

**BERLIN CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2018**

BERLIN CENTRAL SCHOOL DISTRICT

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BERLIN CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Berlin Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Berlin Central School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Berlin Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 6 to the financial statements, the District changed its method of accounting for *Postemployment Benefits Other than Pensions* in 2017/2018 as required by the provisions of GASB Statement Number 75. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1-A10, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of District contributions on page C5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berlin Central School District's basic financial statements. The supplemental schedules on pages D1 - D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY
December 14, 2018

BERLIN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2018. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide net position of the District was \$(19,092,626).
- Government-wide net position was \$16,510,413 less than at July 01, 2017.
- The District substantially continued to offer all programs, without reducing services, while maintaining fund balance within state mandated limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: Management's Discussion and Analysis (MD&A) (this section), the basic financial statements, required supplemental information and supplemental schedules. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide* financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the Government-wide statements.
- The *governmental funds statements* tell how basic services, such as special education, were financed in the *short-term*.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by sections of required supplemental information and supplemental schedules that further explains and supports the financial statements with a comparison of the District's budget for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1 shows how the various sections of this annual report are arranged and related to one another.

Figure A-1 Organization of the District's Annual Financial Report

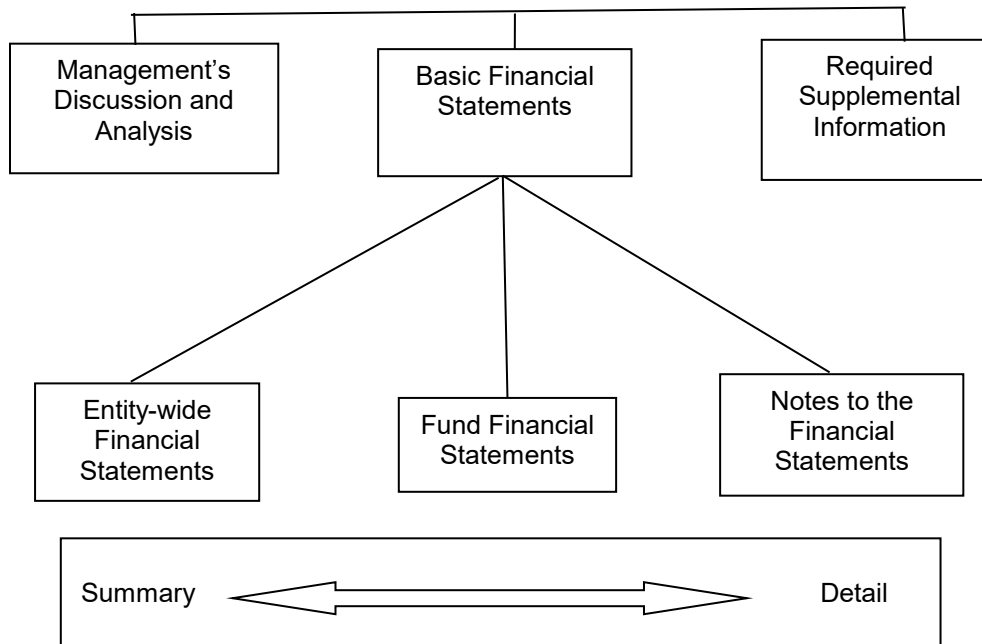


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The daily operating activities of the District, such as instruction and special education.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund equity 	<ul style="list-style-type: none"> • Statement of net position • Statement of changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset & deferred outflow/liability & deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2 Major Features of the Government-wide and Fund Financial Statements (Continued)

Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.
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Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from governmental fund balance because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, (dollars), are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position as follows:
 - Investment in capital assets, net of related debt.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, capital projects fund, and the debt service fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Figure A-3 Condensed Statement of Net position (In Thousands of Dollars)

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Current and other assets	\$ 8,477	\$ 7,113	19.18%
Noncurrent assets	10,426	10,105	3.18%
Total assets	<u>\$ 18,903</u>	<u>\$ 17,218</u>	9.79%
Deferred outflows of resources	<u>5,311</u>	<u>5,330</u>	(.36%)
Current liabilities	\$ 5,963	\$ 6,119	(2.55%)
Long-term liabilities	35,666	18,734	90.38%
Total liabilities	<u>\$ 41,629</u>	<u>\$ 24,853</u>	67.50%
Deferred inflows of resources	<u>1,678</u>	<u>276</u>	(507.97%)
Net position			
Net investment in capital assets	\$ 7,148	\$ 5,311	34.59%
Restricted	5,176	4,284	20.82%
Unrestricted	(31,417)	(12,178)	157.98%
Total net position	<u>\$ (19,093)</u>	<u>\$ (2,583)</u>	639.18%

The decrease in current liabilities is mainly due to the decline in amounts due to pension plans at year end. The increase in long-term liabilities is primarily due to recognition of other postemployment benefits (OPEB) expenses. The increase in deferred inflows is due to pension and OPEB related items.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Changes in Net position

The District's 2018 revenue was \$20,871,944 (See Figure A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 44% and 47%, respectively, of the total revenue raised (see Figure A-5). The remainder of revenue came from fees for services, use of money and property, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$18,294,860 for 2018. These expenses (82%) are predominately for the education, supervision, and transportation of students (see Figure A-6). The District's administrative and business activities accounted for 18% of total costs.

Net position increased during the year by \$(277,084) before implementation of new standards.

Figure A-4 Changes in Net position from Operating Results (In Thousands of Dollars)

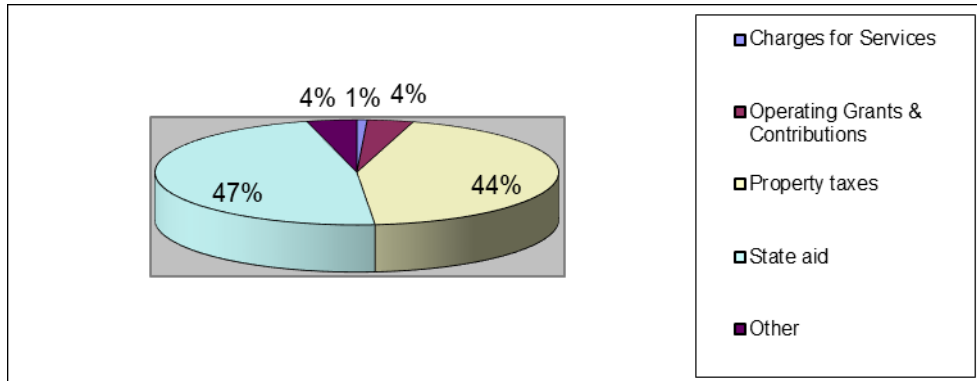
	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Revenue			
Charges for services	\$ 171	\$ 206	(16.99%)
Operating grants	768	772	(.52)%
General revenue			
Property taxes	9,196	9,013	2.03%
State aid	9,904	9,593	3.24%
Medicaid reimbursement	47	56	(16.07%)
Use of money and property	47	44	6.82%
Miscellaneous	735	232	216.81%
Premium on bond anticipation note	0	8	(100.00%)
Total revenue	<u>20,868</u>	<u>19,924</u>	4.74%
Expenses			
General support	3,683	3,089	19.23%
Instruction	14,180	15,138	(6.33%)
Transportation	2,093	2,164	(3.28%)
Debt service - Interest	73	79	(7.59%)
Capital outlay	58	-	100%
Cost of sales - Food	505	560	(9.82%)
Total expenses	<u>20,592</u>	<u>21,030</u>	(2.08%)
Decrease in net position	<u>\$ 276</u>	<u>\$ (1,106)</u>	124.95%

Property tax revenues remain flat due to minimal increase in the tax levy. State aid increased based on the state aid formula. The increase in miscellaneous revenues is the result of a donation during the year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

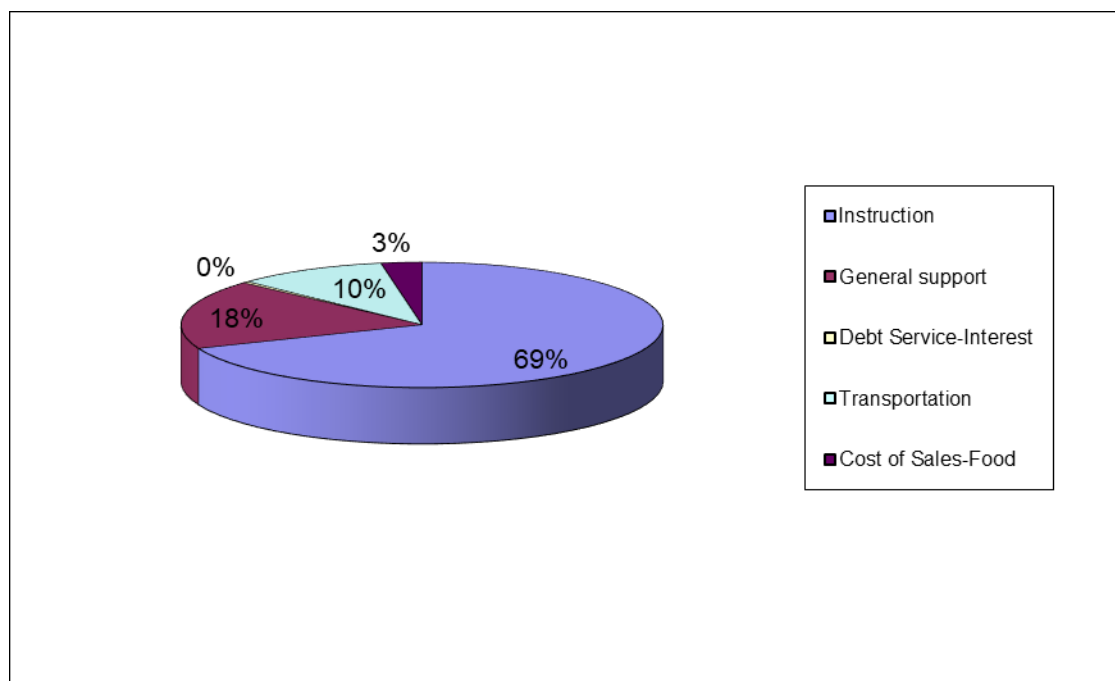
The increase in instruction expenses can be explained by the special needs services and staffing. Debt service cost has increased due to BAN interest rates. School lunch program expenses increased from the prior year due to higher contract cost, along with increased participation by students and faculty.

Figure A-5: Revenue Sources for 2018



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-6: Expense Sources for 2018



Governmental Activities

Revenue for the District's governmental activities totaled \$20,869,822 while total expenses were \$20,592,738. Accordingly, net position increased by \$(277,084). The increase in net position is due to an unexpected donation.

Figure A-7 presents the cost of several of the District's major activities. The figure also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7 Net Cost of Governmental Activities (In Thousands of Dollars)

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
General support	\$ 3,683	\$ 3,683	\$ 3,089	\$ 3,089
Instruction	14,180	13,605	15,138	14,510
Pupil transportation	2,093	2,093	2,164	2,164
Debt service - Interest	73	73	79	78
Capital outlay	58	58	-	-
Cost of sales - Food	<u>505</u>	<u>140</u>	<u>560</u>	<u>209</u>
Decrease in net position	<u>\$ 20,592</u>	<u>\$ 19,652</u>	<u>\$ 21,030</u>	<u>\$ 20,050</u>

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

- The cost of all governmental activities for the year was \$20,592,738.
- The users of the District's programs financed \$171,243 of the costs.
- The federal and state government financed \$768,976 of the costs.
- The majority of costs were financed by the District's taxpayers and unallocated NYS aid.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the Government-wide financial statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

Governmental Funds Highlights

General Fund – New York State aid continues to increase but there is no expectation of continued increases.

Special Aid Fund – Title I and Special education grants funds declined and are expected to continue to decline.

School Lunch Fund – The program resulted in a decrease in fund balance due to increased expenses associated with the implementation of a District imposed fresh fruit and vegetable initiative.

Capital Projects Fund – Current year expenditures were for the purchase of buses and pre-referendum construction costs.

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Revenue Variances

- Local sources were more than budgeted due to a significant donation received during the year.
- Medicaid reimbursements were less than anticipated when budgeting.

Expenditure Variances

- General support expenditures were less than budget due to repair, maintenance and fuel expenses being less than anticipated.
- Transportation expenditures were less than budget due to fuel costs not going as high as anticipated and the restructuring of the bus routes.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

Results vs. Budget (In Thousands of Dollars)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>En- cumbrances</u>	<u>Variance (Actual/ Budget)</u>
Revenue					
Local sources	\$ 9,693	\$ 9,693	\$ 10,038	\$ -	\$ 344
State sources	9,918	9,918	9,904	-	(14)
Federal sources	70	70	48	-	(22)
Transfers in	-	-	-	-	-
Total	<u>19,681</u>	<u>19,681</u>	<u>19,990</u>	<u>-</u>	<u>308</u>
Expenditures					
General support	2,418	2,547	2,430	12	104
Instruction	10,333	10,224	9,315	15	894
Transportation	1,579	1,560	1,420	7	133
Employee benefits	5,408	5,408	4,643	-	766
Debt service	571	570	599	-	(28)
Transfers out	<u>120</u>	<u>2,145</u>	<u>2,136</u>	<u>-</u>	<u>7</u>
Total	<u>20,429</u>	<u>22,454</u>	<u>20,543</u>	<u>34</u>	<u>1,876</u>
Revenue over (under) expenditures	<u>\$ (748)</u>	<u>\$ (2,773)</u>	<u>\$ (553)</u>	<u>\$ (34)</u>	<u>\$ 1,568</u>

The general fund is the only fund for which a budget is legally adopted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2018, the District had \$9,928,879 invested in buildings, computers, and other educational equipment.

Figure A-8 Capital Assets (In Thousands of Dollars), net of accumulated depreciation

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Land	\$ 65	\$ 65
Buildings and improvements	8,672	8,885
Furniture, equipment, and vehicles	<u>1,192</u>	<u>1,155</u>
Total	<u>\$ 9,929</u>	<u>\$ 10,105</u>

Long-Term Debt

As of June 30, 2018, the District had \$35,666,367 in long-term debt. Detailed information about the District's long-term debt is included in the notes to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Figure A-9 Outstanding Long-Term Debt (In Thousands of Dollars)

	Fiscal Year <u>2018</u>	Fiscal Year <u>2017</u>
Other postemployment benefits	\$ 35,297	\$ 14,509
Compensated absences	137	3,107
Net pension liability	<u>232</u>	<u>1,118</u>
Total	<u>\$ 35,666</u>	<u>\$ 18,734</u>

During 2018, the District paid down its debt by retiring \$197,395 of outstanding bus BANs and \$330,000 of the Capital Projects BAN.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The cost of providing special education services is rising at a higher rate than other areas of expenditures.
- While state funding has significantly increased in recent years, so have the number of new mandates on school districts, which has thereby diminished the impact of that increased funding.
- Annual health costs continue to increase.
- Due to economic instabilities, the District continues to budget for regular price increases for fuel and energy.
- The District is aware of possible financial obligations due to pending litigation which could have a material effect on the District's finances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Berlin Central District
17400 NY 22, PO Box 259
Berlin, NY 12202
Office: (518) 658-2684

BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

Current Assets:	
Cash - Unrestricted	\$ 2,123,877
Cash - Restricted	5,137,529
Accounts Receivable	138,513
Due From Fiduciary Funds	60,201
State and Federal Aid Receivable	743,999
Due From Other Governments	267,751
Inventories	5,169
Prepaid Expenditures	104
Long-Term Accounts Receivable	164,961
Capital Assets, net	9,928,879
Net Pension Asset, Proportionate Share	332,659
Total Assets	<u>18,903,642</u>
Deferred Outflows of Resources	
Pensions	5,301,730
Other Post Employment Benefits	9,371
Total Deferred Outflows of Resources	<u>5,311,101</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 24,214,743</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 385,486
Accrued Liabilities	6,188
Due to Other Governments	81,538
Accrued Interest Payable	6,517
Due to Teachers' Retirement System	704,238
Due to Employees' Retirement System	116,380
Refundable Advances	4,313
Bond Anticipation Notes	4,658,648
Compensated Absences	137,221
Other Post Employment Benefits Payable	35,297,486
Net Pension Liability, Proportionate Share	231,660
Total Liabilities	<u>41,629,675</u>
Deferred Inflows of Resources	
Pensions	<u>1,677,694</u>

NET POSITION

Net Investment in Capital Assets	7,148,404
Restricted	5,178,756
Unrestricted	<u>(31,419,786)</u>
Total Net Position	<u>(19,092,626)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 24,214,743</u>

**BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

		<u>Program Revenues</u>		<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
FUNCTIONS/PROGRAMS				
General support	\$ 3,683,163	\$ -	\$ -	\$ (3,683,163)
Instruction	14,180,349	61,244	513,800	(13,605,305)
Pupil transportation	2,093,087	-	-	(2,093,087)
Debt service - interest	72,979	-	-	(72,979)
Capital outlay	58,105	-	-	(58,105)
School lunch program	505,055	109,999	255,176	(139,880)
Total Functions and Programs	\$ <u>20,592,738</u>	\$ <u>171,243</u>	\$ <u>768,976</u>	<u>(19,652,519)</u>
GENERAL REVENUES				
Real property taxes				9,196,213
Investment earnings				6,454
Use of money and property				7,000
Sale of property and compensation for loss				32,365
State sources				9,904,321
Federal sources				47,811
Miscellaneous				735,439
Total General revenues				<u>19,929,603</u>
Change in Net Position				<u>277,084</u>
Total Net Position - Beginning of Year, As Previously Reported				(2,582,213)
Cumulative Change in Accounting Principle				<u>(16,787,497)</u>
Total Net Position - Beginning of Year, as Restated				<u>(19,369,710)</u>
Total Net Position - End of Year				\$ <u>(19,092,626)</u>

See accompanying notes to financial statements.

**BERLIN CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets						
Cash - Unrestricted	\$ 2,092,237	\$ 27,612	\$ 4,028	\$ -	\$ -	\$ 2,123,877
Cash - Restricted	3,251,052	-	-	1,878,173	8,304	5,137,529
State and Federal Receivable, net	274,727	399,555	69,717	-	-	743,999
Due From Other Governments	267,751	-	-	-	-	267,751
Due From Other Funds	495,233	124,074	1,019	430,788	-	1,051,114
Accounts Receivable	41,203	-	-	-	-	41,203
Inventories	-	-	5,169	-	-	5,169
Prepaid Expenditures	104	-	-	-	-	104
Total Assets	\$ 6,422,307	\$ 551,241	\$ 79,933	\$ 2,308,961	\$ 8,304	\$ 9,370,746
Liabilities						
Accounts Payable	\$ 272,766	\$ -	\$ 1,294	\$ 111,426	\$ -	\$ 385,486
Accrued Liabilities	5,887	-	301	-	-	6,188
Due to Other Funds	426,686	543,717	20,510	-	-	990,913
Due to Other Governments	74,014	7,524	-	-	-	81,538
Due to Teachers' Retirement System	704,238	-	-	-	-	704,238
Due to Employees' Retirement System	116,380	-	-	-	-	116,380
Refundable Advances	-	-	4,313	-	-	4,313
Bond Anticipation Notes	-	-	-	4,658,648	-	4,658,648
Total Liabilities	1,599,971	551,241	26,418	4,770,074	-	6,947,704
Fund Equity (Deficiency)						
Fund Equity (Deficiency):						
Non-spendable	104	-	5,169	-	-	5,273
Restricted	3,251,052	-	2,726	1,916,674	8,304	5,178,756
Committed	-	-	-	-	-	-
Assigned	484,037	-	45,620	-	-	529,657
Unassigned	1,087,143	-	-	(4,377,787)	-	(3,290,644)
Total Fund Equity (Deficiency)	4,822,336	-	53,515	(2,461,113)	8,304	2,423,042
Total Liabilities, Deferred Inflows of Resources, and Fund Equity (Deficiency)	\$ 6,422,307	\$ 551,241	\$ 79,933	\$ 2,308,961	\$ 8,304	\$ 9,370,746

Amounts reported for governmental activities in the statement of net position are different due to the following:

Fund equity of the governmental funds	\$ 2,423,042
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	9,928,879
Long-term accounts receivable not available in the current period and, therefore, is not reported in the funds	262,271
Accrued interest expense is reported under the accrual basis	(6,517)
Net Pension Asset	332,659
Net Pension Liability	(231,660)
Net Deferred (inflows)/outflows related to net pension asset/liability adjustments	3,624,036
Deferred outflows of resources - other post-employment benefits	9,371
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(35,434,707)
Net Position of Governmental Activities	\$ (19,092,626)

BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues						
Real Property Taxes and Tax Items	\$ 9,196,213	\$ -	\$ -	\$ -	\$ -	\$ 9,196,213
Charges for Services	61,244	-	-	-	-	61,244
Use of Money and Property	12,890	-	-	564	-	13,454
Sale of property and compensation for loss	32,365	-	-	-	-	32,365
Miscellaneous	735,441	-	315	-	-	735,756
State Sources	9,904,321	118,625	8,395	-	-	10,031,341
Federal Sources	47,811	395,175	246,466	-	-	689,452
Sales	-	-	109,999	-	-	109,999
	<u>19,990,285</u>	<u>513,800</u>	<u>365,175</u>	<u>564</u>	<u>-</u>	<u>20,869,824</u>
Expenditures						
General Support	2,430,990	-	140,799	-	-	2,571,789
Instruction	9,314,740	496,622	-	-	-	9,811,362
Pupil Transportation	1,419,686	28,518	-	-	-	1,448,204
Employee Benefits	4,642,679	-	26,750	-	-	4,669,429
Debt Service	599,293	-	-	-	-	599,293
Cost of Sales	-	-	181,898	-	-	181,898
Capital Outlay	-	-	21,835	289,651	-	311,486
	<u>18,407,388</u>	<u>525,140</u>	<u>371,282</u>	<u>289,651</u>	<u>-</u>	<u>19,593,461</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,582,897</u>	<u>(11,340)</u>	<u>(6,107)</u>	<u>(289,087)</u>	<u>-</u>	<u>1,276,363</u>
Other Sources and (Uses)						
Interfund Transfers, net	(2,136,340)	11,340	-	2,125,000	-	-
BANs redeemed from appropriations	-	-	-	527,395	-	527,395
	<u>(2,136,340)</u>	<u>11,340</u>	<u>-</u>	<u>2,652,395</u>	<u>-</u>	<u>527,395</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>(553,443)</u>	<u>-</u>	<u>(6,107)</u>	<u>2,363,308</u>	<u>-</u>	<u>1,803,758</u>
Fund Equity, Beginning of Year	<u>5,375,779</u>	<u>-</u>	<u>59,622</u>	<u>(4,824,421)</u>	<u>8,304</u>	<u>619,284</u>
Fund Equity, End of Year	<u>\$ 4,822,336</u>	<u>\$ -</u>	<u>\$ 53,515</u>	<u>\$ (2,461,113)</u>	<u>\$ 8,304</u>	<u>\$ 2,423,042</u>

See accompanying notes to financial statements.

B4.

**BERLIN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

Net changes in fund equity - total governmental funds			\$	1,803,758
Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities.				
	Depreciation expense	\$	(447,177)	
	Capital outlays		<u>271,283</u>	(175,894)
Accrued Interest expense does not require the use of current resources and is, therefore, not reported as an expenditure in the governmental funds.				
				(1,081)
Long-Term receivables payment received in the current year recorded as a reduction to expense, in the statement of activities.				
				(117,384)
Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				
	Other Post Employment Benefits	\$	(1,691,585)	
	Compensated Absences		670,045	
	Adjustments for net pension liability - ERS		28,734	
	Adjustments for net pension liability - TRS		<u>(239,509)</u>	<u>(1,232,315)</u>
Change in net position - governmental activities			\$	<u><u>277,084</u></u>

BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS		
Cash - unrestricted	\$ 65,387	\$ -
Cash - restricted	<u>38,335</u>	<u>310,470</u>
Total Assets	\$ <u><u>103,722</u></u>	\$ <u><u>310,470</u></u>
LIABILITIES		
Extraclassroom activity balances	\$ 38,335	\$ -
Due to other funds	60,010	191
Other liabilities	<u>5,377</u>	<u>-</u>
Total Liabilities	\$ <u><u>103,722</u></u>	\$ <u><u>191</u></u>
NET POSITION		
Reserved for scholarships		\$ <u><u>310,279</u></u>

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trusts</u>
ADDITIONS	
Gifts and contributions	\$ -
Investment earnings	<u>315</u>
Total Additions	<u>315</u>
DEDUCTIONS	
Scholarships and awards	<u>3,539</u>
Change in Net Position	(3,224)
Net Position - Beginning of year	<u>313,503</u>
Net Position - End of year	\$ <u><u>310,279</u></u>

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Berlin Central School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A. Reporting Entity

The Berlin Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit. The District is not a component unit of another reporting entity.

The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

The Extraclassroom Activity Fund

The extraclassroom activity fund of the District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity fund can be found at the District's business office, located at 17400 Route 22, Cherry Plain, New York 12040. The District accounts for assets held as an agent for various student organizations in an agency fund.

B. Joint Venture

The Berlin Central School District is a component district of the Rensselaer, Columbia, and Greene Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

BOCES are organized under Section 1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES as a corporation (Section 1950(6)). In addition, BOCES also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in the New York State Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year ended June 30, 2018, the District was billed \$1,681,298 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$487,888. Financial statements for the BOCES are available from the BOCES administrative office.

Also, during the year ended June 30, 2015 the District entered into an agreement with BOCES where BOCES will return amounts to the District as a reduction to the administrative levy totaling \$608,191. The amounts will be credited over a five year period starting in 2015/16. The District was credited \$117,384 in 2017/18. The remaining balance of \$262,271 is recorded as a long-term receivable in the statement of net position.

C. Basis of Presentation

District-wide statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column, if any, reflects capital-specific grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to the particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expensed for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the District are as follows:

The following are the District governmental funds:

1. General Fund

The General Fund is the principal operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditure for specified purposes. Special Revenue Funds include the following funds:

a. Special Aid Fund

Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State grants.

b. School Lunch Fund

The School Lunch Fund is used to account for transactions of breakfast and lunch programs.

3. Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities, or equipment.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

4. Debt Service Fund

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

Other Fund Type:

Fiduciary Funds

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee and agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D. Basis of Accounting/Measurement Focus

General Information

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available when levied.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, post-employment benefits, pensions and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Refundable Advances

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenues are recognized.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education. The levy was adopted by the Board of Education on August 15, 2017, and became a lien on September 1. Taxes are collected during the period September 1 to October 31.

II. Enforcement

Uncollected real property taxes are subsequently enforced by the County Treasurer of Rensselaer in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

G. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

1. The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the program line item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not located in the original budget (when permitted by law). Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the current year:

From appropriated reserves:

Capital reserve	\$ 2,025,000
Total supplemental appropriations	<u>\$ 2,025,000</u>

- e. Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.
- f. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

II. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid

III. Budget Basis of Accounting

Under GASB No. 34, budgetary comparison information is required to be presented for the General Fund and each major Special Revenue Fund with a legally adopted budget. The District is not legally required to adopt a budget for its Special Revenue Funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

I. Cash and Investments

The District investment policies are governed by New York State statutes. District monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and School Districts. Investments, if any, are stated at fair value.

J. Accounts Receivable

Accounts receivable are shown at gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K. Inventories and Prepaid Items

Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value, which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Inventories and Prepaid Items

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

L. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the District-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

M. Short-Term Debt

The District may issue revenue anticipation notes (RANs) or tax anticipation notes (TANs), in anticipation of the receipt of revenue. These notes are recorded as a liability in the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

District-wide statements

In the District-wide statements there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets or deferred outflows are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund statements

In the governmental funds statements there are five classifications of fund equity:

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$5,169 and the prepaid expenditures recorded in the General Fund of \$104.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund equity. The school lunch fund has encumbrances. The District has established the following restricted fund equity:

Reserve for Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve fund may be established by a majority vote of the Board of Education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. This reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

Tax Certiorari Reserve

Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari to be expended from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

Workers' Compensation

According to (GML §6-j), this must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

Retirement Contribution Reserve

The Retirement Contribution Reserve (GML §6-r) is used for the payment of "retirement contributions," which are defined as all or any portion of the amount payable to the New York State and Local Employees' Retirement System. This reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

Capital Reserve

According to Education Law §3651, this must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by voters. The form for the required legal notice for the note on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law.

Debt Service

Used to account for unspent proceeds of debt restricted for debt service.

Capital Projects Fund

Used to account for unspent bond proceeds on a continuing project.

Restricted fund equity includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 2,008,052
Workers' Compensation	100,000
Retirement Contributions	50,000
Unemployment Insurance	60,000
Capital	1,000,000
Tax Certiorari	33,000
Debt Service Fund	8,304
School Lunch Fund-Encumbrances	2,726
Capital Fund	<u>1,916,674</u>
Total Restricted Funds	<u>\$ 5,178,756</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund equity as of June 30, 2018.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund equity represents the residual amount of fund equity. Assigned fund equity also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted as the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$34,037. Appropriated fund equity in the General Fund amounted to \$450,000. The remaining fund equity in the other funds is also reported as assigned.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

Reserve for Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Purpose of Encumbrances

General Fund	
General support	\$ 12,078
Instruction	14,468
Pupil Transportation	<u>7,491</u>
	<u>\$ 34,037</u>
School Lunch Fund	<u>\$ 2,726</u>

Unassigned – Includes all other General Fund net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. In funds other than the General Fund, the unassigned classification is used to report a deficit fund equity resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District exceeded this amount at June 30, 2018 by \$264,346.

Net Position/Fund Equity

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Equity Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund equity the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

Order of Use of Fund Equity:

The District's policy is to apply expenditures against nonspendable fund equity, restricted fund equity, committed fund equity, assigned fund equity and unassigned fund equity at the end of the fiscal year. For all funds, nonspendable fund equity is determined first and then restricted fund balances for specific purposes are determined. Any remaining fund equity amounts for funds other than the General Fund are classified as restricted fund equity. In the General Fund, committed fund balance is determined next, then assigned. The remaining amounts are reported as unassigned. Assignments of fund equity cannot cause a negative unassigned fund equity.

O. Post-Employment Benefits

In addition to providing the retirement benefits described in Note 4.B.I, the District provides post employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups as governed by Board of Education Policy. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-employment benefits is shared between the District and the retired employee.

P. Payables, Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due and payable after one year in the Statement of Net Position.

Q. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair value at the time received.

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Capital Assets

Land and construction in progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life In Years</u>
Land improvements	\$ 1,000	SL	20
Buildings and improvements	5,000	SL	30-50
Furniture and equipment	1,000	SL	5-15
Vehicles	5,000	SL	8

R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, potential contingent liabilities, useful lives of long-term assets, and net pension asset and liability.

S. Vested Employee Benefits

District employees are granted vacation in varying amounts, based principally on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions. Unused sick time for teachers is converted to a dollar amount, based on the contract in place at retirement, and applied to the retiree portion of health insurance premiums.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting or termination method and an accrual for that liability is included in the District-wide financial statements at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

In the fund statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

T. Implementation of New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2018, the District implemented the following new standard issued by GASB:

GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018. See Note 6.

GASB issued Statement 81, *Irrevocable Split-Interest Agreements*, effective for the year ending June 30, 2018.

GASB issued Statement 85, *Omnibus*, effective for the year ending June 30, 2018.

GASB issued Statement 86, *Certain Debt Extinguishing Issues*, effective for the year ending June 30, 2018.

U. Future Changes in Accounting Standards

GASB issued Statement 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019.

GASB issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2020.

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2021.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, effective for the year ending June 30, 2019.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2021.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities and changes in net position compared with the current financial resources focus of the governmental funds.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Total Fund Equity of Governmental Funds vs. Net Position of Governmental Activities

Total fund equity of the District's governmental funds differs from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities and Changes in Net Position

Differences between the governmental funds statement of revenues, expenditures and changes in fund equity and the statement of activities and changes in net position fall into one of five broad categories. The differences represent:

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the Statement of Activities and changes in net position reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used in the statement of activities and changes in net position.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported in the statement of activities and changes in net position, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities and changes in net position.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities and changes in net position as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities and Changes in Net Position

OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Deficit Fund Equity

There was a deficit fund equity in the capital projects fund of \$2,461,113. This deficit is caused by financing the project with bond anticipation notes. When the bond anticipation notes are refinanced with bonds, this deficit will be removed.

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2018 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the business Administrator of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

Investments

Investments are stated at fair value and are categorized as either (1) insured or registered, or investments are held by the District or the District's agent in the District's name, (2) uninsured and unregistered, with the investments held by the financial institutions trust department in the District's name, (3) uninsured and unregistered, with investments held by the financial institution or its trust department but not in the District's name. The District has no investments at June 30, 2018.

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at year-end consists of the following:

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Restricted Cash

<u>Fund</u>	<u>Amount</u>	<u>Restriction</u>
General Fund	\$ 2,008,052	Employee Benefit Accrued Liability
	100,000	Workers' Compensation
	50,000	Retirement Contributions
	60,000	Unemployment Insurance
	1,000,000	Capital
	<u>33,000</u>	Tax Certiorari
Total General Fund	<u>\$ 3,251,052</u>	
Debt Service Fund	<u>\$ 8,304</u>	Debt Payments
Capital Fund	<u>\$ 1,878,173</u>	Unspent Proceeds
Trust and Agency	\$ 38,335	Extraclassroom Activity Funds
Private Purpose Trust Fund	<u>310,470</u>	Scholarships and Memorials
Total Fiduciary	<u>\$ 348,805</u>	

II. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transactions and balances at June 30, 2018 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 495,233	\$ 426,686	\$ -	\$ 2,136,340
Special Aid Fund	124,074	543,717	11,340	-
School Lunch Fund	1,019	20,510	-	-
Debt Service Fund	-	-	-	-
Capital Projects Fund	<u>430,788</u>	<u>-</u>	<u>2,125,000</u>	<u>-</u>
Total Governmental Activities	1,051,114	990,913	2,136,340	2,136,340
Fiduciary Fund	<u>-</u>	<u>60,201</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,051,114</u>	<u>\$ 1,051,114</u>	<u>\$ 2,136,340</u>	<u>\$ 2,136,340</u>

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

Capital asset balances and activity for the year ended June 30, 2018 are as follows:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 64,500	\$ -	\$ -	\$ 64,500
Total Non-depreciable Capital Assets	<u>64,500</u>	<u>-</u>	<u>-</u>	<u>64,500</u>
Capital assets that are depreciated:				
Buildings and improvements	16,960,836	-	224,015	16,736,821
Furniture and equipment	<u>3,710,804</u>	<u>271,283</u>	<u>51,031</u>	<u>3,931,057</u>
Total Depreciable Capital Assets	<u>20,671,640</u>	<u>271,283</u>	<u>275,046</u>	<u>20,667,878</u>
Less accumulated depreciation:				
Buildings and improvements	8,075,350	212,187	223,004	8,064,533
Furniture and equipment	<u>2,556,017</u>	<u>234,990</u>	<u>52,042</u>	<u>2,738,966</u>
Total Accumulated Depreciation	<u>10,631,367</u>	<u>447,177</u>	<u>275,046</u>	<u>10,803,499</u>
Total Depreciable Cost, Net	<u>\$ 10,104,773</u>	<u>\$ (175,894)</u>	<u>\$ -</u>	<u>\$ 9,928,879</u>

Depreciation expense for the year ended June 30, 2018, was allocated to specific functions as follows:

General Support	\$ 80,265
Instruction	309,025
Pupil Transportation	45,614
School Lunch	<u>12,273</u>
Total	<u>\$ 447,177</u>

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

IV. Deferred Outflows and 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to the OPEB reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

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. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportionate share of the collective net pension liability (TRS and ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second, when applicable, is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

General Information

The District participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). Collectively, TRS and ERS are referred to herein as the "Systems". These are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Plan Descriptions

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The system is governed by a 10 member Board of Trustees. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in the New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. This is a cost-sharing multiple-employer retirement system. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS.

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>
2017-18	\$ 368,447	\$ 658,600
2016-17	341,948	813,273
2015-16	406,469	894,707

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2017	June 30, 2016
Net pension asset/(liability)	\$(231,660)	\$332,659
District's portion of the Plan's total net pension asset/(liability)	0.0072%	0.0438%

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Pension Expense (Credit)

For the year ended June 30, 2018, the District recognized its proportionate share of pension expense of \$280,072 for ERS and \$838,085 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 82,626	\$ 273,696	\$ 68,279	\$ 129,700
Changes of assumptions	153,610	3,384,866	-	-
Net difference between projected and actual earnings on pension plan investments	336,468	-	664,155	783,507
Changes in proportion and differences between contributions and proportionate share of contributions	171,808	123,676	13,430	18,623
Contributions subsequent to the measurement date	<u>116,380</u>	<u>658,600</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 860,892</u>	<u>\$ 4,440,838</u>	<u>\$ 745,864</u>	<u>\$ 931,830</u>

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2019 for ERS and June 30, 2018 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2018	\$ -	\$ 96,130
2019	112,777	914,680
2020	82,961	660,005
2021	(138,432)	178,241
2022	(58,658)	658,141
Thereafter	-	343,211

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset/(liability) to the measurement date. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.0%	7.25%
Salary scale	3.8%	1.9% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.5%
Projected Cost of Living Adjustments	1.3% annually	1.5% annually

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of 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 the target asset allocation are summarized below:

<u>ERS</u>	<u>Target Allocation 2018</u>	<u>Long-term Expected Real Rate of Return* 2018</u>
Asset Class:		
Domestic equities	36%	4.55%
International equities	14	6.35
Private Equity	10	7.50
Real estate	10	5.55
Absolute return strategies(1)	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	(0.25)
Inflation-Indexed bonds	<u>4</u>	1.25
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2018.

(1) Excludes equity-oriented and long-only fund. For investment management purposes, these funds are included in domestic equity and international equity, respectively.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term expected Real rate of return*</u>
	<u>2017</u>	<u>2017</u>
Asset Class:		
Domestic equities	35%	5.9%
International equities	18	7.4
Real estate	11	4.3
Private equities	8	9.0
Total equities	<u>72</u>	
Domestic fixed income securities	16	1.6
Global fixed income securities	2	1.3
High-yield fixed income securities	1	3.9
Mortgages	8	2.8
Short-term	1	0.6
Total fixed income	<u>28</u>	
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2017.

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption.

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2018 calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6% for ERS and 6.25% for TRS) or 1-percentage point higher (8% for ERS and 8.25% for TRS) than the current rate:

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

ERS	1% Decrease <u>(6.0%)</u>	Current Assumption <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (1,752,804)	\$ (231,660)	\$ 1,055,167
TRS	1% Decrease <u>(6.25%)</u>	Current Assumption <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (5,730,722)	\$ 332,659	\$ 5,410,439

Changes in assumptions

Changes in assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Expense

Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2018 is \$343,251 for ERS and \$855,492 for TRS.

Payables to the pension plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$116,380.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$704,238.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Other Benefits

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

II. Indebtedness

1. Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

Transactions in short-term debt are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN Maturing 2/28/19 at 1.82%	\$ 4,405,000	\$ -	\$ 330,000	\$ 4,075,000
BAN Maturing 8/31/18 at 1.34%	125,000	-	40,740	84,260
BAN Maturing 8/31/18 at 1.34%	353,052	-	88,263	264,789
BAN Maturing 8/31/18 at 1.34%	182,991	-	68,392	114,599
BAN Maturing 8/31/18 at 1.34%	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>120,000</u>
	<u>\$ 5,066,043</u>	<u>\$ 120,000</u>	<u>\$ 527,395</u>	<u>\$ 4,658,648</u>

Interest on short-term debt for the year was composed of:

Interest paid	\$ 71,898
Less interest accrued in the prior year	(5,436)
Plus interest accrued in the current year	<u>6,517</u>
Total Expense	<u>\$ 72,979</u>

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

2. Long-Term Debt

Other Long-Term Debt

The District had the following noncurrent liabilities:

Compensated Absences - Represent the value of the earned and unused portion of the liability for employees' vacation and sick pay which has not been accrued in the General Fund.

Other Post-employment Benefits - Represents the net liability for other post-employment benefits calculated in accordance with GASB 75 (See Note 6).

3. Changes

The changes in the District's indebtedness during the year ended June 30, 2018, are summarized as follows:

<u>Fund/Type</u>	<u>Restated Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Other liabilities				
Compensated absences	\$ 807,266	\$ -	\$ 670,045	\$ 137,221
Other-post employment benefits	<u>33,596,530</u>	<u>2,547,498</u>	<u>846,542</u>	<u>35,297,486</u>
Total long-term liabilities	<u>\$ 34,403,796</u>	<u>\$ 2,547,498</u>	<u>\$ 1,516,587</u>	<u>\$ 35,434,707</u>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

The above liabilities are liquidated by the General Fund.

4. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit do not exceed 10% of the average full valuation of taxable real estate within such district. At June 30, 2018 the District has exhausted 8.2% of its constitutional debt limit.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

III. Deferred Inflows of Resources

Deferred inflows of resources on the balance sheet - governmental funds arise when a potential revenue does not both the measurable and available criteria for recognition in the current period. The District has established a one year availability period.

5. COMMITMENTS AND CONTINGENCIES

A. Litigation

The District has been named as defendant in various actions. A review of these actions by District management indicates that they are either fully covered by insurance or not substantial enough to materially affect the financial position of the District.

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies or expenditures disallowed under the terms of the grant.

C. Risk Financing and Related Insurance

General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets injuries to employees; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Workers' Compensation Insurance

The District participates in a claims-servicing public entity risk pool, Rensselaer-Columbia-Greene Workers' Compensation Consortium (RCGWCC), to insure workers' compensation claims. The RCGWCC, a consortium of school districts located in Rensselaer, Columbia and Greene counties of New York, was accepted as a self-insurer by the State of New York Workers' Compensation Board effective July 1, 1985. The Consortium is governed by a Plan Agreement administered by a Board of Directors, consisting of one Director for each member. As of June 30, 2018, there were 18 members in the Consortium. Workers' compensation benefits are provided by the Plan and administered under a contract with PMA Companies, the third party claims administrator for the consortium.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. COMMITMENTS AND CONTINGENCIES

C. Risk Financing and Related Insurance

Workers' Compensation Insurance

The purpose of the Plan is to provide for the efficient and economical evaluation, processing, administration, defense and payment of claims against Plan members for workers' compensation and employers' liability payments through self-insurance and otherwise, to achieve cost savings for such claims and services, to provide risk management, to the extent permitted by law, to reduce future liability for workers' compensation and employer liability payments; and to perform all other functions reasonably necessary and incident to such purposes; including but not limited to, the obtaining of excess workers' compensation insurance and employers' liability insurance for the Plan members. Current coverage limits are \$1,000,000 per occurrence for employers' liability and excess workers' compensation insurance coverage for paid workers' compensation claims in excess of \$600,000 per individual occurrence.

The Plan provides that each member continues to be individually liable for workers' compensation payments to employees and for employers' liability payments to third parties. The Plan is a public entity risk pool without any transfer of risk among the participants.

To fund the plan, each plan member is assessed an annual premium for workers' compensation coverage in accordance with a reasonable estimate of each member's responsibility for actual claims and expenses of the Plan. Assessments are based on such factors as the cost of insurance premiums, the amount of anticipated interest income, number of employees, payrolls, claims experience, services rendered, benefits received and other relevant factors.

Health Insurance Plan

The District participates in the Rensselaer-Columbia-Greene Health Insurance Trust, which is a Trust formed under New York State Insurance Law on June 30, 1988. The Trust's purpose is to provide for the purchase of policies of group health, prescription, dental and vision insurance, pursuant to Insurance Law Section 4235, and to provide related services to its members. There are currently 21 members of the R-C-G Health Insurance Trust.

The Trust is governed by a Trust Agreement and a Board of Trustees who execute the provisions of the Trust, as set forth in the Agreement.

Premium costs for group health insurance and related policies purchased and for group health insurance administration are allocated among the Trust members. Payments made by members to the Trust for such policies are paid to the group insurance carriers by the Trust. The Trust has contracted with Benetech for third party administration.

The District participates in the health and prescription plans offered through the Trust.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Change in Accounting Principle and Restatement of Net Position

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires governments to report Other Post-Employment Benefits (OPEB) liabilities, OPEB expenses, deferred outflow of resources and inflow of resources related to OPEB. The implementation of the statement resulted in an increase in the liability for Other Post Employment Benefits Payable in the Statement of Net Position. Additionally, accumulated sick leave was integrated into the calculation and therefore resulted in a decrease in compensated absences also reflected below. The District's net position has been restated as follows:

Net Position beginning of year, as previously stated	\$ (2,582,213)
GASB Statement No. 75 implementation	<u>(16,787,497)</u>
Net position beginning of year, as restated	<u>\$ (19,369,710)</u>

Plan Description

The District administers the postemployment benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits. The Plan provides for continuation of medical and/or dental/vision benefits for certain retirees and their survivors and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the Plan members, employers and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are eligible for the retiree health benefits upon meeting the following requirements: 1) retire from the District, 2) enrolled in District provided health care at the time of retirement and 3) working .5 FTE or 30 hours a week and having at least ten years of service under the New York State Teachers' or Employees' Retirement Systems, of which at least five such years must have been with the District. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. The cost of providing this benefit for 113 retirees was approximately \$846,000.

The contribution requirements of Plan members and the District are established by the Board of Education. Until changes are made in the NYS law to permit funding, there is no legal authority to fund OPEB, other than "pay as you go".

Benefits Provided

The District provides for continuation of medical benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under, retirees and their spouses receive benefits for the lifetime of the retired employee. The specifics of each contract are on file at the District offices and are available upon request.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Benefits Provided

Employees Covered by Benefit Terms – As of July 1, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	113
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>171</u>
Total plan members	<u>284</u>

Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability at June 30, 2018 was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified:

Inflation	2.60% (Based on CPI-2017 OASDI Trustee Report)
Salary increases	2.60% (including inflation)
Discount Rate	3.0% (S&P Municipal Bond 20-year High Grade Index)
Healthcare cost trend rates	
Pre-Medicare	7.50% for 2017 decreasing 0.5% per year to an ultimate rate of 4.50% by 2023.

Mortality rates were based on RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017 with experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2017 (generational mortality).

Retirement participation rate assumed that 100% of future retirees eligible for coverage will elect the benefit and 50% of future spouses of retirees eligible for coverage will elect the benefit. Marriage assumption, it was assumed that 80% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. Each eligible employee will retire with the maximum number of sick days allowed and use them as contributions to their retiree premium. For current retirees, actual census information was used. Additionally, a tiered approach based on age and years of service was used to determine retirement rate assumption.

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System. Rate are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

The discount rate was based on the S&P Municipal Bond 20-year High Grade Rate Index.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

6. POST EMPLOYMENT BENEFITS OBLIGATION PAYABLE

Changes in the Net OPEB Liability

Changes in the District's net OPEB liability were as follows:

	Total OPEB Liability [a]	Plan Fiduciary Net Position [b]	Net OPEB Liability [a] – [b]
Balances at June 30, 2017	\$ 33,596,530	\$ -	\$ 33,596,530
Changes for the year:			
Service cost	1,496,635	-	1,496,635
Interest	1,040,191	-	1,040,191
Difference between expected and actual experience	10,672		10,672
Contributions – employer	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs (change in discount rate)	-	-	-
Benefit payments	(846,542)	-	(846,542)
Administrative expense	-	-	-
Net changes	1,700,956	-	1,700,956
Balances, June 30, 2018	\$ 35,297,486	\$ -	\$ 35,297,486

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (2%) or 1 percentage point higher (4%) than the current discount rate:

	1% Decrease (2%)	Discount Rate (3%)	1% Increase (4%)
Total OPEB Liability	\$ 41,986,751	\$ 35,297,486	\$ 30,026,486

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50% decreasing to 3.50%) or 1 percentage point higher (8.50% decrease to 5.50%) than the current healthcare cost trend rate:

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

6. POST EMPLOYMENT BENEFITS OBLIGATION PAYABLE

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

	1% Decrease (6.50% decreasing to 3.5%)	Healthcare Cost Trend Rate (7.50% decreasing to 4.5%)	1% Increase (8.50% decreasing to 5.50%)
Total OPEB Liability	\$ 29,094,445	\$ 35,297,486	\$ 43,523,223

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,538,127. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,371	\$ -
Changes of assumptions	-	-
Total	<u>\$ 9,371</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	
2019	\$ 1,301
2020	\$ 1,301
2021	\$ 1,301
2022	\$ 1,301
2023	\$ 1,301
Thereafter	\$ 2,866

7. TAX ABATEMENTS

The County of Rensselaer, enters into various property tax and sales tax (if applicable) abatement programs for the purpose of economic development. No tax abatements were entered into during June 30, 2018 and the District does not receive any payments in lieu of taxes.

8. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 14, 2018, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2018, have been incorporated into these statements herein.

**BERLIN CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Adopted Budget</u>	<u>Prior Year Encumbrances</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance with Actual</u>
Revenues						
Local Sources						
Real Property Taxes	\$ 9,217,182	\$ -	\$ 9,217,182	\$ 9,217,182	\$ 9,196,213	\$ (20,969)
Charges for Services	64,500	-	64,500	64,500	61,244	(3,256)
Use of Money and Property	10,600	-	10,600	10,600	12,890	2,290
Sale of Property and Compensation for Loss	500	-	500	500	32,365	31,865
Miscellaneous	400,480	-	400,480	400,480	735,441	334,961
Total Local Sources	9,693,262	-	9,693,262	9,693,262	10,038,153	344,891
State Sources	9,918,121	-	9,918,121	9,918,121	9,904,321	(13,800)
Federal Sources	70,000	-	70,000	70,000	47,811	(22,189)
Other Sources						
Interfund Transfers	-	-	-	-	-	-
Total Revenue and Other Sources	19,681,383	-	\$ 19,681,383	\$ 19,681,383	<u>\$ 19,990,285</u>	<u>\$ 308,902</u>
Appropriated Fund Equity	-					
Prior year's Encumbrances	-	228,066	228,066	228,066		
Appropriated Reserves - Workers' Compensation	70,459	-	70,459	70,459		
Appropriated Reserves - Capital	-	-	-	2,025,000		
Appropriated Fund Equity	450,000	-	450,000	450,000		
Total Appropriated Fund Equity	520,459	228,066	748,525	2,773,525		
Total Revenues, Other Sources and Appropriated Fund Equity	<u>\$ 20,201,842</u>	<u>\$ 228,066</u>	<u>\$ 20,429,908</u>	<u>\$ 22,454,908</u>		

**BERLIN CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Adopted Budget</u>	<u>Prior Year Encumbrances</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Actual and Encumbrances</u>
Expenditures							
General Support							
Board of Education	\$ 10,690	\$ 600	\$ 11,290	\$ 11,290	\$ 8,637	\$ -	\$ 2,653
Central Administration	237,785	-	237,785	237,785	234,009	-	3,776
Finance	363,063	577	363,640	363,640	316,518	-	47,122
Staff	96,679	-	96,679	102,840	101,942	-	898
Central Services	1,372,329	203,952	1,576,281	1,699,286	1,661,848	12,078	25,360
Special Items	132,003	-	132,003	132,003	108,036	-	23,967
Total General Support	<u>2,212,549</u>	<u>205,129</u>	<u>2,417,678</u>	<u>2,546,844</u>	<u>2,430,990</u>	<u>12,078</u>	<u>103,776</u>
Instruction							
Instruction, Administration & Improvement	672,144	-	672,144	636,801	603,709	4,240	28,852
Teaching - Regular School	5,259,889	2,836	5,262,725	5,261,487	4,850,207	3,975	407,305
Programs for Students with Disabilities	2,400,446	125	2,400,571	2,308,098	1,869,126	1,477	437,495
Occupational Education	535,236	-	535,236	522,799	480,055	-	42,744
Teaching - Special Schools	25,000	-	25,000	25,000	18,572	-	6,428
Instructional Media	625,971	7,328	633,299	665,272	670,685	4,776	(10,189)
Pupil Services	800,021	4,188	804,209	804,124	822,386	-	(18,262)
Total Instruction	<u>10,318,707</u>	<u>14,477</u>	<u>10,333,184</u>	<u>10,223,581</u>	<u>9,314,740</u>	<u>14,468</u>	<u>894,373</u>
Pupil Transportation	1,571,262	8,460	1,579,722	1,560,160	1,419,686	7,491	132,983
Employee Benefits	5,408,514	-	5,408,514	5,408,514	4,642,679	-	765,835
Debt Service Principal	491,670	-	491,670	507,395	527,395	-	(20,000)
Debt Service Interest	79,140	-	79,140	63,414	71,898	-	(8,484)
Total other	<u>7,550,586</u>	<u>8,460</u>	<u>7,559,046</u>	<u>7,539,483</u>	<u>6,661,658</u>	<u>7,491</u>	<u>870,334</u>
Total Expenditures	<u>20,081,842</u>	<u>228,066</u>	<u>20,309,908</u>	<u>20,309,908</u>	<u>18,407,388</u>	<u>34,037</u>	<u>1,868,483</u>
Other Uses							
Interfund Transfer	120,000	-	120,000	2,145,000	2,136,340	-	8,660
Total Expenditures and Other Uses	<u>\$ 20,201,842</u>	<u>\$ 228,066</u>	<u>\$ 20,429,908</u>	<u>\$ 22,454,908</u>	<u>20,543,728</u>	<u>\$ 34,037</u>	<u>\$ 1,877,143</u>
Net Change in Fund Equity					\$ (553,443)		
Fund equity - beginning					5,375,779		
Fund equity - ending					<u>\$ 4,822,336</u>		

**BERLIN CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
JUNE 30, 2018**

	Fiscal Year Ending *
	<u>2018</u>
Total OPEB Liability	
Measurement date	6/30/2018
Service cost at end of year	\$ 1,496,635
Interest	1,040,191
Changes in benefit terms	-
Difference between expected and actual experience in the measurement of the total OPEB liability	10,672
Changes in assumptions and other inputs	-
Benefit payments	<u>(846,542)</u>
Net Change in Total OPEB Liability	1,700,956
Total OPEB Liability - beginning	<u>33,596,530</u>
Total OPEB Liability - ending	<u><u>\$ 35,297,486</u></u>
Covered-employee payroll	\$ 9,306,501
Total OPEB Liability as a percentage of covered-employee payroll	379.28%

* Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of the measurement date.

**BERLIN CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 10 FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2018**

ERS Pension Plan
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0072%	0.0069%	0.0075%	0.0074%
Proportionate share of the net pension liability (asset)	\$ 231,660	\$ 651,630	\$ 1,201,371	\$ 250,771
Covered-employee payroll	\$ 2,601,083	\$ 2,465,538	\$ 2,521,225	\$ 2,198,100
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	9%	26%	48%	11%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%

TRS Pension Plan
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0438%	0.0436%	0.0455%	0.0461%
Proportionate share of the net pension liability (asset)	\$ (332,659)	\$ 466,568	\$ (4,728,908)	\$ (5,129,690)
Covered-employee payroll	\$ 7,062,305	\$ 6,869,673	\$ 6,770,885	\$ 6,810,500
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	-5%	7%	-70%	-75%
Plan fiduciary net position as a percentage of the total pension asset	100.66%	99.01%	110.46%	111.48%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**BERLIN CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

ERS Pension Plan
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 366,616	\$ 350,216	\$ 402,547	\$ 449,935
Contributions in relation to the contractually required contribution	<u>(366,616)</u>	<u>(350,216)</u>	<u>(402,547)</u>	<u>(449,935)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,601,083	\$ 2,465,538	\$ 2,521,225	\$ 2,198,100
Contributions as a percentage of covered-employee payroll	14.09%	14.20%	15.97%	20.47%

TRS Pension Plan
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 812,821	\$ 891,345	\$ 1,198,863	\$ 1,198,863
Contributions in relation to the contractually required contribution	<u>(812,821)</u>	<u>(891,345)</u>	<u>(1,198,863)</u>	<u>(1,198,863)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,062,305	\$ 6,869,673	\$ 6,770,885	\$ 6,810,500
Contributions as a percentage of covered-employee payroll	11.51%	12.98%	17.71%	17.60%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**BERLIN CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET AND
SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 20,201,842
Add: Prior year's encumbrances	<u>228,066</u>
Original Budget	20,429,908
Additions:	
Budget Amendments	<u>2,025,000</u>
Final Budget	\$ <u><u>22,454,908</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2018-19 [subsequent year's] voter-approved expenditure budget	\$ 20,569,913
Maximum allowed (4% of 2018-19 [subsequent year's] budget)	822,797
General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law*:	

Unrestricted Fund Equity:	
Committed Fund Equity	\$ -
Assigned Fund Equity	484,037
Unassigned Fund Equity	<u>1,087,143</u>
Total Unrestricted Fund Equity	<u><u>1,571,180</u></u>

Less:	
Appropriated Fund Equity	450,000
Encumbrances included in Committed and Assigned Fund Equity	<u>34,037</u>
Total Adjustments	<u><u>484,037</u></u>

General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law	\$ <u><u>1,087,143</u></u>
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Actual percentage	5.29%
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- * Per office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions," Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018
			Prior Years	Current Year	Total		Proceeds of Debt	Serial Installment Bonds	Local Sources	Total	
Buses - 2018	\$ 120,000	\$ 120,000	\$ -	\$ 116,213	\$ 116,213	\$ 3,787	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ (16,213)
Buses - 2017	125,000	125,000	105,325	-	105,325	19,675	40,740	-	100,257	140,997	35,672
Buses - 2016	487,122	487,122	487,122	-	487,122	-	176,526	-	45,807	222,333	(264,789)
Buses - 2014	231,038	231,038	231,038	-	231,038	-	138,624	-	-	138,624	(92,414)
Buses - 2013	110,928	110,928	110,928	-	110,928	-	66,557	-	22,186	88,743	(22,185)
Buses - 2011	127,954	127,985	127,985	-	127,985	-	25,596	-	102,389	127,985	-
Windows - BES Phase I	1,094,000	1,094,000	1,093,579	-	1,093,579	421	-	-	1,093,579	1,093,579	-
Boiler- MS/HS Phase I	277,512	335,000	277,512	-	277,512	57,488	-	-	277,512	277,512	-
BES Phase II	2,856,000	2,856,000	2,845,743	-	2,845,743	10,257	640,002	-	207,663	847,665	(1,998,078)
BES Phase III	742,000	723,500	735,179	-	735,179	(11,679)	310,000	-	495	310,495	(424,684)
MS/HS Phase II	2,540,000	1,778,000	1,777,389	-	1,777,389	611	-	-	224,675	224,675	(1,552,714)
100K Technology	100,000	100,000	77,832	-	77,832	22,168	-	-	100,000	100,000	22,168
Cap Project-Pre-Ref Exp.	65,112	65,112	-	173,438	173,438	(108,326)	-	-	2,025,000	2,025,000	1,851,562
Interest	-	-	-	-	-	-	-	-	562	562	562
Totals	<u>\$ 8,876,666</u>	<u>\$ 8,153,685</u>	<u>\$ 7,869,632</u>	<u>\$ 289,651</u>	<u>\$ 8,159,283</u>	<u>\$ (5,598)</u>	<u>\$ 1,398,045</u>	<u>\$ -</u>	<u>\$ 4,300,125</u>	<u>\$ 5,698,170</u>	<u>\$ (2,461,113)</u>

**BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2018**

Capital Assets, Net		\$	9,928,879
Add:			
Capital projects fund - cash and investments	\$	<u>1,878,173</u>	1,878,173
Deduct:			
Bond anticipation notes payable		<u>(4,658,648)</u>	<u>(4,658,648)</u>
Net Investment in Capital Assets		\$	<u><u>7,148,404</u></u>

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

To the President and Members
of the Board of Education of
Berlin Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Berlin Central School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control that we consider to be a material weakness.

2018-001 Year-end Accounting

Criteria: To accurately preset the financial position of the District, general ledger accounts should be reconciled and monitored throughout the year by management. The accuracy of financial data is crucial to the budget process.

Condition: Adjusting journal entries were proposed as part of the audit process to reflect actual year end balances of revenue, assets, reserves, expenditures and liabilities.

Cause: Transactions were inaccurately recorded during the year and between funds.

Effect: The revenue, receivables, and expenditures within the school lunch fund would have been understated, while the liabilities would have been overstated. The revenue, receivables, liabilities, expenditures, would have been understated in the general fund. The revenues, liabilities, expenditures and receivables would have been understated in the special aid fund. The receivables and liabilities in the trust and agency fund would have been understated. The expenditures, revenues, liabilities, and receivables in the capital projects fund would have been understated. A detailed listing was provided to management and the Board of Education and included with the AU-C Section 260-Auditor's Communication with those charged with governance.

Recommendation: Management should monitor account balances more closely and perform reconciliations of accounts throughout the year and implement a formal closing process for end of year reconciliations and cut-off.

Views of responsible officials and planned corrective actions: The District agrees that these reconciliations should be performed. They believe that it was a result of all of the turnover that occurred in the business office at the end of last year. They do not anticipate that this will be a recurring issue and are working on ways to ensure that this does not happen again.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

2018-002 Compliance with New York State Real Property Tax Law.

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 18/19 general fund budget.

Criteria: NYS Real Property Tax Law 1318 limits the amount of unassigned fund balance a District can have to no more than 4% of the general fund budget for the ensuing fiscal year.

Cause: The cumulative effect of expenditures being significantly under budget as well as an unexpected donation of \$300,000, which was not budgeted for.

Effect of Condition: The District was not in compliance with Real Property Tax Law.

Context: As part of audit procedures compliance with the NYS Real Property Tax Law 1318 limits is reviewed.

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

Views of responsible officials and planned corrective actions: The District acknowledges that the unassigned fund balance exceeds 4% of the 2018-19 general fund budget. The District will use or otherwise reallocate the excess fund balance in order to not exceed the 4% limit for the fiscal year ending June 30, 2019.

2018-003 Compliance with General Municipal Law.

Statement of Condition: The reserve for employee benefit accrued liability exceeds the compensated absences balance at June 30, 2018.

Criteria: General Municipal Law 6p limits the amount included in the reserve for employee benefit accrued liability to no more than the amount accrued in the compensated absences long-term liability account.

Cause: The GASB implementation guide 2017-003 question 4.20 indicates if sick leave is used for retiree portion of health insurance premiums upon retirement and included in the Other Post Employment Benefit Calculation it cannot also be included in compensated absences. In addition, the District also fully implemented the vesting method for their calculation and made some other corrections to be in compliance with all bargaining units.

Effect of Condition: The District was not in compliance with General Municipal Law.

Context: As part of audit procedures compliance with the General Municipal Law 6p limits is reviewed.

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

Views of responsible officials and planned corrective actions: The District acknowledges that the reserve for employee benefit accrued liability exceeds the compensated absences balance. The District will address the reallocation of the excess reserve balance in its annual schedule of reserves requirement.

District's Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marvin and Company, P.C.

Latham, NY

December 14, 2018