

**BERLIN CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2019**

BERLIN CENTRAL SCHOOL DISTRICT

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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, 2019, 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, 2019, 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.

Other Matters

Correction of an Error

As discussed in Note 8 to the financial statements, the District discovered errors in the calculation of depreciation and capital asset additions, for the year ended June 30, 2018, which was corrected during the year ended June 30, 2019. Our opinion is not modified with respect to that matter.

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, schedules 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 October 15, 2019, 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
October 15, 2019

**BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

Current Assets:	
Cash - Unrestricted	\$ 3,405,106
Cash - Restricted	4,353,949
Accounts Receivable	91,229
Due From Fiduciary Funds	99
State and Federal Aid Receivable	718,759
Due From Other Governments	340,130
Inventories	5,877
Prepaid Expenditures	97,213
Long-Term Accounts Receivable	49,503
Capital Assets, net	10,414,157
Net Pension Asset, Proportionate Share	743,580
Total Assets	20,219,602
Deferred Outflows of Resources	
Pensions	4,697,372
Other Post Employment Benefits	8,070
Total Deferred Outflows of Resources	4,705,442
Total Assets and Deferred Outflows of Resources	\$ 24,925,044

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 459,461
Accrued Liabilities	18,971
Due to Fiduciary Funds	9,755
Due to Other Governments	74,014
Accrued Interest Payable	3,600
Due to Teachers' Retirement System	830,241
Due to Employees' Retirement System	99,477
Refundable Advances	6,046
Bond Anticipation Notes	506,928
Long-Term Liabilities - Due and Payable Within One Year	
Bonds	315,000
Term Liabilities - Due and Payable After One Year	
Bonds	3,435,000
Compensated Absences	101,919
Other Post Employment Benefits Payable	34,106,998
Net Pension Liability, Proportionate Share	499,198
Total Liabilities	40,466,608
Deferred Inflows of Resources	
Pensions	1,117,920
Other Post Employment Benefits	2,469,979
Total Deferred Inflows of Resources	3,587,899

NET POSITION

Net Investment in Capital Assets	7,100,044
Restricted	5,414,329
Unrestricted	(31,643,836)
Total Net Position	(19,129,463)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 24,925,044

See accompanying notes to financial statements.

B1.

**BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

		<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General support	\$ 3,314,954	\$ -	\$ -	\$ (3,314,954)
Instruction	14,967,244	164,968	564,444	(14,237,832)
Pupil transportation	2,056,797	-	-	(2,056,797)
Debt service - interest	81,956	-	-	(81,956)
Capital outlay	38,454	-	-	(38,454)
School lunch program	<u>519,295</u>	<u>124,611</u>	<u>278,568</u>	<u>(116,116)</u>
Total Functions and Programs	<u>\$ 20,978,700</u>	<u>\$ 289,579</u>	<u>\$ 843,012</u>	<u>(19,846,109)</u>
GENERAL REVENUES				
Real property taxes				9,354,659
Investment earnings				22,154
Use of money and property				7,000
Sale of property and compensation for loss				(2,291)
State sources				10,264,959
Federal sources				69,406
Miscellaneous				<u>421,786</u>
Total General revenues				<u>20,137,673</u>
Change in Net Position				<u>291,564</u>
Total Net Position - Beginning of Year, as Previously Reported				(19,092,626)
Prior Period Adjustment (See Note 8)				<u>(328,401)</u>
Total Net Position - Beginning of Year, as Restated				<u>(19,421,027)</u>
Total Net Position - End of Year				<u>\$ (19,129,463)</u>

See accompanying notes to financial statements.

**BERLIN CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets						
Cash - Unrestricted	\$ 3,400,492	\$ -	\$ 4,614	\$ -	\$ -	\$ 3,405,106
Cash - Restricted	3,411,134	-	-	942,815	-	4,353,949
State and Federal Receivable, net	249,073	448,985	20,701	-	-	718,759
Due From Other Governments	340,130	-	-	-	-	340,130
Due From Other Funds	483,831	-	73,291	292,527	-	849,649
Accounts Receivable	-	-	-	-	-	-
Inventories	-	-	5,877	-	-	5,877
Prepaid Expenditures	97,213	-	-	-	-	97,213
Total Assets	\$ 7,981,873	\$ 448,985	\$ 104,483	\$ 1,235,342	\$ -	\$ 9,770,683
Liabilities						
Accounts Payable	\$ 58,799	\$ 16,292	\$ 2,129	\$ 382,241	\$ -	\$ 459,461
Accrued Liabilities	18,971	-	-	-	-	18,971
Due to Other Funds	375,474	432,693	13,171	37,967	-	859,305
Due to Other Governments	74,014	-	-	-	-	74,014
Due to Teachers' Retirement System	830,241	-	-	-	-	830,241
Due to Employees' Retirement System	99,477	-	-	-	-	99,477
Refundable Advances	-	-	6,046	-	-	6,046
Bond Anticipation Notes	-	-	-	506,928	-	506,928
Total Liabilities	1,456,976	448,985	21,346	927,136	-	2,854,443
Fund Equity (Deficiency)						
Fund Equity (Deficiency):						
Non-spendable	97,213	-	5,877	-	-	103,090
Restricted	3,411,134	-	14,821	1,988,374	-	5,414,329
Committed	-	-	-	-	-	-
Assigned	1,481,363	-	62,439	-	-	1,543,802
Unassigned	1,535,187	-	-	(1,680,168)	-	(144,981)
Total Fund Equity (Deficiency)	6,524,897	-	83,137	308,206	-	6,916,240
Total Liabilities, Deferred Inflows of Resources, and Fund Equity (Deficiency)	\$ 7,981,873	\$ 448,985	\$ 104,483	\$ 1,235,342	\$ -	\$ 9,770,683

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

Fund equity of the governmental funds	\$ 6,916,240
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	10,414,157
Long-term accounts receivable not available in the current period and, therefore, is not reported in the funds	140,732
Accrued interest expense is reported under the accrual basis	(3,600)
Net Pension Asset	743,580
Net Pension Liability	(499,198)
Net Deferred (inflows)/outflows related to net pension asset/liability adjustments	3,579,452
Net Deferred (inflows)/outflows of resources - other post-employment benefits	(2,461,909)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(37,958,917)
Net Position of Governmental Activities	\$ (19,129,463)

BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<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	\$ 9,354,659	\$ -	\$ -	\$ -	\$ -	\$ 9,354,659
Charges for Services	164,968	-	-	-	-	164,968
Use of Money and Property	29,155	-	-	-	-	29,155
Sale of property and compensation for loss	5,851	-	-	-	-	5,851
Miscellaneous	399,176	-	727	-	-	399,903
State Sources	10,264,959	128,535	9,082	-	-	10,402,576
Federal Sources	69,406	435,909	268,759	-	-	774,074
Sales	-	-	124,611	-	-	124,611
Total Revenues	<u>20,288,174</u>	<u>564,444</u>	<u>403,179</u>	<u>-</u>	<u>-</u>	<u>21,255,797</u>
Expenditures						
General Support	2,151,558	-	142,611	-	-	2,294,169
Instruction	9,663,669	531,918	-	-	-	10,195,587
Pupil Transportation	1,351,818	44,957	-	-	-	1,396,775
Employee Benefits	4,856,776	-	23,965	-	-	4,880,741
Debt Service	611,593	-	-	-	-	611,593
Cost of Sales	-	-	186,078	-	-	186,078
Capital Outlay	-	-	21,835	1,475,151	-	1,496,986
Total Expenditures	<u>18,635,414</u>	<u>576,875</u>	<u>374,489</u>	<u>1,475,151</u>	<u>-</u>	<u>21,061,929</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,652,760</u>	<u>(12,431)</u>	<u>28,690</u>	<u>(1,475,151)</u>	<u>-</u>	<u>193,868</u>
Other Sources and (Uses)						
Premiums on bonds	22,610	-	-	-	-	22,610
Interfund Transfers, net	27,191	12,431	932	(32,250)	(8,304)	-
Proceeds from long-term debt	-	-	-	3,925,000	-	3,925,000
BANs redeemed from appropriations	-	-	-	351,720	-	351,720
Total Other Sources (Uses)	<u>49,801</u>	<u>12,431</u>	<u>932</u>	<u>4,244,470</u>	<u>(8,304)</u>	<u>4,299,330</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>1,702,561</u>	<u>-</u>	<u>29,622</u>	<u>2,769,319</u>	<u>(8,304)</u>	<u>4,493,198</u>
Fund Equity, Beginning 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>
Fund Equity, End of Year	<u>\$ 6,524,897</u>	<u>\$ -</u>	<u>\$ 83,137</u>	<u>\$ 308,206</u>	<u>\$ -</u>	<u>\$ 6,916,240</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, 2019**

Net changes in fund equity - total governmental funds	\$	4,493,198
<p>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.</p>		
	Depreciation expense \$	(702,256)
	Capital outlays	<u>1,524,076</u>
		821,820
<p>The net book value, cost less accumulated depreciation, of capital assets disposed of are removed from the statement of net position. Any gain or loss resulting is recorded in the statement of activities.</p>		
		(8,142)
<p>Proceeds of long-term debt are recorded as revenue in the governmental funds, but are recorded as liabilities in the statement of net position.</p>		
		(3,925,000)
<p>Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as liabilities in the statement of net position.</p>		
		526,720
<p>Accrued Interest expended does not require the use of current resources and is, therefore, not reported as an expenditure in the governmental funds.</p>		
		2,917
<p>Bond anticipation notes redeemed from appropriations is revenue in governmental funds, but not in the statement of activities.</p>		
		(351,720)
<p>Long-Term receivables payment received in the current year recorded as a reduction to expense, in the statement of activities.</p>		
		(121,539)
<p>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.</p>		
	Other Post Employment Benefits \$	(1,280,791)
	Compensated Absences	35,302
	Adjustments for net pension liability - ERS	(68,399)
	Adjustments for net pension liability - TRS	<u>167,198</u>
		<u>(1,146,690)</u>
Change in net position - governmental activities	\$	<u><u>291,564</u></u>

**BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019**

	Agency	Private Purpose Trusts
ASSETS		
Cash - restricted	\$ 49,346	\$ 348,529
Other assets	45	
Due from other funds	9,755	-
Total Assets	\$ 59,146	\$ 348,529
LIABILITIES		
Extraclassroom activity balances	\$ 49,346	\$ -
Due to other funds	-	99
Other liabilities	9,800	-
Total Liabilities	\$ 59,146	\$ 99
NET POSITION		
Reserved for scholarships		\$ 348,430

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ 47,886
Investment earnings	1,161
Total Additions	49,047
DEDUCTIONS	
Scholarships and awards	10,896
Change in Net Position	38,151
Net Position - Beginning of year	310,279
Net Position - End of year	\$ 348,430

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019**

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, 2019, the District was billed \$1,825,753 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$540,444. 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 \$121,539 in 2018/19. The remaining balance is \$140,732, \$49,503 of which is recorded as a long-term receivable with the difference as a current 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. See Note 4.A.III. for where depreciation is allocated. 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, 2019**

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, 2019**

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, 2019**

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 21, 2018, 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, 2019**

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. There were no supplemental appropriations during the current year.
- 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, 2019**

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 inventoriable 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, 2019**

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.

A portion of fund equity in the amount of these non-liquid assets has been identified as not available for other subsequent expenditure.

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 (BANs), 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, 2019**

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 \$5,877 and the prepaid expenditures recorded in the General Fund of \$97,213.

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, 2019**

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. \$50,000 of this reserve is restricted for employee's retirement system and \$-0- is restricted for teacher's retirement system. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 Fund

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

Restricted fund equity includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 137,220
Workers' Compensation	100,000
Retirement Contributions	50,000
Unemployment Insurance	60,000
Capital	2,000,000
Capital #2	1,000,000
Debt Service	30,914
Tax Certiorari	33,000
School Lunch Fund-Encumbrances	14,821
Capital Fund	<u>1,988,374</u>
Total Restricted Funds	<u>\$ 5,414,329</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, 2019.

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 \$60,531. Appropriated fund equity in the General Fund amounted to \$1,420,832. The remaining fund equity in the other funds is also reported as assigned.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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	\$ 57,784
Instruction	<u>2,747</u>
	<u>\$ 60,531</u>
School Lunch Fund	<u>\$ 14,821</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, 2019 by \$656,716.

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, 2019**

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, 2019**

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life In Years
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, 2019**

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, 2019, the District implemented the following new standard issued by GASB. There was no impact of implementing these new standards.

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

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

U. Future Changes in Accounting Standards

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

GASB has issued Statement 90, *Accounting and Financial Reporting for Majority Equity Interest*, effective for the year ending June 30, 2020.

GASB has issued Statement 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2022.

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, 2019**

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, 2019**

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 no deficit fund equity in the capital projects fund in the current year. The bond anticipation notes were refinanced with bonds, removing the deficit in the fund. However, unassigned fund equity is in a deficit due to unspent bond proceeds.

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, 2019 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, 2019**

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, 2019.

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, 2019**

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	\$ 137,220	Employee Benefit Accrued Liability
	100,000	Workers' Compensation
	50,000	Retirement Contributions
	60,000	Unemployment Insurance
	2,000,000	Capital
	1,000,000	Capital #2
	30,914	Restricted cash for debt
	<u>33,000</u>	Tax Certiorari
Total General Fund	<u>\$ 3,411,134</u>	
Capital Fund	<u>\$ 942,815</u>	Unspent Proceeds
Trust and Agency	\$ 49,346	Extraclassroom Activity Funds
Private Purpose Trust Fund	<u>348,529</u>	Scholarships and Memorials
Total Fiduciary	<u>\$ 397,875</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, 2019 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 483,831	\$ 375,474	\$ 40,554	\$ 13,363
Special Aid Fund	-	432,693	12,431	-
School Lunch Fund	73,291	13,171	932	-
Debt Service Fund	-	-	-	8,304
Capital Projects Fund	<u>292,527</u>	<u>37,967</u>	<u>-</u>	<u>32,250</u>
Total Governmental Activities	849,649	859,305	53,917	53,917
Fiduciary Fund	<u>9,755</u>	<u>99</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 859,404</u>	<u>\$ 859,404</u>	<u>\$ 53,917</u>	<u>\$ 53,917</u>

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Capital Assets

Capital asset balances and activity for the year ended June 30, 2019 are as follows:

	<u>Restated 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
Construction in progress	<u>-</u>	<u>1,353,347</u>	<u>-</u>	<u>1,353,347</u>
Total Non-depreciable Capital Assets	<u>64,500</u>	<u>1,353,347</u>	<u>-</u>	<u>1,417,847</u>
Capital assets that are depreciated:				
Buildings and improvements	16,393,153	34,917	-	16,428,070
Furniture and equipment	<u>4,000,737</u>	<u>135,812</u>	<u>711,660</u>	<u>3,424,889</u>
Total Depreciable Capital Assets	<u>20,393,890</u>	<u>170,729</u>	<u>711,660</u>	<u>19,852,959</u>
Less accumulated depreciation:				
Buildings and improvements	8,090,255	449,265	-	8,539,520
Furniture and equipment	<u>2,767,656</u>	<u>252,991</u>	<u>703,518</u>	<u>2,317,129</u>
Total Accumulated Depreciation	<u>10,857,911</u>	<u>702,256</u>	<u>703,518</u>	<u>10,856,649</u>
Total Depreciable Cost, Net	<u>\$ 9,600,479</u>	<u>\$ 821,820</u>	<u>\$ 8,142</u>	<u>\$ 10,414,157</u>

Depreciation expense for the year ended June 30, 2019, was allocated to specific functions as follows:

General Support	\$ 111,402
Instruction	502,989
Pupil Transportation	69,121
School Lunch	<u>18,744</u>
Total	<u>\$ 702,256</u>

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, if applicable, may have 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, if applicable, may have 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, 2019**

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, 2019**

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>
2018-19	\$	332,829	\$	803,473
2017-18		368,447		658,600
2016-17		341,948		813,273

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

At June 30, 2019, 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, 2019 for ERS and June 30, 2018 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, 2018	June 30, 2017
Net pension asset/(liability)	\$(499,198)	\$743,580
District's portion of the Plan's total net pension asset/(liability)	0.0070%	0.0411%

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Pension Expense (Credit)

For the year ended June 30, 2019, the District recognized its proportionate share of pension expense of \$326,958 for ERS and \$576,360 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2019, 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	\$ 98,303	\$ 555,671	\$ 33,510	\$ 100,654
Changes of assumptions	125,478	2,599,301	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	128,122	825,431
Changes in proportion and differences between contributions and proportionate share of contributions	167,265	248,404	14,724	15,479
Contributions subsequent to the measurement date	<u>99,477</u>	<u>803,473</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 490,523</u>	<u>\$ 4,206,849</u>	<u>\$ 176,356</u>	<u>\$ 941,564</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, 2020 for ERS and June 30, 2019 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:		
2019	\$ -	\$ 788,182
2020	163,517	548,893
2021	(54,086)	96,233
2022	24,019	547,141
2023	81,240	371,510
Thereafter	-	109,853

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.0%	7.25%
Salary scale	4.2%	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%	2.25%
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, 2018 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, 2019**

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>	Target Allocation <u>2019</u>	Long-term Expected Real Rate of Return* <u>2019</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 2019.

(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, 2019**

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>2018</u>	<u>2018</u>
Asset Class:		
Domestic equities	33%	5.8%
International equities	16	7.3
Global equities	4	6.7
Real estate equities	11	4.9
Private equities	8	8.9
Domestic fixed income securities	16	1.3
Global fixed income securities	2	0.9
Private debt	1	6.8
Real estate debt	7	2.8
High-yield fixed income securities	1	3.5
Short-term	<u>1</u>	0.3
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.3% for 2018.

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, 2019 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, 2019**

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)	\$ (2,182,575)	\$ (499,198)	\$ 914,958
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)	\$ (5,108,517)	\$ 743,580	\$ 5,646,012

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, 2019 is \$404,472 for ERS and \$619,957 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, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$99,477.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 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, 2019 amounted to \$830,241.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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%	\$ 4,075,000	\$ -	\$ 4,075,000	\$ -
BAN Maturing 8/30/19 at 1.34%	84,260	-	21,065	63,195
BAN Maturing 8/30/19 at 1.34%	264,789	-	88,263	176,526
BAN Maturing 8/30/19 at 1.34%	114,599	-	68,392	46,207
BAN Maturing 8/30/19 at 1.34%	120,000	-	24,000	96,000
BAN Maturing 8/30/19 at 1.34%	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
	<u>\$ 4,658,648</u>	<u>\$ 125,000</u>	<u>\$ 4,276,720</u>	<u>\$ 506,928</u>

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

Interest paid	\$ 57,653
Less interest accrued in the prior year	(6,517)
Plus interest accrued in the current year	<u>-</u>
Total Expense	<u>\$ 51,136</u>

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

2. Long-Term Debt

Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

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

Interest paid	\$ 27,220
Less interest accrued in the prior year	-
Plus interest accrued in the current year	<u>3,600</u>
Total Expense	<u>\$ 30,820</u>

Long-term Obligations

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

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).

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

3. Changes

The changes in the District's indebtedness during the year ended June 30, 2019, are summarized as follows:

<u>Fund/Type</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Other liabilities				
Serial Bonds	\$ -	\$ 3,925,000	\$ 175,000	\$ 3,750,000
Compensated absences	137,221	-	35,302	101,919
Other-post employment benefits	<u>35,297,486</u>	<u>2,633,118</u>	<u>3,823,606</u>	<u>34,106,998</u>
Total long-term liabilities	<u>\$ 35,434,707</u>	<u>\$ 6,558,118</u>	<u>\$ 4,033,908</u>	<u>\$ 37,958,917</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.

Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
<u>Serial Bonds</u>				
Project Financing	2019	2033	2%-3%	\$ <u>3,750,000</u>
Total Serial Bonds				\$ <u>3,750,000</u>

The following is a summary of maturing debt service requirements for general obligation bonds and notes:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 315,000	\$ 86,400	\$ 401,400
2021	320,000	80,100	400,100
2022	325,000	73,700	398,700
2023	335,000	67,200	402,200
2024-2033	<u>2,455,000</u>	<u>271,100</u>	<u>2,726,100</u>
Total	<u>\$ 3,750,000</u>	<u>\$ 578,500</u>	<u>\$ 4,328,500</u>

The District authorized \$13,025,000 of bonds to be issued that were unissued at June 30, 2019.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

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, 2019 the District has exhausted 7.5% of its constitutional debt limit.

III. Deferred Inflows of Resources

Deferred inflows of resources on the balance sheet - governmental funds arise when a potential revenue does not meet 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'

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

5. COMMITMENTS AND CONTINGENCIES

C. Risk Financing and Related Insurance

Workers' Compensation Insurance

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 17 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.

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 17 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, 2019**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

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 and 31 beneficiaries was approximately \$912,000.

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, 2019**

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
Beneficiaries and spouses of retirees	31
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>171</u>
 Total plan members	 <u>315</u>

Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2019; 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, 2019 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	3.50% (Bond Buyer 20 year)
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 Bond buyer General Obligation 20-Bond Municipal Index.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2018	\$ 35,297,486	\$ -	\$ 35,297,486
Changes for the year:			
Service cost	1,541,534	-	1,541,534
Interest	1,091,584	-	1,091,584
Difference between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs	(2,911,047)	-	(2,911,047)
Benefit payments	(912,559)	-	(912,559)
Administrative expense	-	-	-
Net changes	(1,190,488)	-	(1,190,488)
Balances, June 30, 2019	\$ 34,106,998	\$ -	\$ 34,106,998

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 (2.50%) or 1 percentage point higher (4.50%) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 40,295,405	\$ 34,106,998	\$ 29,199,416

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, 2019**

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 <u>3.5%</u>)	Healthcare Cost Trend Rate (7.50% decreasing to <u>4.5%</u>)	1% Increase (8.50% decreasing to <u>5.50%</u>)
Total OPEB Liability	\$ 27,145,600	\$ 34,106,998	\$ 43,942,170

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$2,193,351. At June 30, 2019, 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	\$ 8,070	\$ -
Changes of assumptions	-	(2,469,979)
Total	\$ 8,070	\$ (2,469,979)

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,
2020	(\$ 439,767)
2021	(439,767)
2022	(439,767)
2023	(439,767)
2024	(439,767)
Thereafter	(263,074)

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, 2019 and the District does not receive any payments in lieu of taxes.

**BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

8. PRIOR PERIOD ADJUSTMENT OF THE STATEMENT OF NET POSITION

For the fiscal year ending June 30, 2018 the District inadvertently recorded all tagged asset purchases as capitalizable capital assets and also did not record depreciation expense for some assets that were previously capitalized. As a result the net effect on capital assets was an over statement of \$328,401. The District's net position was restated as follows:

Net position beginning of year, as originally reported	\$(19,092,626)
Correction to adjust capital assets, net to capitalizable value	<u>(328,401)</u>
Net Position Beginning of Year, as Restated	<u><u>\$(19,421,027)</u></u>

9. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 15, 2019, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2019, 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, 2019**

	<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	\$ 9,355,076	\$ -	\$ 9,355,076	\$ 9,355,076	\$ 9,354,659	\$ (417)
Charges for Services	60,000	-	60,000	60,000	164,968	104,968
Use of Money and Property	10,600	-	10,600	10,600	29,155	18,555
Sale of Property and Compensation for Loss	-	-	-	-	5,851	5,851
Miscellaneous	<u>152,029</u>	<u>-</u>	<u>152,029</u>	<u>152,029</u>	<u>399,176</u>	<u>247,147</u>
Total Local Sources	9,577,705	-	9,577,705	9,577,705	9,953,809	376,104
State Sources	10,478,208	-	10,478,208	10,478,208	10,264,959	(213,249)
Federal Sources	64,000	-	64,000	64,000	69,406	5,406
Other Sources						
Interfund Transfers	-	-	-	-	40,554	40,554
Premium on Bond	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,610</u>	<u>22,610</u>
Total Revenue and Other Sources	20,119,913	-	<u>\$ 20,119,913</u>	<u>\$ 20,119,913</u>	<u>\$ 20,351,338</u>	<u>\$ 231,425</u>
Appropriated Fund Equity						
Prior year's Encumbrances	-	34,037	34,037	34,037		
Appropriated Fund Equity	<u>450,000</u>	<u>-</u>	<u>450,000</u>	<u>450,000</u>		
Total Appropriated Fund Equity	<u>450,000</u>	<u>34,037</u>	<u>484,037</u>	<u>484,037</u>		
Total Revenues, Other Sources and Appropriated Fund Equity	<u>\$ 20,569,913</u>	<u>\$ 34,037</u>	<u>\$ 20,603,950</u>	<u>\$ 20,603,950</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, 2019**

	<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	\$ 10,877	\$ -	\$ 10,877	\$ 10,877	\$ 5,105	\$ -	\$ 5,772
Central Administration	249,526	-	249,526	249,526	244,760	-	4,766
Finance	345,949	-	345,949	374,949	358,598	-	16,351
Staff	122,169	-	122,169	109,669	72,618	-	37,051
Central Services	1,548,986	12,078	1,561,064	1,585,109	1,364,133	57,784	163,192
Special Items	137,820	-	137,820	118,565	106,344	-	12,221
	<u>2,415,327</u>	<u>12,078</u>	<u>2,427,405</u>	<u>2,448,695</u>	<u>2,151,558</u>	<u>57,784</u>	<u>239,353</u>
Instruction							
Instruction, Administration & Improvement	784,008	4,240	788,248	747,968	670,709	1,175	76,084
Teaching - Regular School	5,085,765	3,975	5,089,740	5,160,550	4,950,071	300	210,179
Programs for Students with Disabilities	2,362,111	1,477	2,363,588	2,382,088	2,099,976	1,162	280,950
Occupational Education	557,573	-	557,573	557,573	540,670	-	16,903
Teaching - Special Schools	25,000	-	25,000	25,000	23,347	-	1,653
Instructional Media	612,191	4,776	616,967	630,833	535,214	110	95,509
Pupil Services	884,705	-	884,705	882,364	843,682	-	38,682
	<u>10,311,353</u>	<u>14,468</u>	<u>10,325,821</u>	<u>10,386,376</u>	<u>9,663,669</u>	<u>2,747</u>	<u>719,960</u>
Pupil Transportation	1,595,166	7,491	1,602,657	1,602,657	1,351,818	-	250,839
Employee Benefits	5,673,277	-	5,673,277	5,591,432	4,856,776	-	734,656
Debt Service Principal	492,720	-	492,720	492,720	526,720	-	(34,000)
Debt Service Interest	62,070	-	62,070	62,070	84,873	-	(22,803)
	<u>7,823,233</u>	<u>7,491</u>	<u>7,830,724</u>	<u>7,748,879</u>	<u>6,820,187</u>	<u>-</u>	<u>928,692</u>
Total Expenditures	20,549,913	34,037	20,583,950	20,583,950	18,635,414	60,531	1,888,005
Other Uses							
Interfund Transfer	20,000	-	20,000	20,000	13,363	-	6,637
	<u>20,569,913</u>	<u>34,037</u>	<u>20,603,950</u>	<u>20,603,950</u>	<u>18,648,777</u>	<u>60,531</u>	<u>1,894,642</u>
Net Change in Fund Equity					\$ 1,702,561		
Fund equity - beginning					4,822,336		
Fund equity - ending					<u>6,524,897</u>		

**BERLIN CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY
JUNE 30, 2019**

	Fiscal Year Ending *	Fiscal Year Ending *
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Measurement date	6/30/2019	6/30/2018
Service cost	\$ 1,541,534	\$ 1,496,635
Interest	1,091,584	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	(2,911,047)	-
Benefit payments	(912,559)	(846,542)
Net Change in Total OPEB Liability	(1,190,488)	1,700,956
Total OPEB Liability - beginning	35,297,486	33,596,530
Total OPEB Liability - ending	<u>\$ 34,106,998</u>	<u>\$ 35,297,486</u>
Covered-employee payroll	\$ 9,487,313	\$ 9,306,501
Total OPEB Liability as a percentage of covered-employee payroll	359.50%	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, 2019**

ERS Pension Plan Last 10 Fiscal Years		<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)		0.0070%	0.0072%	0.0069%	0.0075%	0.0074%
Proportionate share of the net pension liability (asset)		\$ 499,198	\$ 231,660	\$ 651,630	\$ 1,201,371	\$ 250,771
Covered-employee payroll		\$ 2,503,706	\$ 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		20%	9%	26%	48%	11%
Plan fiduciary net position as a percentage of the total pension liability		96.27%	98.24%	94.70%	90.70%	97.90%
TRR Pension Plan Last 10 Fiscal Years						
		<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)		0.0411%	0.0438%	0.0436%	0.0455%	0.0461%
Proportionate share of the net pension liability (asset)		\$ (743,580)	\$ (332,659)	\$ 466,568	\$ (4,728,908)	\$ (5,129,690)
Covered-employee payroll		\$ 7,269,260	\$ 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		-10%	-5%	7%	-70%	-75%
Plan fiduciary net position as a percentage of the total pension asset		101.53%	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, 2019**

ERS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 352,976	\$ 366,616	\$ 350,216	\$ 402,547	\$ 449,935
Contributions in relation to the contractually required contribution	<u>(352,976)</u>	<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>	<u>\$ -</u>
Covered-employee payroll	\$ 2,503,706	\$ 2,601,083	\$ 2,465,538	\$ 2,521,225	\$ 2,198,100
Contributions as a percentage of covered-employee payroll	14.10%	14.09%	14.20%	15.97%	20.47%

TRS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 656,422	\$ 812,821	\$ 891,345	\$ 1,198,863	\$ 1,198,863
Contributions in relation to the contractually required contribution	<u>(656,422)</u>	<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>	<u>\$ -</u>
Covered-employee payroll	\$ 7,269,260	\$ 7,062,305	\$ 6,869,673	\$ 6,770,885	\$ 6,810,500
Contributions as a percentage of covered-employee payroll	9.03%	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, 2019**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$	20,569,913
Add: Prior year's encumbrances		34,037
Original Budget		20,603,950
Additions: Budget Amendments		-
Final Budget	\$	20,603,950

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-20 [subsequent year's] voter-approved expenditure budget	\$	21,961,768
Maximum allowed (4% of 2019-20 [subsequent year's] budget)		878,471
General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted Fund Equity:		
Committed Fund Equity	\$	-
Assigned Fund Equity		1,481,363
Unassigned Fund Equity		1,535,187
Total Unrestricted Fund Equity		3,016,550
Less:		
Appropriated Fund Equity		1,420,832
Encumbrances included in Committed and Assigned Fund Equity		60,531
Total Adjustments		1,481,363
General Fund Fund Equity Subject to Section 1318 of Real Property Tax Law	\$	1,535,187
Actual percentage		6.99%

* 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, 2019

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2019
			Prior Years	Current Year	Total		Proceeds of Debt	Serial Installment Bonds	Local Sources	Total	
Buses - 2019	\$ 125,000	\$ 125,000	\$ 7,476	\$ 117,524	\$ 125,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (125,000)
Buses - 2018	120,000	120,000	120,000	-	120,000	-	-	-	100,000	100,000	(20,000)
Buses - 2017	125,000	125,000	125,000	-	125,000	-	85,805	-	100,257	186,062	61,062
Buses - 2016	487,122	487,122	487,122	-	487,122	-	264,789	-	45,807	310,596	(176,526)
Buses - 2014	231,038	231,038	231,038	-	231,038	-	184,831	-	-	184,831	(46,207)
Buses - 2013	110,928	110,928	110,928	-	110,928	-	88,742	-	22,186	110,928	-
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	790,002	-	207,663	997,665	(1,848,078)
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	1,357,627	1,531,065	(1,465,953)	3,925,000	-	2,025,000	5,950,000	4,418,935
Interest	-	-	1,312	-	1,312	(1,312)	-	-	562	562	(750)
Totals	\$ 9,001,666	\$ 8,278,685	\$ 8,191,533	\$ 1,475,151	\$ 9,666,684	\$ (1,387,999)	\$ 5,674,765	\$ -	\$ 4,300,125	\$ 9,974,890	\$ 308,206

**BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019**

Capital Assets, Net	\$	10,414,157
Add:		
Capital projects fund - cash and investments	\$	<u>942,815</u>
		942,815
Deduct:		
Bond anticipation notes payable	(506,928)	<u>(4,256,928)</u>
Short-term portion of bonds payable	(315,000)	
Long-term portion of bonds payable	(3,435,000)	
Unamortized bond premium	<u>-</u>	
Net Investment in Capital Assets	\$	<u><u>7,100,044</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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

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

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

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

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.

2019-001 Compliance with New York State Real Property Tax Law.

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 19/20 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 and excess fund balance from the Employee Benefit Accrued Liability Reserve being transferred into fund balance.

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 2019-20 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, 2020.

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

October 15, 2019