$ 5,282,522	\$ 5,528,132	\$ 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%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	26.95%	26.49%	25.41%	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
Required Supplementary Information
Schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the District
and Changes in the Total OPEB Liability and Related Ratios
Public Employee's Retirement System and Teachers' Pension and Annuity Fund
Last Three Fiscal Years

	June 30, 2020	June 30, 2019	June 30, 2018
State's proportion of the net OPEB liability (asset) associated with the District	0.06%	0.06%	0.06%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 23,419,060	\$ 26,328,134	\$ 31,309,205
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 23,419,060</u>	<u>\$ 26,328,134</u>	<u>\$ 31,309,205</u>
Plan fiduciary net position as a percentage of the total OPEB Liability	0.00%	0.00%	0.00%
	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability			
Service Cost	\$ 922,380	\$ 1,026,490	\$ 1,241,705
Interest	1,041,225	1,145,559	994,737
Difference between expected and actual experiences	(4,524,274)	(3,452,162)	
Changes of assumptions	349,180	(3,021,285)	(4,236,891)
Member Contributions	21,310	24,332	26,703
Benefit payments	<u>(718,895)</u>	<u>(704,005)</u>	<u>(725,188)</u>
Net Change in total OPEB Liability	\$ (2,909,074)	\$ (4,981,071)	\$ (2,698,934)
Total OPEB Liability - beginning	<u>\$ 26,328,134</u>	<u>\$ 31,309,205</u>	<u>\$ 34,008,139</u>
Total OPEB Liability - ending	<u>\$ 23,419,060</u>	<u>\$ 26,328,134</u>	<u>\$ 31,309,205</u>
District's covered-employee payroll	6,092,492	5,987,115	6,244,525
Total OPEB Liability as a percentage of covered-employee payroll	384.39%	439.75%	501.39%

This schedule does not contain ten years of information as GASB 75 was implemented during the fiscal year ended June 30, 2018.

Berlin Borough School District
Notes to Required Supplementary Information – Part III
For the Fiscal Year Ended June 30, 2020

Teacher’s Pension and Annuity Fund (TPAF)

Changes of benefit term: There were none.

Changes of assumptions: The discount rate changed to 5.60% as of June 30, 2019 from 4.86% as of June 30, 2018 and the long-term rate of return remained at 7.00%.

Public Employees’ Retirement System (PERS)

Changes of benefit term: There were none.

Changes of assumptions: The discount rate changed to 6.28% as of June 30, 2019 from 5.66% as of June 30, 2018 and the long-term rate of return remained at 7.00%.

Other Post-Retirement Plan – Public Employees’ Retirement System and Teachers’ Pension and Annuity Fund

Changes of benefit term: There were none.

Changes of assumptions: The discount rate changed to 3.50% as of June 30, 2019 from 3.87% as of June 30, 2018.

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, 2020

	Brought Forward (Exh. E-1B)	Brought Forward (Exh. E-1C)	Total
REVENUES:			
Local sources	\$ 7,818	\$ -	\$ 7,818
State sources	170,714	37,430	208,144
Federal sources	-	331,999	331,999
	<hr/>	<hr/>	<hr/>
Total Revenues	178,532	369,429	547,961
EXPENDITURES:			
Instruction:			
Salaries of teachers	-	63,481	63,481
Other salaries for instruction	-	8,760	8,760
Purchased professional and technical services	124,782	-	124,782
Other purchased services	1,714	107,815	109,529
General supplies	6,104	15,537	21,641
Textbooks	-	8,376	8,376
	<hr/>	<hr/>	<hr/>
Total instruction	132,600	203,969	336,569
Support services:			
Personal services-employee benefits	-	20,539	20,539
Purchased prof. and educational services	-	13,763	13,763
Purchased professional and technical services	45,932	106,158	152,090
Other purchased services (400-500)	-	9,076	9,076
Supplies and materials	-	2,500	2,500
	<hr/>	<hr/>	<hr/>
Total support services	45,932	152,036	197,968
Facilities acquisition and const. serv.:			
Non-instructional equipment	-	13,424	13,424
	<hr/>	<hr/>	<hr/>
Total facilities acquisition and const. serv.:	-	13,424	13,424
	<hr/>	<hr/>	<hr/>
Total Expenditures	178,532	369,429	547,961
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>

BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2020

	<u>Chapter 192 - Auxillary Services</u>		<u>Chapter 193 - Handicapped Services</u>			Municipal Alliance	SHIF Wellness	NJSIG Safety	Carried Forward (Exh. E-1A)
	Comp. Education	Transportation	Corrective Speech	Suppl. Instruction	Exam & Classification				
REVENUES:									
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,104	\$ 1,714	\$ 7,818
State sources	52,971	69,166	11,848	17,728	16,356	2,645			170,714
Total Revenues	52,971	69,166	11,848	17,728	16,356	2,645	6,104	1,714	178,532
EXPENDITURES:									
Instruction:									
Purchased professional and technical services	52,971	69,166				2,645			124,782
Other purchased services								1,714	1,714
General supplies							6,104		6,104
Total instruction	52,971	69,166	-	-	-	2,645	6,104	1,714	132,600
Support services:									
Purchased professional and technical services			11,848	17,728	16,356				45,932
Total support services	-	-	11,848	17,728	16,356	-	-	-	45,932
Facilities acquisition and const. serv.:									
Instructional equipment									-
Non-instructional equipment									-
Total facilities acquisition and const. serv.:	-	-	-	-	-	-	-	-	-
Total Expenditures	52,971	69,166	11,848	17,728	16,356	2,645	6,104	1,714	178,532
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2020

	<u>Every Student Succeeds Act (E.S.S.A.)</u>			<u>IDEA</u>		Nonpublic Textbook	Nonpublic Nursing	Nonpublic Technology	Nonpublic Security	Carried Forward (Exh. E-1A)
	<u>Title I Current Yr.</u>	<u>Title II - Part A Current Yr.</u>	<u>Title IV Current Yr.</u>	<u>Basic Current Yr.</u>	<u>Preschool Current Yr.</u>					
REVENUES:										
State sources						\$ 8,376	\$ 9,917	\$ 5,713	\$ 13,424	\$ 37,430
Federal sources	80,798	16,018	12,990	213,433	8,760					331,999
Total Revenues	80,798	16,018	12,990	213,433	8,760	8,376	9,917	5,713	13,424	369,429
EXPENDITURES:										
Instruction:										
Salaries of teachers	58,681	4,800								63,481
Other salaries for instruction					8,760					8,760
Other purchased services				107,815						107,815
General supplies	1,578	1,750	6,496					5,713		15,537
Textbooks						8,376				8,376
Total instruction	60,259	6,550	6,496	107,815	8,760	8,376		5,713	-	203,969
Support services:										
Personal services-employee benefits	20,539									20,539
Purchased prof. and educational services		9,468	4,295							13,763
Purchased professional and technical services				96,241			9,917			106,158
Other purchased services (400-500)			2,199	6,877						9,076
Supplies and materials				2,500						2,500
Total support services	20,539	9,468	6,494	105,618			9,917			152,036
Facilities acquisition and const. serv.:										
Instructional equipment										-
Non-instructional equipment									13,424	13,424
Total facilities acquisition and const. serv.:									13,424	13,424
Total Expenditures	80,798	16,018	12,990	213,433	8,760	8,376	9,917	5,713	13,424	369,429
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Proprietary Funds

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2020

	Food Service	Protect all Latchkey Students (PALS)	Community Education and Recreation	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 40,975	\$ 312,537	\$ 190,804	\$ 544,316
Accounts receivable:				
State	11			11
Federal	2,262			2,262
Inventories	6,609			6,609
Total current assets	49,857	312,537	190,804	553,198
Fixed assets:				
Equipment	80,364			80,364
Less Accumulated depreciation	(67,601)			(67,601)
Total fixed assets	12,763			12,763
Total assets	62,620	312,537	190,804	565,961
LIABILITIES:				
Current liabilities:				
Accounts payable	5,188	-	-	5,188
Interfund payable	19,922	25,000		44,922
Unearned revenue	10,185		1,500	11,685
Total current liabilities	35,295	25,000	1,500	61,795
NET POSITION:				
Net investment in capital assets	12,763			12,763
Unrestricted	14,562	287,537	189,304	491,403
Total net position	\$ 27,325	\$ 287,537	\$ 189,304	\$ 504,166

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Comparative Statement of Revenues, Expenses and Changes in Net Position
for the Fiscal Year ended June 30, 2020

	Food Service	Protect all Latchkey Students (PALS)	Community Education and Recreation	Total
OPERATING REVENUES:				
Local sources:				
Daily sales-reimbursable programs:				
School lunch program	\$ 62,659	\$ -	\$ -	\$ 62,659
Total-daily sales-reimbursable programs	62,659			62,659
Daily sales non-reimbursable programs				
Program Fees	59,749	130,323	99,030	289,102
Total operating revenue	122,408	130,323	99,030	351,761
OPERATING EXPENSES:				
Salaries	65,487	92,350	92,490	250,327
Employee Benefits	11,933			11,933
Supplies and materials	43,938	413	3,411	47,762
Depreciation	1,796			1,796
Purchased services	21,893	5,576	15,963	43,432
Cost of Sales - reimbursable programs	53,184			53,184
Cost of Sales - non-reimbursable programs	28,838			28,838
Miscellaneous	11,108	35,364	27,330	73,802
Direct Expenses	7,106			7,106
Repairs and maintenance	1,268			1,268
Total operating expenses	246,551	133,703	139,194	519,448
Operating income (loss)	(124,143)	(3,380)	(40,164)	(167,687)
Non-operating revenues:				
State sources:				
State school lunch program	1,906			1,906
Federal sources:				
National school lunch program	42,724			42,724
National school breakfast program	2,903			2,903
U.S.D.A. commodities	20,939			20,939
Total non-operating revenues	68,472			68,472
Net income (loss)	(55,671)	(3,380)	(40,164)	(99,215)
Net position - July 1	82,996	290,917	229,468	603,381
Net position - June 30	\$ 27,325	\$ 287,537	\$ 189,304	\$ 504,166

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2020

	Food Service	Protect All Latchkey Students (PALS)	Community Education and Recreation	Total
Cash flows from operating activities:				
Cash receipts from customers	\$ 126,622	\$ 130,323	\$ 102,565	\$ 359,510
Cash payments to employees for services	(74,636)	(92,350)	(92,491)	(259,477)
Cash payments to suppliers for goods and services	(174,910)	(41,621)	(56,838)	(273,369)
Net cash used by operating activities	(122,924)	(3,648)	(46,764)	(173,336)
Cash flows from noncapital financing activities:				
Cash received from state and federal reimbursements	57,725			57,725
Net cash provided by noncapital financing activities	57,725			57,725
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	(65,199)	(3,648)	(46,764)	(115,611)
Cash and cash equivalents, July 1	106,174	316,185	237,568	659,927
Cash and cash equivalents, June 30	\$ 40,975	\$ 312,537	\$ 190,804	\$ 544,316
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (124,143)	\$ (3,380)	\$ (40,164)	\$ (167,687)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	1,796			1,796
Federal commodities	20,939			20,939
Change in assets and liabilities:				
(Increase)/decrease in inventory	(2,017)			(2,017)
Increase/(decrease) in unearned revenue	4,214		(6,600)	(2,386)
Increase/(decrease) in interfunds payable	(28,900)			(28,900)
Increase/(decrease) in accounts payable	5,187	(268)		4,919
Net cash used by operating activities	\$ (122,924)	\$ (3,648)	\$ (46,764)	\$ (173,336)

Fiduciary Funds

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2020

	Agency Funds		Employee Benefits Trust Funds		Total
	Student Activity	Payroll	Flexible Spending Account	Unemployment Compensation Insurance Fund	
ASSETS:					
Cash and cash equivalents	\$ 22,745	\$ 63,557	\$ 6,527	\$ 4,693	\$ 97,522
Accounts receivable - other	-	-	-	-	-
TOTAL ASSETS	<u>22,745</u>	<u>63,557</u>	<u>6,527</u>	<u>4,693</u>	<u>97,522</u>
LIABILITIES:					
LIABILITIES:					
Interfund payable	-	-	4,500	-	4,500
Payroll deductions and withholdings	-	63,557	-	-	63,557
Due to student groups	22,745	-	-	-	22,745
Total liabilities	<u>22,745</u>	<u>63,557</u>	<u>4,500</u>	<u>-</u>	<u>90,802</u>
NET POSITION:					
Reserve for Flexible Spending Acct.	-	-	2,027	-	2,027
Reserved for unemployment claims	-	-	-	4,693	4,693
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,027</u>	<u>\$ 4,693</u>	<u>\$ 6,720</u>

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
for the Fiscal Year Ended June 30, 2020

	Employee Benefits Trust Funds		Total
	Flexible Benefits Program	Unemployment Compensation Fund	
REVENUES:			
Local sources:			
Employee Contributions	\$ 11,310	\$ -	\$ 11,310
Interest on Investments	-	-	-
Total Revenues	11,310	-	11,310
EXPENDITURES:			
Current Expense:			
Undistributed Expenditures:			
Transfer to General Fund	1,435	-	1,435
Payment of Flexible Benefits	7,848	-	7,848
Unemployment claims	-	-	-
Total Expenditures	9,283	-	9,283
Excess (deficiency) of revenues over (under) expenditures)	2,027	-	2,027
Net Position - July 1	-	4,693	4,693
Net Position - June 30	<u>\$ 2,027</u>	<u>\$ 4,693</u>	<u>\$ 6,720</u>

BERLIN BOROUGH SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year Ended June 30, 2020

	<u>Balance July 1, 2019</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable June 30, 2020</u>	<u>Balance June 30, 2020</u>
Elementary School	\$ 20,599	\$ 45,897	\$ 43,751	\$ -	\$ 22,745
Total	<u>\$ 20,599</u>	<u>\$ 45,897</u>	<u>\$ 43,751</u>	<u>\$ -</u>	<u>\$ 22,745</u>

BERLIN BOROUGH SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year Ended June 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
ASSETS:				
Cash and cash equivalents	\$ 92,808	\$ 9,230,052	\$ 9,259,303	\$ 63,557
Total assets	<u>\$ 92,808</u>	<u>\$ 9,230,052</u>	<u>\$ 9,259,303</u>	<u>\$ 63,557</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 92,808	\$ 4,607,580	\$ 4,636,831	\$ 63,557
Net payroll	<u>-</u>	<u>4,622,472</u>	<u>4,622,472</u>	<u>-</u>
Total liabilities	<u>\$ 92,808</u>	<u>\$ 9,230,052</u>	<u>\$ 9,259,303</u>	<u>\$ 63,557</u>

Long-Term Debt Schedules

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Serial Bonds
June 30, 2020

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
			Date	Amount					
School Refunding Bonds	9/1/11	\$ 3,660,000	03/01/21	\$ 485,000	5.000%	\$ 1,950,000	\$ -	\$ 475,000	\$ 1,475,000
			03/01/22	495,000	5.000%				
			03/01/23	495,000	5.000%				
Total						<u>\$ 1,950,000</u>	<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$ 1,475,000</u>

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Obligations Under Capital Leases
June 30, 2020

Purpose	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2019	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2020
Computer Equipment	1.99%	\$ 42,795	\$ 14,263	\$ -	\$ 14,263	\$ -
Computer Equipment	5.28%	85,670	55,629	-	27,098	28,531
			<u>\$ 69,892</u>	<u>\$ -</u>	<u>\$ 41,361</u>	<u>\$ 28,531</u>

BERLIN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2020

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 572,500	\$ -	\$ 572,500	\$ 572,500	\$ -
Total revenues - local sources	<u>572,500</u>		<u>572,500</u>	<u>572,500</u>	<u>-</u>
Total Revenues	<u>572,500</u>		<u>572,500</u>	<u>572,500</u>	
EXPENDITURES:					
Regular debt service:					
Redemption of principal	475,000		475,000	475,000	-
Interest on bonds	97,500		97,500	97,500	-
Total Expenditures	<u>572,500</u>		<u>572,500</u>	<u>572,500</u>	
Excess (Deficiency) of revenues over (under) expenditures					
Other Financing Sources:					
Operating Transfer In - Capital Projects					-
Total Other Financing Sources					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):					
Fund Balances, July 1					
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statistical Section

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

Exhibit J-1

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities:										
Net investment in capital assets	\$ (862,909)	\$ (793,335)	\$ (832,748)	\$ (1,177,849)	\$ (868,697)	\$ (789,369)	\$ (676,120)	\$ (497,008)	\$ (530,608)	\$ (88,260)
Restricted for:	-	-	-	-	-	-	-	-	-	-
Capital projects	406,000	596,637	526,637	264,637	278,637	537,626	745,626	802,057	903,060	1,075,938
Special revenue	-	-	-	-	-	-	-	-	-	-
Debt service	356,148	466,671	469,995	446,561	444,534	439,958	440,288	1,904	-	-
Other purposes	206,532	508,977	571,684	501,607	391,323	348,991	473,237	546,376	600,157	679,237
Unrestricted	(449,121)	(635,002)	(622,403)	(632,534)	(2,786,706)	(2,814,398)	(3,130,141)	(3,106,556)	(3,248,186)	(3,211,694)
Total governmental activities net position	<u>\$ (343,350)</u>	<u>\$ 143,948</u>	<u>\$ 113,165</u>	<u>\$ (597,578)</u>	<u>\$ (2,540,909)</u>	<u>\$ (2,277,192)</u>	<u>\$ (2,147,110)</u>	<u>\$ (2,253,227)</u>	<u>\$ (2,275,577)</u>	<u>\$ (1,544,779)</u>
Business-type activities:										
Net investment in capital assets	\$ 32,041	\$ 29,773	\$ 23,992	\$ 18,983	\$ 21,350	\$ 16,758	\$ 11,151	\$ 7,429	\$ 14,559	\$ 12,763
Unrestricted	167,256	167,205	198,943	205,273	284,006	360,014	425,947	515,313	588,822	491,403
Total business-type activities net position	<u>\$ 199,297</u>	<u>\$ 196,978</u>	<u>\$ 222,935</u>	<u>\$ 224,256</u>	<u>\$ 305,356</u>	<u>\$ 376,772</u>	<u>\$ 437,098</u>	<u>\$ 522,742</u>	<u>\$ 603,381</u>	<u>\$ 504,166</u>
District-wide:										
Net investment in capital assets	\$ (830,868)	\$ (763,562)	\$ (808,756)	\$ (1,158,866)	\$ (847,347)	\$ (772,611)	\$ (664,969)	\$ (489,579)	\$ (516,049)	\$ (75,497)
Restricted:										
Capital projects	406,000	596,637	526,637	264,637	278,637	537,626	745,626	802,057	903,060	1,075,938
Special revenue	-	-	-	-	-	-	-	-	-	-
Debt service	356,148	466,671	469,995	446,561	444,534	439,958	440,288	1,904	-	-
Other purposes	206,532	508,977	571,684	501,607	391,323	348,991	473,237	546,376	600,157	679,237
Unrestricted	(281,865)	(467,797)	(423,460)	(427,261)	(2,502,700)	(2,454,384)	(2,704,194)	(2,591,243)	(2,659,364)	(2,720,291)
Total district net position	<u>\$ (144,053)</u>	<u>\$ 340,926</u>	<u>\$ 336,100</u>	<u>\$ (373,322)</u>	<u>\$ (2,235,553)</u>	<u>\$ (1,900,420)</u>	<u>\$ (1,710,012)</u>	<u>\$ (1,730,485)</u>	<u>\$ (1,672,196)</u>	<u>\$ (1,040,613)</u>

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 3,377,214	\$ 3,487,154	\$ 3,500,106	\$ 3,549,507	\$ 3,875,837	\$ 3,862,378	\$ 3,899,824	\$ 3,926,329	\$ 4,126,216	\$ 3,959,299
Special education	1,437,144	1,496,000	1,568,940	1,543,466	1,341,585	1,319,458	1,440,240	1,471,887	1,382,431	1,575,854
Other instruction	140,315	148,704	174,973	185,917	158,996	144,225	158,676	168,315	225,487	318,169
Support Services:										
Tuition	229,109	137,383	104,984	114,569	103,224	-	5,404	214,414	294,139	262,677
Student & instruction related services	687,036	828,595	923,850	1,180,791	1,165,228	1,293,235	1,339,796	1,418,627	1,538,073	1,639,730
School administrative services	365,283	370,855	382,264	394,340	398,476	347,100	325,210	351,533	347,415	215,852
General and business administrative services	497,590	535,947	631,708	565,355	658,730	577,735	645,357	625,831	665,156	601,908
Plant operations and maintenance	1,378,566	1,359,315	1,400,417	2,145,263	1,062,805	1,244,194	1,209,023	1,058,540	1,287,112	911,162
Pupil transportation	287,509	261,511	281,930	308,691	328,177	357,586	324,335	350,106	479,394	565,661
Unallocated employee benefits	2,334,798	2,435,053	2,771,379	2,801,185	3,174,865	3,467,551	3,799,889	8,221,117	7,056,137	6,217,821
Charter School			7,678	-	-	-	-	-	-	-
Interest on long-term debt	301,275	355,765	234,381	212,732	192,129	169,488	154,323	116,162	105,583	81,500
Unallocated depreciation	49,743	105,208	70,455	75,494	59,628	49,009	46,234	19,743	18,473	14,116
Total governmental activities expenses	11,085,582	11,521,490	12,053,065	13,077,310	12,519,680	12,831,959	13,348,311	17,942,604	17,525,616	16,363,749
Business-type activities:										
Community Education	236,083	251,330	266,191	255,403	239,573	291,062	147,875	109,831	146,638	139,194
Latchkey							114,234	126,034	111,372	133,703
Food service	260,347	278,940	284,424	285,609	258,512	245,606	308,482	281,097	240,202	246,551
Shared Services	148,214	145,725	124,204	126,991	109,833	93,431	59,246	15,000		
Total business-type activities expense	644,644	675,995	674,819	668,003	607,918	630,099	629,837	531,962	498,212	519,448
Total district expenses	\$ 11,730,226	\$ 12,197,485	\$ 12,727,884	\$ 13,745,313	\$ 13,127,598	\$ 13,462,058	\$ 13,978,148	\$ 18,474,566	\$ 18,023,828	\$ 16,883,197
Program Revenues:										
Governmental activities:										
Operating grants and contributions										
	\$ 1,319,567	\$ 1,629,606	\$ 1,614,390	\$ 1,598,477	\$ 1,783,508	\$ 1,953,661	\$ 2,079,522	\$ 6,677,339	\$ 5,474,950	\$ 4,882,557
Total governmental activities program revenues	1,319,567	1,629,606	1,614,390	1,598,477	1,783,508	1,953,661	2,079,522	6,677,339	5,474,950	4,882,557

(Continued)

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business-type activities:										
Charges for services:										
Community education	\$ 235,668	\$ 251,773	\$ 297,708	\$ 275,715	\$ 288,864	\$ 345,380	\$ 212,009	\$ 168,351	\$ 161,190	\$ 99,030
Latchkey							151,409	181,753	171,002	130,323
Food service	178,237	174,772	168,366	161,546	174,818	163,191	169,223	157,592	159,067	122,408
Shared Services	148,214	145,725	124,204	126,991	109,833	93,431	59,246	15,000		
Operating grants and contributions	77,899	101,277	110,374	104,941	115,503	99,513	98,276	94,910	87,592	68,472
Capital grants and contributions										
Total business-type activities program revenues	<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>	<u>617,606</u>	<u>578,851</u>	<u>420,233</u>
Total district program revenues	<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>	<u>\$ 7,294,945</u>	<u>\$ 6,053,801</u>	<u>\$ 5,302,790</u>
Net (Expense)/Revenue:										
Governmental activities	\$ (9,766,015)	\$ (9,891,884)	\$ (10,438,675)	\$ (11,478,833)	\$ (10,736,172)	\$ (10,878,298)	\$ (11,268,789)	\$ (11,265,265)	\$ (12,050,666)	\$ (11,481,192)
Business-type activities	(4,626)	(2,448)	25,833	1,190	81,100	71,416	60,326	85,644	80,639	(99,215)
Total district-wide net expense	<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>	<u>\$ (11,179,621)</u>	<u>\$ (11,970,027)</u>	<u>\$ (11,580,407)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 6,163,141	\$ 6,212,099	\$ 6,336,341	\$ 6,463,068	\$ 6,608,384	\$ 6,801,973	\$ 6,938,012	\$ 7,133,340	\$ 7,334,466	\$ 7,491,155
Taxes levied for debt service	629,870	620,899	615,088	589,954	618,685	615,236	623,117	196,687	592,721	572,500
Unrestricted grants and contributions	3,218,500	3,482,000	3,544,238	3,642,543	3,664,322	3,663,142	3,699,940	3,729,064	3,922,371	4,029,199
Tuition	46,328	13,951	509	16,988	-	-	-	97,873	33,289	
Investment earnings	7,843	1,551	5,181	1,233	1,574	602				
Miscellaneous income	35,929	48,682	14,335	54,304	30,373	61,062	137,802	100,057	80,885	85,847
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<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>	<u>11,159,148</u>	<u>12,028,316</u>	<u>12,211,990</u>
Business-type activities:										
Investment earnings	197	129	124	131	-	-	-	-	-	-
Miscellaneous income										
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>197</u>	<u>129</u>	<u>124</u>	<u>131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<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>	<u>\$ 11,159,148</u>	<u>\$ 12,028,316</u>	<u>\$ 12,211,990</u>
Change in Net Position:										
Governmental activities	\$ 335,596	\$ 487,298	\$ 77,017	\$ (710,743)	\$ 187,166	\$ 263,717	\$ 130,082	\$ (106,117)	\$ (22,350)	\$ 730,798
Business-type activities	(4,429)	(2,319)	25,957	1,321	81,100	71,416	60,326	85,644	80,639	(99,215)
Total district-wide	<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>	<u>\$ (20,473)</u>	<u>\$ 58,289</u>	<u>\$ 631,583</u>

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Reserved	\$ 612,532	\$ 1,008,977	\$ 1,001,684	\$ 669,607	\$ 573,323	\$ 788,588	\$ 1,122,226	\$ 1,348,433	\$ 1,503,217	\$ 1,755,175
Unassigned	(40,764)	(50,213)	(84,359)	(105,104)	(107,080)	(109,938)	(115,234)	(84,642)	(115,901)	(107,475)
Total general fund	<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>	<u>\$ 1,263,791</u>	<u>\$ 1,387,316</u>	<u>\$ 1,647,700</u>
All Other Governmental Funds										
Reserved:										
Debt service reserve	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects fund		96,637	96,637	96,637	96,637	96,637	96,637	-	-	-
Debt service fund	277	25,011	3,601	1,577	1,574	438,384	1,904	-	-	-
Designated for subsequent year's expenditures	10,542	277	25,011	3,601	1,577	2,966	438,384	1,904	-	-
Total all other governmental funds	<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>	<u>\$ 1,904</u>	<u>\$ -</u>	<u>\$ -</u>

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

Exhibit J-4

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Tax levy	\$ 6,793,011	\$ 6,832,998	\$ 6,951,429	\$ 7,053,022	\$ 7,227,069	\$ 7,417,209	\$ 7,561,129	\$ 7,330,027	\$ 7,927,187	\$ 8,063,655
Tuition charges	46,328	13,951	509	16,988	15,957	20,920	85,483	42,802	20,416	33,289
Interest earnings	7,843	1,551	5,181	1,233	1,574	-	-	-	-	-
Miscellaneous	38,619	51,392	14,335	54,304	14,416	40,744	52,319	63,980	167,423	93,665
State sources	4,237,017	4,703,581	4,860,532	4,953,235	5,151,260	5,287,869	5,467,982	5,754,386	6,069,290	6,202,538
Federal sources	298,360	405,335	298,096	287,785	296,570	328,934	311,480	308,481	289,985	331,999
Total revenue	11,421,178	12,008,808	12,130,082	12,366,567	12,706,846	13,095,676	13,478,393	13,499,676	14,474,301	14,725,146
Expenditures										
Instruction										
Regular Instruction	3,448,744	3,519,482	3,491,023	3,541,757	3,828,934	3,865,073	3,887,806	3,980,273	3,994,455	3,922,002
Special education instruction	1,437,144	1,496,000	1,568,940	1,543,466	1,341,585	1,319,458	1,440,240	1,471,887	1,382,431	1,575,854
Other special instruction	140,315	148,704	174,973	185,917	158,996	144,225	158,676	168,315	225,487	318,169
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	229,109	137,383	104,984	114,569	103,224	236,122	5,404	214,414	294,139	262,677
Student & instruction related services	687,036	828,595	923,850	1,180,791	1,165,228	1,293,235	1,339,796	1,418,627	1,538,073	1,639,730
School administrative services	365,283	370,855	382,264	394,340	398,476	347,100	325,210	351,533	347,415	215,852
General and business admin. services	494,625	507,066	603,606	537,379	629,870	311,180	634,991	615,465	655,480	593,787
Plant operations and maintenance	619,189	554,592	591,145	674,380	638,523	660,386	642,820	574,589	726,952	830,429
Pupil transportation	287,509	261,511	281,930	308,691	328,177	357,586	324,335	350,106	479,394	565,661
Employee benefits	2,334,798	2,435,053	2,771,379	2,801,185	3,183,013	3,421,927	3,491,352	3,797,097	4,035,982	3,880,587
Capital outlay	104,783	715,285	504,038	698,285	260,179	161,550	125,001	95,065	163,917	87,514
Charter School	-	-	7,678	-	-	-	-	-	-	-
Debt service:										
Principal	470,000	490,000	520,000	540,000	570,000	590,000	620,000	650,000	485,000	475,000
Interest and other charges	307,832	355,765	242,387	222,063	200,928	178,611	155,482	133,322	109,625	97,500
Total expenditures	10,926,367	11,820,291	12,168,197	12,742,823	12,807,133	12,886,453	13,151,113	13,820,693	14,438,350	14,464,762
Excess (Deficiency) of revenues										
over (under) expenditures	494,811	188,517	(38,115)	(376,256)	(100,287)	209,223	327,280	(321,017)	35,951	260,384
Other Financing sources (uses)										
Proceeds from borrowing	-	4,266,960	-	-	-	-	-	-	-	-
Payment to refunding escrow agent	-	(3,957,375)	-	-	-	-	-	-	-	-
Proceeds of Capital Lease	-	-	-	-	-	-	-	42,795	85,670	-
Transfers in	5,637	310,588	3,601	1,577	1,574	441,383	3,477	68,068	-	-
Transfers out	(5,637)	(310,588)	(3,601)	(1,577)	(1,574)	(441,383)	(3,477)	(68,068)	-	-
Total other financing sources (uses)	-	309,585	-	-	-	-	-	42,795	85,670	-
Net change in fund balances	\$ 494,811	\$ 498,102	\$ (38,115)	\$ (376,256)	\$ (100,287)	\$ 209,223	\$ 327,280	\$ (278,222)	\$ 121,621	\$ 260,384
Debt service as a percentage of										
noncapital expenditures	7.19%	7.62%	6.54%	6.33%	6.14%	6.04%	5.95%	5.71%	4.17%	3.98%

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>
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
2018		42,802	25,000	479	7,980	23,796	100,057
2019	4,941	97,873	48,000	17,810	10,052	82	178,758
2020	9,044	33,289	48,000	20,961	3,740	4,102	119,136
	<u>\$ 20,555</u>	<u>\$ 374,100</u>	<u>\$ 202,000</u>	<u>\$ 162,960</u>	<u>\$ 28,681</u>	<u>\$ 54,623</u>	<u>\$ 842,919</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
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
2018	15,017,900	593,752,600	-	60,900	106,502,800	10,346,500	8,676,900	734,357,600	5,033,568	739,391,168	90,148,750	1.069	732,050,024
2019	15,201,500	592,957,300	219,800	37,500	105,923,900	10,346,500	8,676,900	733,363,400	5,110,900	738,474,300	90,584,850	1.088	749,078,744
2020	16,045,900	592,271,100	219,800	32,500	106,358,700	10,346,500	8,676,900	733,951,400	4,585,394	738,536,794	91,299,850	1.110	734,996,334

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	
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
2018	0.989	0.080	1.069	0.784	0.567	0.836	3.256
2019	1.011	0.077	1.088	0.809	0.593	0.827	3.317
2020	1.034	0.076	1.110	0.826	0.560	0.794	3.290

Source: Municipal Tax Collector

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

- a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.
- b** Rates for debt service are based on each year's requirements.

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

Exhibit J-8

Taxpayer	2020		Taxpayer	2011	
	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%	Berlin Realty Company	\$ 9,339,600	1.20%
Berlin Residences, LLC	5,570,000	0.75%	Berlin Residences, LLC	6,285,000	0.81%
WAWA	5,550,000	0.75%	Berlin Equities, LLC	6,176,200	0.80%
10 Ben Holdings Corp % Sterling	5,100,000	0.69%	AC I Berlin, LLC	5,468,700	0.70%
Evinos Corporation, Inc.	4,752,300	0.64%	Evinos Corporation, Inc.	4,555,600	0.59%
Sinelinik, Alexander et als	4,648,800	0.63%	Osborne Assoc % Rite Aid Corp	3,500,000	0.45%
Hassbro, LLC	3,200,000	0.43%	Hassbro, LLC	3,500,000	0.45%
Berlin Center, LLC	3,200,000	0.43%	Berlin Center LLC	3,200,000	0.41%
Berlin Equities, LLC	2,838,100	0.38%	Sinelnik, Gregory	3,183,800	0.41%
Osborne Assoc % Rite Aid Corp	2,800,000	0.38%	Forte & Companies, INC	2,835,900	0.37%
Total	\$ 44,389,600	6.01%		\$ 48,044,800	6.19%

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	
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%	
2018	7,330,027	7,330,027	100.00%	
2019	7,927,187	7,927,187	100.00%	
2020	8,063,655	8,063,655	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		Total District	Percentage of Personal Income ^a	Per Capita ^b
	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2011	\$ 3,961,000	\$ -	\$2,285,000	\$ -	\$ -	\$ 6,246,000	1.87%	\$ 817	
2012	3,660,000		2,409,387			6,069,387	1.78%	795	
2013	3,475,000		2,016,460			5,491,460	1.60%	723	
2014	3,285,000		1,603,344			4,888,344	1.38%	646	
2015	3,085,000		1,221,995			4,306,995	1.17%	570	
2016	2,880,000		1,030,527			3,910,527	1.03%	517	
2017	2,665,000		512,313			3,177,313	0.81%	421	
2018	2,435,000		28,248			2,463,248	0.60%	326	
2019	1,950,000		69,892			2,019,892	c	268	
2020	1,475,000		28,531			1,503,531	c	c	

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

a Based on Per Capita Income for Camden County

b Based on School District Population as of July 1.

c Not available

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2011	\$ 3,961,000	\$ -	\$ 3,961,000	0.51%	\$ 518
2012	3,660,000		3,660,000	0.47%	479
2013	3,475,000		3,475,000	0.46%	457
2014	3,285,000		3,285,000	0.44%	434
2015	3,085,000		3,085,000	0.41%	408
2016	2,880,000		2,880,000	0.39%	381
2017	2,665,000		2,665,000	0.36%	353
2018	2,435,000		2,435,000	0.33%	323
2019	1,950,000		1,950,000	0.26%	259
2020	1,475,000		1,475,000	0.20%	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, 2019**

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	\$ 11,765,795	100.000%	\$ 11,765,795
Eastern Regional High School District			
Camden County General Obligation Debt	402,702,498	1.925%	7,752,023
			<hr/>
Subtotal, overlapping debt			19,517,818
Berlin Borough School District Direct Debt			<hr/> 1,950,000
Total direct and overlapping debt			<hr/> \$ 21,467,818 <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 2020

	Equalized valuation basis	
	2017	\$ 727,319,750
	2018	743,126,493
	2019	727,976,375
	[A]	<u>\$ 2,198,422,618</u>
Average equalized valuation of taxable property	[A/3]	\$ 732,807,539
Debt limit (3% of average equalized valuation)	[B]	21,984,226 ^a
Net bonded school debt	[C]	1,475,000
Legal debt margin	[B-C]	<u>\$ 20,509,226</u>

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 24,247,067	\$ 23,842,582	\$ 23,363,381	\$ 22,936,625	\$ 22,315,523	\$ 21,952,163	\$ 21,897,806	\$ 21,836,284	\$ 22,016,308	\$ 21,984,226
Total net debt applicable to limit	<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>	<u>2,435,000</u>	<u>1,950,000</u>	<u>1,475,000</u>
Legal debt margin	<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>	<u>\$ 19,401,284</u>	<u>\$ 20,066,308</u>	<u>\$ 20,509,226</u>
Total net debt applicable to the limit as a percentage of debt limit	16.34%	15.35%	14.87%	14.32%	13.82%	13.12%	14.09%	11.15%	8.86%	6.71%

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

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2011	7,641	\$ 334,637,595	\$ 43,795	8.6%
2012	7,638	340,593,696	44,592	8.7%
2013	7,599	343,748,364	45,236	6.2%
2014	7,572	355,164,660	46,905	7.0%
2015	7,553	369,273,723	48,891	5.2%
2016	7,559	379,189,676	50,164	5.0%
2017	7,548	391,378,896	51,852	4.8%
2018	7,546	408,261,238	54,103	4.3%
2019	7,536	e	e	3.4%
2020	e	e	e	e

Source:

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

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

Exhibit J-16

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Instruction										
Regular	52	52	47.5	54	53	55	55	55	55	55
Special education	16	16	16	17	35	17	18	18	18	19
Other special education	16	16	16	15	9	15	20	20	20	24
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Student & instruction related services	9	9	14	8	2	12	10	10	10	6
School administrative services	7	6	9	12	9	9	11	11	11	7
General and business administrative services	4	4	4.5	4	4	5	4	4	4	7
Plant operations and maintenance	8	9	13	8	12	10	6	6	6	6
Pupil transportation										
Special Schools										
Food Service										
Child Care										
Total	<u>112</u>	<u>112</u>	<u>120</u>	<u>118</u>	<u>124</u>	<u>123</u>	<u>124</u>	<u>124</u>	<u>124</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					
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%
2018	827	12,942,306	15,650	5.39%	73	1:13		823.1	787.6	-0.64%	95.69%
2019	819	13,679,808	16,703	5.72%	73	1:13		824.5	790.2	0.17%	95.84%
2020	812	13,804,748	17,001	0.17%	73	1:13		814.4	789.6	-1.23%	96.95%

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
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	841	862	891	868	862	853	828	823	824	814

Number of Schools at June 30, 2020
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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
* School Facilities											
Berlin Community School	\$ 111,806	\$ 116,437	\$ 129,736	\$ 154,794	\$ 149,682	\$ 150,294	\$ 192,108	\$ 181,147	\$ 236,540	\$ 337,860	\$1,760,404
Project # (s)											
Total School Facilities	<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>\$ 181,147</u>	<u>\$ 236,540</u>	<u>\$ 337,860</u>	<u>\$1,760,404</u>

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

Source: District records

**Berlin Borough School District
Insurance Schedule
June 30, 2020**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy (1)		
Property and Auto Physical Damage	\$ 50,000,000	\$ -
General and Auto liability	5,000,000	
Comprehensive crime coverage		
Employee Dishonesty	100,000/500,000	
Computer Fraud	50,000	
Forgery or Alteration	50,000	
Boiler and machinery	100,000,000	
Excess Liability	5,000,000	
Environmental Impairment Liability	1,000,000/25,000,000	
Workers Compensation (2)		
Bodily Injury by Accident	3,000,000	
Bodily Injury by Disease	3,000,000	
Errors and Omissions Liability (2)	5,000,000	5,000
Student Accident (3)		
School Time Compulsory Student Accident Coverage		
Maximum Benefit	1,000,000	
Surety Bonds (2)		
Board Secretary	210,000	1,000

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

Source: District records

Single Audit Section

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Certified Public Accountants

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 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 statement 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 fiscal year ended June 30, 2020, 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 December 30, 2020.

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) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 financial statements. 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 is required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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
December 30, 2020

INVERSO & STEWART, LLC
Certified Public Accountants

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**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, 2020. 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, 2020.

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
December 30, 2020

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2020

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, 2019			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	June 30, 2020		
						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>Every Student Succeeds Act (E.S.S.A.)</u>															
Title I	84.010A	S010A190030	ESSA-0330-20	\$ 80,798	7/1/19- 9/30/20	\$ -	\$ -	\$ -	\$ -	\$ 80,798	\$ (80,798)	\$ -	\$ -	\$ -	\$ -
Title I	84.010A	S010A180030	ESSA-0330-19	85,920	7/1/18- 6/30/19	(2,683)				2,683			-	-	-
Title IIA	84.367A	S367A190029	ESSA-0330-20	17,549	7/1/19- 9/30/20					15,597	(16,018)		(421)		
Title IIA	84.367A	S367A180029	ESSA-0330-19	14,040	7/1/18- 6/30/19	(690)				690			-	-	-
Title IV	84.424A	S424A190031	ESSA-0330-20	12,997	7/1/19- 9/30/20					11,578	(12,990)		(1,412)		
Title IV	84.424A	S424A180031	ESSA-0330-19	8,213	7/1/18- 6/30/19	(1,210)						1,210	-	-	-
<u>Individuals With Disabilities Act (I.D.E.A.)</u>															
Part B - Basic - Current Year	84.027A	H027A190100	IDEA-0330-20	232,257	7/1/19- 9/30/20					205,247	(213,433)		(8,186)		
Part B - Basic - Current Year	84.027A	H027A180100	IDEA-0330-19	173,055	7/1/18- 6/30/19	(17,049)						17,049	-	-	-
Part B - Preschool - Current Year	84.173A	H173A190114	IDEA-0330-20	8,760	7/1/19- 9/30/20					8,760	(8,760)				
Total Special Revenue Fund						\$ (21,632)	\$ -	\$ -	\$ -	\$ 325,353	\$ (331,999)	\$ 18,259	\$ (10,019)	\$ -	\$ -
U.S. Department of Agriculture															
<u>Enterprise Fund:</u>															
Food Distribution Program	10.565	201NJ304N1099	N/A	20,939	7/1/19- 6/30/20					20,939	(20,939)				
School Breakfast Program	10.553	201NJ304N1099	N/A	2,903	7/1/19- 6/30/20					2,131	(2,903)		(772)		
School Breakfast Program	10.553	191NJ304N1099	N/A	1,618	7/1/18- 6/30/19	(274)				274					
National School Lunch Program	10.555	201NJ304N1099	N/A	42,578	7/1/19- 6/30/20					41,235	(42,724)		(1,489)		
National School Lunch Program	10.555	191NJ304N1099	N/A	64,216	7/1/18- 6/30/19	(11,668)				11,668					
Total Enterprise Fund						(11,942)				76,247	(66,566)		(2,261)		
Total Federal Awards						\$ (33,574)	\$ -	\$ -	\$ -	\$ 401,600	\$ (398,565)	\$ 18,259	\$ (12,280)	\$ -	\$ -

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, 2020

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2019			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2020		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
General Fund:													
Special Education Categorical Aid	20-495-034-5120-089	\$ 521,625	7/1/19 - 6/30/20	\$ -	\$ -	\$ -	\$ -	\$ 470,546	\$ (521,625)	\$ -	\$ (51,079)	\$ -	\$ -
Special Education Categorical Aid	19-495-034-5120-089	521,625	7/1/18 - 6/30/19	(51,170)				51,170					
Equalization Aid	20-495-034-5120-078	3,116,148	7/1/19 - 6/30/20					2,811,005	(3,116,148)		(305,143)		
Equalization Aid	19-495-034-5120-078	3,037,141	7/1/18 - 6/30/19	(297,933)				297,933					
Transportation Aid	20-495-034-5120-014	254,835	7/1/19 - 6/30/20					229,881	(254,835)		(24,954)		
Transportation Aid	19-495-034-5120-014	254,835	7/1/18 - 6/30/19	(24,998)				24,998					
Security Aid	20-495-034-5120-084	98,331	7/1/19 - 6/30/20					88,702	(98,331)		(9,629)		
Security Aid	19-495-034-5120-084	98,331	7/1/18 - 6/30/19	(9,646)				9,646					
Additional Nonpublic Transportation Aid	20-103190	300	7/1/19 - 6/30/20						(300)		(300)		
Additional Nonpublic Transportation Aid	19-103190	3,480	7/1/18 - 6/30/19	(3,480)				3,480					
Extraordinary Aid	20-495-034-5120-044	33,030	7/1/19 - 6/30/20						(33,030)		(33,030)		
Extraordinary Aid	19-495-034-5120-044	14,366	7/1/18 - 6/30/19	(14,366)				14,366					
Homeless Aid	N/A	11,988	7/1/19 - 6/30/20						(11,988)		(11,988)		
Homeless Aid	N/A	11,469	7/1/18 - 6/30/19	(11,469)				11,469			-		
On Behalf TPAF Pension	20-495-034-5094-002	1,147,665	7/1/19 - 6/30/20					1,147,665	(1,147,665)				
On Behalf TPAF - Post Retirement Medical	20-495-034-5094-001	425,763	7/1/19 - 6/30/20					425,763	(425,763)				
On Behalf TPAF - LTDI	20-495-034-5094-004	1,315	7/1/19 - 6/30/20					1,315	(1,315)				
Reimbursed TPAF Social Security Contributions	20-495-034-5094-003	390,452	7/1/18 - 6/30/19					366,169	(390,452)		(24,283)		
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	387,532	7/1/18 - 6/30/19	(18,495)				18,495					
Total General Fund				(431,557)	-	-	-	5,972,603	(6,001,452)	-	(460,406)	-	-
Special Revenue Fund													
N.J. Nonpublic Aid:													
Textbook Aid	20-100-034-5120-064	8,381	7/1/19 - 6/30/20					8,381	(8,376)				5
Nursing Aid	20-100-034-5120-070	15,423	7/1/19 - 6/30/20					15,423	(9,917)				5,506
Nursing Aid	19-100-034-5120-070	17,848	7/1/18 - 6/30/19			97				(97)			
Technology Aid	20-100-034-5120-373	5,724	7/1/19 - 6/30/20					5,724	(5,713)				11
Technology Aid	19-100-034-5120-373	6,624	7/1/18 - 6/30/19			24				(24)			
Security Aid	20-100-034-5120-509	23,850	7/1/19 - 6/30/20					23,850	(13,424)				10,426
Security Aid	19-100-034-5120-509	27,600	7/1/18 - 6/30/19			123				(123)			
Auxiliary Services:													
Compensatory Education	20-100-034-5120-067	66,518	7/1/19 - 6/30/20					59,867	(52,971)		(6,651)		13,547
Compensatory Education	19-100-034-5120-067	71,912	7/1/18 - 6/30/19			10,408				(10,408)			
Transportation	20-100-034-5120-067	70,700	7/1/19 - 6/30/20					61,774	(69,166)		(8,926)		1,534
Transportation	19-100-034-5120-067	13,561	7/1/18 - 6/30/19			7,513				(7,513)			
Home Instruction		7,971	7/1/18 - 6/30/19	(7,971)				7,971					
Handicapped Services:													
Examination & Classification	20-100-034-5120-066	26,950	7/1/19 - 6/30/20					23,636	(16,356)		(3,314)		10,594
Examination & Classification	19-100-034-5120-066	32,394	7/1/18 - 6/30/19			10,007				(10,007)			
Corrective Speech	20-100-034-5120-066	19,595	7/1/19 - 6/30/20					17,186	(11,848)		(2,409)		7,747
Corrective Speech	19-100-034-5120-066	17,856	7/1/18 - 6/30/19			6,339				(6,339)			
Supplemental Instruction	20-100-034-5120-066	28,736	7/1/19 - 6/30/20					25,203	(17,728)		(3,533)		11,008
Supplemental Instruction	19-100-034-5120-066	23,789	7/1/18 - 6/30/19			6,107				(6,107)			
Municipal Alliance Grant	N/A	2,645	7/1/19 - 6/30/20					895	(2,645)		(1,750)		
Total Special Revenue Fund				(7,971)	-	40,618	-	249,910	(208,144)	(40,618)	(26,583)	-	60,378

Continued

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2020

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2019			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2020		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Agriculture													
Enterprise Fund:													
State School Lunch Program	20-100-010-3350-023	1,916	7/1/19 - 6/30/20	\$ -				\$ 1,895	\$ (1,906)		\$ (11)		
State School Lunch Program	19-100-010-3350-023	2,759	7/1/18 - 6/30/19	(522)				522	-		-		
Total Enterprise Fund				<u>(522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,417</u>	<u>(1,906)</u>	<u>-</u>	<u>(11)</u>	<u>-</u>	<u>-</u>
Total State Financial Assistance				<u>\$ (440,050)</u>	<u>\$ -</u>	<u>\$ 40,618</u>	<u>\$ -</u>	<u>\$ 6,224,930</u>	<u>(6,211,502)</u>	<u>\$ (40,618)</u>	<u>\$ (487,000)</u>	<u>\$ -</u>	<u>\$ 60,378</u>
Less: State Financial Assistance Not Subject to New Jersey OMB Circular 15-08:													
On-Behalf TPAF Contribution - Pension (Non-Budgeted)									(1,147,665)				
On-Behalf TPAF Contribution - Post-Retirement Medical (Non-Budgeted)									(425,763)				
On-Behalf TPAF Contribution - LTDI (Non-Budgeted)									(1,315)				
Total State Financial Assistance Subject to New Jersey OMB Circular 15-08									<u>\$ (4,636,759)</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, 2020

I. 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 (\$7,058) 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, 2020
(Continued)**

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (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>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ -	\$ 5,994,394	\$ 5,994,394
Special Revenue	331,999	208,144	540,143
Food Service	<u>66,566</u>	<u>1,906</u>	<u>68,472</u>
Total	<u>\$ 398,565</u>	<u>\$ 6,204,444</u>	<u>\$ 6,603,009</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, 2020. 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, 2020.

6. MAJOR PROGRAMS

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

7. ADJUSTMENTS

Amounts reported in the column entitled "Adjustments" represent the following:

	<u>Federal</u>	<u>State</u>
Cancelation of Receivable	\$ <u>18,259</u>	\$ <u>-</u>

**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020

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>20-495-034-5120-078</u>
<u>20-495-034-5120-089</u>
<u>20-495-034-5120-084</u>
<u> </u>
<u> </u>
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<u>Name of State Program</u>
State Aid Public Cluster: <u>Equalization Aid</u>
<u>Special Education Categorical Aid</u>
<u>Security Aid</u>
<u> </u>
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**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

**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

There were no prior year findings.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

There were no prior year findings.