

BERLIN
CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2021

BERLIN CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Berlin Central School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Berlin Central School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Berlin Central School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, each major fund, and the fiduciary fund information of the Berlin Central School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of changes in the total OPEB liability, the District's proportionate share of the net pension asset/liability, and District contributions on pages M1-M10 and 49-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 supplementary 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Berlin Central School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021 on our consideration of the Berlin Central School 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Berlin Central School District's internal control over financial reporting and compliance.

Raymond G. Preusser, CPA, PC

Claverack, New York
October 28, 2021

BERLIN CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2021

INTRODUCTION

The Berlin Central School District offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Net position decreased from (\$21,621,278) to (\$23,046,220) in the districtwide financial statements.
- As of the close of this fiscal year, the District's General Fund balance was \$6,490,116 an increase of \$1,726,716 in comparison with the prior year. The increase was the result of the excess of revenues over expenditures.
- In anticipation of a reduction in state aid, the District started the year with excess unassigned fund balance. This combined with the decrease in expenses due to Covid-19 allowed for a significant build up in the fund balance. The District has analyzed all reserve balances and transferred excess fund balance to other reserves, where permitted, and/or assigned fund balance.
- The District appropriated fund balance to offset 2021-22 taxes and was able to maintain the reserves for employee benefits accrued liability, unemployment, workers compensation, employee and teacher retirement contributions, tax certiorari, debt service and capital.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Districtwide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

In addition to these statements, this report also includes required supplemental information and other supplemental information.

Our auditor has provided assurance in the independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified below. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

Financial Statements

Required Supplemental Information (Part A)
Management's Discussion & Analysis (MD&A)

Basic Financial Statements

Districtwide Financial Statements	↔	Fund Financial Statements
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Notes to the Basic Financial Statements

Required Supplemental Information

General Fund Budget to Actual Schedule

Changes in the Total OPEB Liability

District's Proportionate Share of the Net Pension Asset/Liability

District Contributions

Other Supplemental Information

General Fund Budget & Fund Balance Information

Capital Project Funds Schedule of Project Expenditures

Schedule of Net Investment in Capital Assets

Major Features of Berlin's Central School District's Districtwide and Fund Financial Statements

	Districtwide Statements	Fund Statements	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District government (except fiduciary funds)	The activities of the School District that are not fiduciary such as School Lunch and Capital spending	Instances where the School District is the trustee or agent for someone else's resources, such as payroll taxes and scholarships
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

DISTRICTWIDE FINANCIAL STATEMENTS

The districtwide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants earned but not yet received, unused vacation/sick leave, and proceeds from Revenue Anticipation Notes and related interest).

All of the District's services are reported in the districtwide financial statements as *governmental activities*, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

DISTRICTWIDE FINANCIAL ANALYSIS

Berlin Central School District's Net Position June 30, 2021 and 2020

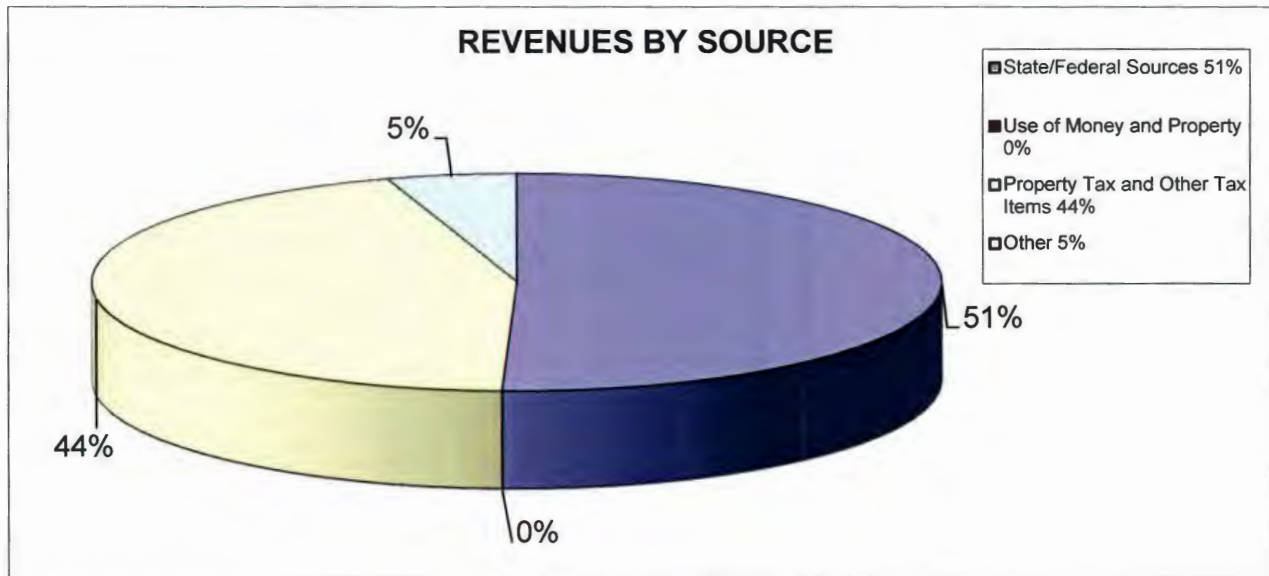
	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
Current Assets	\$ 9,973,096	\$ 13,361,915	\$ (3,388,819)
Capital Assets	22,213,897	17,230,631	4,983,266
Net Pension Asset	-	1,122,261	(1,122,261)
Total Assets	32,186,993	31,714,807	472,186
Deferred Outflows of Resources	11,867,508	11,644,527	222,981
Total Assets and Outflows of Resources	44,054,501	43,359,334	695,167
Current Liabilities	12,292,374	12,469,926	(177,552)
Noncurrent Liabilities	3,267,508	3,549,049	(281,541)
Total OPEB Obligation	45,897,435	43,459,150	2,438,285
Net Pension Liability	1,227,224	1,775,328	(548,104)
Total Liabilities	62,684,541	61,253,453	1,431,088
Deferred Inflows of Resources	4,416,180	3,727,159	689,021
Total Liabilities and Inflows of Resources	67,100,721	64,980,612	2,120,109
Net Position:			
Investment in capital assets, net of related debt	9,724,769	9,185,540	539,229
Restricted	5,138,326	2,375,214	2,763,112
Unrestricted (deficit)	(37,909,315)	(33,182,032)	(4,727,283)
Total Net Position	<u><u>\$ (23,046,220)</u></u>	<u><u>\$ (21,621,278)</u></u>	<u><u>\$ (1,424,942)</u></u>

**Berlin Central School District's
Changes in Net Position
For the Years Ended June 30, 2021 and 2020**

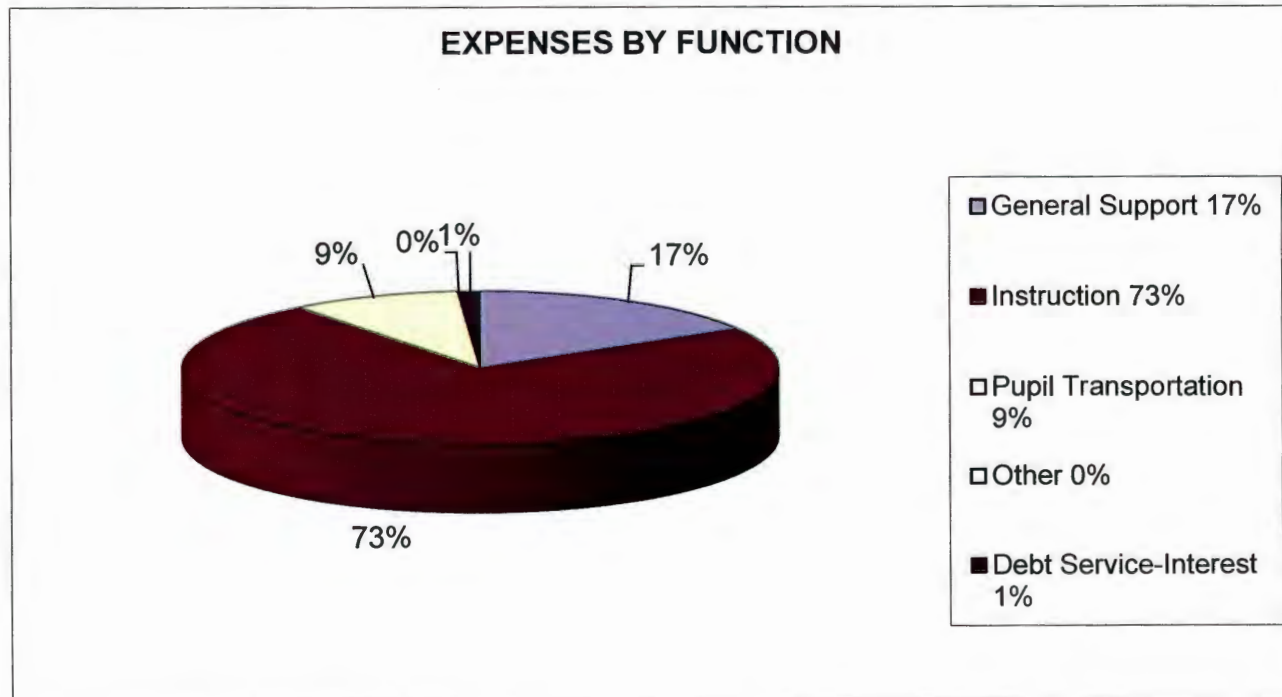
	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$ 56,149	\$ 220,979	\$ (164,830)
Operating Grants and Contributions	829,138	871,460	(42,322)
Total Program Revenues	<u>\$ 885,287</u>	<u>\$ 1,092,439</u>	<u>\$ (207,152)</u>
General Revenues:			
Real Property Taxes	\$ 8,787,785	\$ 9,701,291	\$ (913,506)
Other Tax Items	999,580	-	999,580
Use of Money and Property	2,587	41,025	(38,438)
Sale of Property and Compensation for Loss	1,350	(900)	2,250
Miscellaneous	1,084,655	171,799	912,856
State Sources	10,905,690	10,325,630	580,060
Federal Sources	214,889	109,061	105,828
Total General Revenues	<u>21,996,536</u>	<u>20,347,906</u>	<u>1,648,630</u>
<u>Expenses (Net of Program Revenues):</u>			
Instruction	17,111,396	16,395,538	715,858
Support Services:			
General Support	3,872,926	3,643,834	229,092
Pupil Transportation	2,159,114	2,300,194	(141,080)
Debt Service-Interest	253,325	336,394	(83,069)
School Lunch	24,717	238,241	(213,524)
Total Expenses	<u>23,421,478</u>	<u>22,914,201</u>	<u>507,277</u>
Change in Net Position	<u>\$ (1,424,942)</u>	<u>\$ (2,566,295)</u>	<u>\$ 1,141,353</u>

The following charts provide the percentage breakdown of all revenues by source and all expenses by function for the entire District:

Districtwide Revenues by Source
For the Year Ended June 30, 2021



Districtwide Expenses by Function
For the Year Ended June 30, 2021



FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants). All of the funds of the District can be divided into two categories; governmental funds, and fiduciary funds.

- **Governmental funds:** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the districtwide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary funds:** The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the districtwide financial statements because it cannot use these assets to finance its operations.

FUND FINANCIAL ANALYSIS (DISTRICT'S FUNDS)

The District's governmental funds (as presented on the balance sheet) reported a combined Fund Balance of (\$2.3) million, which is below last year's total of \$1.2 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2021 and 2020.

	Fund Balance 2021	Fund Balance 2020	Variance Increase (Decrease)
General	\$ 6,490,116	\$ 4,763,400	\$ 1,726,716
School Lunch	31,764	49,758	(17,994)
Special Aid	20,032	-	20,032
Capital	(8,852,726)	(3,596,055)	(5,256,671)
Totals	<u>\$ (2,310,814)</u>	<u>\$ 1,217,103</u>	<u>\$ (3,527,917)</u>

General Fund

The tables that follow assist in illustrating the financial activities and balance of the general fund.

<u>Revenues:</u>	<u>2021</u>	<u>2020</u>	<u>Variance Increase (Decrease)</u>
Taxes and Other Tax Items	\$ 9,787,365	\$ 9,599,659	\$ 187,706
Use of Money and Property	2,587	41,024	(38,437)
State/Federal Sources	11,222,211	10,434,691	787,520
Other	870,499	302,080	568,419
Totals	<u>\$ 21,882,662</u>	<u>\$ 20,377,454</u>	<u>\$ 1,505,208</u>

<u>Expenses:</u>	<u>2021</u>	<u>2020</u>	<u>Variance Increase (Decrease)</u>
General Support	\$ 2,898,151	\$ 2,180,406	\$ 717,745
Instruction	9,995,787	10,160,819	(165,032)
Pupil Transportation	1,241,829	1,392,362	(150,533)
Employee Benefits	4,918,571	4,698,537	220,034
Debt Service	1,096,635	693,483	403,152
Operating Transfers Out	4,973	3,013,344	(3,008,371)
Totals	<u>\$ 20,155,946</u>	<u>\$ 22,138,951</u>	<u>\$ (1,983,005)</u>

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with New York State law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between the general fund's original budget and the final amended budget was \$650,296. This amount represents carryover encumbrances from the prior year.

CAPITAL ASSETS

The District's capital assets (net of accumulated depreciation) as of June 30, 2021 are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 64,500
Construction in Progress	13,570,376
Buildings and Improvements	7,089,248
Equipment	319,250
Vehicles	<u>1,170,523</u>
Total	<u>\$22,213,897</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$4,983,266. The most significant increase to capital assets was attributable to the purchase of vehicles and equipment and the costs of the ongoing Capital Projects less the depreciation of the capital assets.

DEBT

The District had debt including bond anticipation notes payable and serial bonds outstanding in the amount of \$14,238,665 as of June 30, 2021 an increase over the previous year of \$1,864,272. The debt outstanding for the year ended June 30, 2021 is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bonds	\$ 3,115,000
Bond Anticipation Notes	<u>11,123,665</u>
Total	<u>\$14,238,665</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 10% of the total full value of real property. At June 30, 2021, the District's general obligation debt was significantly less than its total debt limit.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District is confident that its current financial status is stable. The District was aware of the following existing circumstances that could significantly affect its financial health in the future.

There are concerns about state budget deficits going forward and whether the state will maintain state aid at its current level or implement cuts when federal funding ends. With the current tax cap in place, it is likely that any cut in state aid would be significant and it is not likely that local sources would be able to make up the difference.

The cost of providing special education services is rising at a higher rate than other areas of expenditures.

Annual health costs continue to increase.

The rising cost of oil will continue to increase the costs of transporting students. Due to economic instabilities, the District continues to budget for regular price increases for fuel and energy.

Pandemic related shortages have put a strain of keeping expenses within the budgeted amounts. Additionally, staffing shortages due to required quarantines and illness are stretching financial and human resources to their capacity.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

It is the intent of this report to provide the District's citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

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

BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2021

ASSETS

Unrestricted cash	\$ 3,656,185	
Restricted cash	4,616,522	
State and federal aid receivable	1,204,509	
Due from other governments	298,471	
Due from fiduciary funds	171,123	
Inventories	26,286	
Capital assets, net	22,213,897	
Total Assets		<u>\$ 32,186,993</u>

DEFERRED OUTFLOW OF RESOURCES

Pensions	\$ 5,918,584	
OPEB-GASB#75	5,948,924	
Total Deferred Outflows of Resources		<u>\$ 11,867,508</u>

LIABILITIES

Current Liabilities:

Accounts payable	\$ 134,044	
Accrued liabilities	26,474	
Bond anticipation notes payable	11,123,665	
Due to other governments	75,589	
Due to fiduciary funds	25,922	
Due to teachers' retirement system	789,025	
Due to employees' retirement system	109,640	
Unearned revenue	8,015	

Long-Term Liabilities:

Due and payable within one year

Bonds payable	<u>325,000</u>	
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Due and payable after one year

Bonds payable	2,790,000	
Compensated absences payable	152,508	
Other postemployment benefits payable	45,897,435	
Net pension liability - proportionate share	<u>1,227,224</u>	

Total Liabilities		<u>\$ 62,684,541</u>
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DEFERRED INFLOWS OF RESOURCES

Pensions	2,828,337	
OPEB-GASB#75	<u>1,587,843</u>	
Total Deferred Inflows of Resources		<u>\$ 4,416,180</u>

NET POSITION

Net Investment in Capital Assets	9,724,769	
Restricted	5,138,326	
Unrestricted (deficit)	<u>(37,909,315)</u>	
Total Net Position		<u><u>\$ (23,046,220)</u></u>

See auditor's report. See notes to financial statements.

BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Year Ended June 30, 2021

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 2,881,960	\$ 990,966	\$ -	\$ -	\$ (3,872,926)
Instruction	10,617,723	7,150,589	45,194	611,722	(17,111,396)
Pupil transportation	1,241,829	917,285	-	-	(2,159,114)
Employee benefits	8,415,728	(8,415,728)	-	-	-
Debt service-interest	253,325	-	-	-	(253,325)
Depreciation	668,502	(668,502)	-	-	-
School lunch program	227,698	25,390	10,955	217,416	(24,717)
Total Functions and Programs	<u>\$ 24,306,765</u>	<u>\$ -</u>	<u>\$ 56,149</u>	<u>\$ 829,138</u>	<u>(23,421,478)</u>
GENERAL REVENUES					
Real property taxes					8,787,785
Other tax items					999,580
Use of money and property					2,587
Sale of property and compensation for loss					1,350
Miscellaneous					1,084,655
State sources					10,905,690
Federal sources					<u>214,889</u>
Total General Revenues					<u>21,996,536</u>
Change in Net Position					(1,424,942)
Total Net Position - Beginning of year, restated					<u>(21,621,278)</u>
Total Net Position - End of year					<u>\$ (23,046,220)</u>

See auditor's report. See notes to financial statements.

BERLIN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
June 30, 2021

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted cash	\$ 3,656,185	\$ -	\$ -	\$ 3,656,185
Restricted cash	4,616,522	-	-	4,616,522
State and federal aid receivable	1,204,509	-	-	1,204,509
Due from other governments	298,471	-	-	298,471
Due from other funds	5,401,261	-	(5,401,261)	-
Due from fiduciary funds	-	-	171,123	171,123
Inventories	26,286	-	-	26,286
Capital assets (net)	-	22,213,897	-	22,213,897
Total Assets	<u>\$ 15,203,234</u>	<u>\$ 22,213,897</u>	<u>\$ (5,230,138)</u>	<u>\$ 32,186,993</u>
DEFERRED OUTFLOW OF RESOURCES				
Pensions	\$ -	\$ 5,918,584	\$ -	\$ 5,918,584
OPEB-GASB#75	-	5,948,924	-	5,948,924
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 11,867,508</u>	<u>\$ -</u>	<u>\$ 11,867,508</u>
LIABILITIES				
Accounts payable	\$ 134,044	\$ -	\$ -	\$ 134,044
Accrued liabilities	18,010	8,464	-	26,474
Bonds payable	-	3,115,000	-	3,115,000
Bond anticipation notes payable	11,123,665	-	-	11,123,665
Other postemployment benefits payable	-	45,897,435	-	45,897,435
Compensated absences	-	152,508	-	152,508
Due to other funds	5,256,060	-	(5,256,060)	-
Due to fiduciary funds	-	-	25,922	25,922
Due to other governments	75,589	-	-	75,589
Due to teachers' retirement system	789,025	-	-	789,025
Due to employees' retirement system	109,640	-	-	109,640
Unearned revenue	8,015	-	-	8,015
Net pension liability- proportionate share	-	1,227,224	-	1,227,224
Total Liabilities	<u>\$ 17,514,048</u>	<u>\$ 50,400,631</u>	<u>\$ (5,230,138)</u>	<u>\$ 62,684,541</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ -	\$ 2,828,337	\$ -	\$ 2,828,337
OPEB-GASB#75	-	1,587,843	-	1,587,843
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 4,416,180</u>	<u>\$ -</u>	<u>\$ 4,416,180</u>
FUND BALANCE\NET POSITION				
Total Fund Balance\Net Position	<u>\$ (2,310,814)</u>	<u>\$ (20,735,406)</u>	<u>\$ -</u>	<u>\$ (23,046,220)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance\Net Position	<u>\$ 15,203,234</u>	<u>\$ 34,081,405</u>	<u>\$ (5,230,138)</u>	<u>\$ 44,054,501</u>

See auditor's report. See notes to financial statements.

BERLIN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For Year Ended June 30, 2021

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 8,787,785	\$ -	\$ -	\$ -	\$ 8,787,785
Other tax items	999,580	-	-	-	999,580
Charges for services	45,194	-	-	-	45,194
Use of money and property	2,587	-	-	-	2,587
Sale of property and compensation for loss	1,350	-	-	-	1,350
Miscellaneous	823,955	260,700	-	-	1,084,655
State sources	11,108,591	(101,632)	-	-	11,006,959
Federal sources	942,758	-	-	-	942,758
Sales - school lunch	10,955	-	-	-	10,955
Total Revenues	<u>22,722,755</u>	<u>159,068</u>	<u>-</u>	<u>-</u>	<u>22,881,823</u>
EXPENDITURES\EXPENSES					
General support	2,898,151	-	(16,191)	-	2,881,960
Instruction	10,592,442	38,459	(13,178)	-	10,617,723
Pupil transportation	1,241,829	-	-	-	1,241,829
Employee benefits	4,937,246	3,478,482	-	-	8,415,728
Debt service-principal	685,728	-	-	(685,728)	-
-interest	410,907	(157,582)	-	-	253,325
Cost of sales	227,698	-	-	-	227,698
Depreciation	-	-	668,502	-	668,502
Capital outlay	5,622,399	-	(5,622,399)	-	-
Total Expenditures	<u>26,616,400</u>	<u>3,359,359</u>	<u>(4,983,266)</u>	<u>(685,728)</u>	<u>24,306,765</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,893,645)</u>	<u>(3,200,291)</u>	<u>4,983,266</u>	<u>685,728</u>	<u>(1,424,942)</u>
OTHER SOURCES AND USES					
Bond anticipation notes redeemed	365,728	-	-	(365,728)	-
Operating transfers in	4,973	(4,973)	-	-	-
Operating transfers (out)	(4,973)	4,973	-	-	-
Total Other Sources (Uses)	<u>365,728</u>	<u>-</u>	<u>-</u>	<u>(365,728)</u>	<u>-</u>
Net Change for the Year	<u>\$ (3,527,917)</u>	<u>\$ (3,200,291)</u>	<u>\$ 4,983,266</u>	<u>\$ 320,000</u>	<u>\$ (1,424,942)</u>

See auditor's report. See notes to financial statements.

BERLIN CENTRAL SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2021

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
ASSETS					
Unrestricted cash	\$ 104,045	\$ 5,030	\$ 2,403	\$ 3,544,707	\$ 3,656,185
Restricted cash	4,616,522	-	-	-	4,616,522
State and federal aid receivable	754,689	387,510	62,310	-	1,204,509
Due from other funds	3,921,508	520,957	430,541	528,255	5,401,261
Due from other governments	298,471	-	-	-	298,471
Inventories	-	-	26,286	-	26,286
Total Assets	<u>\$ 9,695,235</u>	<u>\$ 913,497</u>	<u>\$ 521,540</u>	<u>\$ 4,072,962</u>	<u>\$ 15,203,234</u>
LIABILITIES					
Accounts payable	\$ 133,753	\$ -	\$ 291	\$ -	\$ 134,044
Accrued liabilities	18,010	-	-	-	18,010
Bond anticipation notes payable	-	-	-	11,123,665	11,123,665
Due to other funds	2,080,677	893,465	479,895	1,802,023	5,256,060
Due to other governments	74,014	-	1,575	-	75,589
Due to teachers' retirement system	789,025	-	-	-	789,025
Due to employees' retirement system	109,640	-	-	-	109,640
Unearned revenue	-	-	8,015	-	8,015
Total Liabilities	<u>3,205,119</u>	<u>893,465</u>	<u>489,776</u>	<u>12,925,688</u>	<u>17,514,048</u>
FUND BALANCES					
Non-spendable	-	-	26,286	-	26,286
Restricted	4,616,522	-	402	521,402	5,138,326
Assigned	848,034	20,032	5,076	-	873,142
Unassigned (deficit)	1,025,560	-	-	(9,374,128)	(8,348,568)
Total Fund Balances	<u>6,490,116</u>	<u>20,032</u>	<u>31,764</u>	<u>(8,852,726)</u>	<u>(2,310,814)</u>
Total Liabilities and Fund Balances	<u>\$ 9,695,235</u>	<u>\$ 913,497</u>	<u>\$ 521,540</u>	<u>\$ 4,072,962</u>	<u>\$ 15,203,234</u>

See auditor's report. See notes to financial statements.

BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS
For Year Ended June 30, 2021

	General	----- Special Aid	School Lunch	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 8,787,785	\$ -	\$ -	\$ -	\$ 8,787,785
Other tax items	999,580	-	-	-	999,580
Charges for services	45,194	-	-	-	45,194
Use of money and property	2,587	-	-	-	2,587
Sale of property and compensation for loss	1,350	-	-	-	1,350
Miscellaneous	823,955	-	-	-	823,955
State sources	11,007,322	95,100	6,169	-	11,108,591
Federal sources	214,889	516,622	211,247	-	942,758
Sales	-	-	10,955	-	10,955
Total Revenues	21,882,662	611,722	228,371	-	22,722,755
EXPENDITURES					
General support	2,898,151	-	-	-	2,898,151
Instruction	9,995,787	596,655	-	-	10,592,442
Pupil transportation	1,241,829	-	-	-	1,241,829
Employee benefits	4,918,571	-	18,675	-	4,937,246
Debt service					
Principal	685,728	-	-	-	685,728
Interest	410,907	-	-	-	410,907
Cost of sales	-	-	227,698	-	227,698
Capital outlay	-	-	-	5,622,399	5,622,399
Total Expenditures	20,150,973	596,655	246,373	5,622,399	26,616,400
Excess (Deficiency) of Revenues Over Expenditures	1,731,689	15,067	(18,002)	(5,622,399)	(3,893,645)
OTHER SOURCES AND USES					
Operating transfers in	-	4,965	8	-	4,973
Operating transfers (out)	(4,973)	-	-	-	(4,973)
Bond anticipation notes redeemed	-	-	-	365,728	365,728
Total Other Sources (Uses)	(4,973)	4,965	8	365,728	365,728
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,726,716	20,032	(17,994)	(5,256,671)	(3,527,917)
Fund Balance - (Deficit) Beginning of year	4,763,400	-	49,758	(3,596,055)	1,217,103
Fund Balance - (Deficit) End of year	\$ 6,490,116	\$ 20,032	\$ 31,764	\$ (8,852,726)	\$ (2,310,814)

See auditor's report. See notes to financial statements.

BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

	Private Purpose Trusts	Custodial Funds	Extraclassroom Activity Funds
ASSETS			
Unrestricted cash	\$ 674,193	\$ 185,573	\$ 52,132
Due from governmental funds	25,922	-	-
Total Assets	<u>\$ 700,115</u>	<u>\$ 185,573</u>	<u>\$ 52,132</u>
LIABILITIES			
Other liabilities	\$ 17,890	\$ 14,450	\$ -
Due to governmental funds	-	171,123	-
Total Liabilities	<u>17,890</u>	<u>185,573</u>	<u>-</u>
NET POSITION			
Reserved for scholarships	682,225	-	-
Individuals, Organizations and			
Other governments	-	-	52,132
Total Net Position	<u>\$ 682,225</u>	<u>\$ -</u>	<u>\$ 52,132</u>

See auditor's report. See notes to financial statements.

BERLIN CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For Year Ended June 30, 2021

	Private Purpose Trusts	Custodial Funds	Extraclassroom Activity Funds
ADDITIONS			
Contributions	\$ 8,622	\$ -	\$ -
Interest	91	-	-
Unclassified	-		38,715
Total Additions	<u>8,713</u>	<u>-</u>	<u>38,715</u>
DEDUCTIONS			
Scholarships and awards	11,030	-	-
Other custodial activities	-		40,680
Total Deductions	<u>11,030</u>	<u>-</u>	<u>40,680</u>
Net Increase (Decrease) in Fiduciary Net Position	(2,317)	-	(1,965)
Net Position - Beginning of year	<u>684,542</u>	<u>-</u>	<u>54,097</u>
Net Position - End of year	<u><u>\$ 682,225</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 52,132</u></u>

See auditor's report. See notes to financial statements.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. **Summary of Significant Accounting Policies**

The financial statements of the Berlin Central School District have been prepared in conformity with generally accepted accounting principles (GAAP). Those principles are as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized 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 7 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. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the School 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 review of certain entities included in the School District's reporting entity:

The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the Berlin Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are included in these financial statements. The District accounts for assets held as an agent for various student organizations in a custodial fund.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

B. **Joint Venture**

The Berlin Central School District is one of 22 component school districts in 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.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards 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 Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which their students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year ended June 30, 2021, the Berlin Central School District was billed \$1,942,780 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$587,814. Financial statements for the BOCES Aid are available from the BOCES administrative office.

C. **Basis of Presentation**

1. **Districtwide Statements**

The Districtwide 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,

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

1. Districtwide Statements (Continued)

State Aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. 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 a particular function. 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

2. Fund Financial Statements

The fund financial 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 District reports the following funds:

a. Major Governmental Funds

- (1) General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- (2) Special Aid Fund** - These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

C. **Basis of Presentation (Continued)**

2. **Fund Financial Statements (Continued)**

a. **Major Governmental Funds (Continued)**

- (3) **School Lunch Fund** – Used to account for transactions of the District's lunch and breakfast programs.
- (4) **Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.
- (5) **Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. **Fiduciary Funds**

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the districtwide 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:

- (1) **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.
- (2) **Custodial 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.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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 districtwide 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. Nonexchange 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 for which the taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The 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 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States 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 FDIC 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 districts. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

F. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on August 18, 2020. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the County of Rensselaer. An amount representing uncollected real property taxes is transmitted to the County for enforcement and is paid by the County to the District no later than the forthcoming April 1.

G. Restricted Resources

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

H. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. 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 districtwide 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 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.

Refer to Note IV for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

J. Receivables

Accounts receivable are shown 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 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 that approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

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. Under 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 balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

L. Other Assets/Restricted Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the districtwide financial statements and their use is limited by applicable bond covenants.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

L. Other Assets/Restricted Assets (Continued)

In the districtwide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

M. Capital Assets

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 5,000	15-50
Furniture and Equipment	\$ 1,000	5-15
Vehicles	\$ 5,000	8

N. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

N. Compensated Absences (Continued)

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested method and an accrual for that liability is included in the Districtwide Financial Statements. The compensated absences liability is calculated based on the pay 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 resources. These amounts are expensed on a pay-as-you-go basis.

O. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the districtwide 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 funds 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 within more than one year in the Statement of Net Position.

P. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the 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's contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the districtwide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

Q. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The item is related to pensions reported in the Districtwide Statement of Net Position. This represents the effect of net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments. The second item is related to OPEB reported in the districtwide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

R. Unearned Revenue

Unearned revenues 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 or when charges for service monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed, and revenues are recognized in subsequent periods when the District has legal claim to the resources.

S. Other Benefits

Eligible District employees participate in the New York State Teachers' Retirement System or the New York State and Local Employees' Retirement System.

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's 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-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

T. **Short-Term Debt**

The School District may issue Revenue and Tax Anticipation Notes in anticipation of receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The revenue anticipation and tax anticipation notes 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 there is an insufficient or no provision 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 School District may issue Bond Anticipation Notes in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of 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.

U. **Equity Classifications**

1. **Districtwide Statements**

In the districtwide 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 improvement of those assets.

Restricted net position – reports net position when constraints placed on the assets 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 all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements**

In the fund basis statements, there are five classifications of fund balance:

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 balance includes the inventory recorded in the School Lunch Fund of \$26,286.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of 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 balance. The School District has established the following restricted fund balances:

1. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and 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. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

2. **Unemployment Insurance**

This reserve 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. 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. This reserve is accounted for in the General Fund.

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

3. Employee Benefit Accrued Liability

This reserve is used to set aside funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

4. Tax Certiorari

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

5. Employee Retirement Contributions

This reserve is used for future employee's retirement and teachers' retirement obligations. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

6. Workers' Compensation

This reserve is 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. The reserve is accounted for in the General Fund.

7. Debt Service

This reserve is used for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

Restricted fund balance includes the following:

General Fund:

Employee Benefit Accrued Liability	\$ 137,220
Employee Retirement Contributions	2,000,000
Teacher Retirement Contributions	200,000
Unemployment Insurance	560,000
Workers' Compensation	600,000
Capital	1,000,000
Tax Certiorari	33,000
Debt Service	86,302
School Lunch Fund	402
Capital Fund	521,402
Total restricted funds	<u>\$ 5,138,326</u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making, the Board of Education. The School District has no committed fund balances as of June 30, 2021.

Assigned – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$148,034 and the assigned fund balance amounted to \$700,000.

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

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

U. Equity Classifications (Continued)

2. Fund Statements (Continued)

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a School District can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance 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.

Order of Use of Fund Balance:

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

V. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the District implemented the following new standards issued by GASB:

GASB has issued Statement 84, Fiduciary Activities, effective for the year ending June 30, 2021.

W. Future Changes in Accounting Standards

GASB has issued Statement 87, Leases, effective for the year ending June 30, 2022.

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 91, Conduit Debt Obligations, effective for the year ending June 30, 2023.

GASB has issued Statement 92, Omnibus 2020, effective for the year ending June 30, 2022.

GASB has issued Statement 93, Replacement of Interbank Offered Rates, effective dates vary based on specific paragraphs of the statement from the year ending June 30, 2021, 2022 and 2023.

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

W. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 96, Subscription-based Information technology Arrangements, effective for the year ending June 30, 2023.

GASB has issued Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal revenue Code Section 457 Deferred Compensation Plans, effective for the year ending June 30, 2022.

The school district will evaluate the impact that these pronouncements may have on its financial statements and will implement them as applicable and when material.

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements

Due to differences in the measurement focus and basis of accounting used in the governmental fund statements and the districtwide 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, compared with the current financial resources focus of the governmental funds.

1. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

Total fund balances of the District's governmental funds differ 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.

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities:

a. Long-term revenue differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues 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 on the Statement of Activities.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

b. 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 on the Statement of Activities, 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.

c. 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 as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

d. 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.

The costs of building and acquiring capital assets (land, buildings, and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually of their useful lives.

Original cost of capital assets	\$33,960,673
Accumulated depreciation	<u>11,746,776</u>
Capital assets, net	<u>\$22,213,897</u>

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Bonds payable	<u>\$ 3,115,000</u>
OPEB obligations	<u>\$45,897,435</u>
Compensated Absences	<u>\$ 152,508</u>
Net pension liability-proportionate share	<u>\$ 1,227,224</u>

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$668,502 was less than capital expenditures of \$5,651,768 in the current year.

Repayment of bond principal of \$685,728 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities decreased by \$157,582.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. Cash and Investments

A. Deposits

The Berlin Central School District's investment policies are governed by State statutes. The Berlin Central School District's 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.

Custodial credit risk is the risk that in an event of a bank failure, the District's deposits may not be returned to it. GASB directs that the deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the District's name.

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

The District did not have any investments at year end or during the year.

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. Interfund Transaction

Interfund balances at June 30, 2021 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 3,921,508	\$ 2,080,677	\$ -	\$ 4,973
Special Aid Fund	520,957	893,465	4,965	-
School Lunch Fund	430,541	479,895	8	-
Capital Fund	528,255	1,802,023	-	-
Total governmental activities	5,401,261	5,256,060	\$ 4,973	\$ 4,973
Custodial Fund	25,922	171,123		
Totals	\$ 5,427,183	\$ 5,427,183		

The District typically transfers from the General Fund to the Special Aid Fund to pay its' share of the Summer Handicapped Program.

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Capital Assets

A summary of changes in general fixed assets follows:

	Restated Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021
<u>Capital assets-not depreciated:</u>				
Land	\$ 64,500	\$ -	\$ -	\$ 64,500
Construction in progress	8,378,653	5,191,723	-	13,570,376
Total capital assets-not depreciated:	8,443,153	5,191,723	-	13,634,876
<u>Other capital assets:</u>				
Buildings and improvements	16,428,070	-	-	16,428,070
Machinery and equipment	1,079,434	20,178	-	1,099,612
Vehicles	2,754,242	439,867	395,994	2,798,115
Total other capital assets:	20,261,746	460,045	395,994	20,325,797
<u>Less accumulated depreciation:</u>				
Buildings and improvements	8,958,058	380,764	-	9,338,822
Machinery and equipment	701,243	79,119	-	780,362
Vehicles	1,814,967	208,619	395,994	1,627,592
Total accumulated depreciation	11,474,268	668,502	395,994	11,746,776
Other capital assets, net	8,787,478	(208,457)	-	8,579,021
Total	\$ 17,230,631	\$ 4,983,266	\$ -	\$ 22,213,897

Depreciation expense for the period was allocated to specific functions as follows:

General Support	\$ 92,137
Instruction	368,548
Pupil Transportation	201,102
School Lunch	6,715
	<u>\$668,502</u>

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans

1. General Information

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

2. Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). 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. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in 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. Additional information regarding the System, 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 NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystsr.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. 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. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). 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. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

Funding Policies:

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier 6 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. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Contributions

	ERS	TRS
2021	\$329,701	\$723,032
2020	\$333,064	\$656,041
2019	\$332,829	\$803,473

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, 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, 2021 for ERS and June 30, 2019 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Actuarial valuation date	1-Apr-20	30-Jun-19
Net pension (asset)/liability	\$7,001	\$1,220,223
District's portion of the Plan's total net pension asset/(liability)	.0070306%	.044159%
Change in proportion since the prior measurement date	.0003306%	.001059%

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

For the year ended June 30, 2021, the District's recognized pension expense of \$232,483 for ERS and \$1,660,769 for TRS. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$85,497	\$1,069,160	\$0	\$62,534
Changes of assumptions	1,287,193	1,543,298	24,277	550,105
Net difference between projected and actual earnings on pension plan investments	0	796,913	2,010,998	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	156,259	154,921	15,587	164,836
District's contributions subsequent to the measurement date	109,640	715,703	0	0
Total	<u>\$1,638,589</u>	<u>\$4,279,995</u>	<u>\$2,050,862</u>	<u>\$777,475</u>

District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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:		
2021	\$ -	\$ 493,263
2022	(\$61,000)	977,478
2023	(\$3,942)	789,941
2024	(\$85,040)	485,452
2025	(\$371,931)	(5,105)
Thereafter	\$0	45,788

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

4. Actuarial Assumptions

The total pension 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 liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.9%	7.10%
Salary scale	4.40%	1.90%-4.72%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.5%	2.20%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020. 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-2019.

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

The long-term 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 each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement date	<u>ERS</u> March 31, 2021	<u>TRS</u> June 30, 2020
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equities	32%	33%
International Equities	15%	16%
Global equities	0%	4%
Private Equity	10%	8%
Real Estate Equity	9%	11%
Domestic fixed income securities	23%	16%
Global bonds	0%	2%
Private debt	4%	1%
Absolute return strategies	3%	0%
Real estate debt	0%	7%
Cash Equivalents	1%	1%
High yield fixed income securities	0%	1%
Real assets	3%	0%

5. Discount Rate

The discount rate used to calculate the total pension liability was 5.9 % for ERS and 7.10 % 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. Based upon the assumptions, the Systems' 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 liability.

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

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

The following presents the District's proportionate share of the net pension asset/liability calculated using the discount rate of 5.9% for ERS and 7.10% 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 (4.90% for ERS and 6.10% for TRS) or 1-percentage point higher (6.9% for ERS and 8.10% for TRS) than the current rate :

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share Of the net pension (asset) liability	\$1,943,109	\$7,001	(\$1,778,545)
TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Employer's proportionate share Of the net pension (asset) liability	\$7,707,728	\$1,220,223	(\$4,224,438)

7. Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset)/liability of the employers as of the respective valuation dates, were as follows:

	<u>ERS</u> March 31, 2021	<u>TRS</u> June 30, 2020
Measurement date		
Employers' total pension liability	\$ 220,680,157	\$ 123,242,776,215
Plan Fiduciary Net Position	220,580,583	120,479,505,380
Employers' net pension liability/(asset)	99,574	2,763,270,835
Plan fiduciary net position as a percentage of total pension (asset)/liability	99.9500%	97.8000%

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$109,640.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 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, 2021 amounted to \$789,025.

VII. Short-Term Debt Obligations

Transactions in short-term debt for the year are summarized below:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 7/1/2020</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/21</u>
BAN	2020	2.0%	\$ 8,939,393	\$ -	\$ 8,939,393	\$ -
BAN	2021	2.0%	-	10,325,000	10,325,000	-
BAN	2021	.69%	-	928,665	-	928,665
BAN	2022	.21-2.0%	-	10,195,000	-	10,195,000
			<u>\$8,939,393</u>	<u>\$21,448,665</u>	<u>\$19,264,393</u>	<u>\$11,123,665</u>

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

Interest paid	\$330,807
Less interest accrued in the prior year	(162,708)
Plus, interest accrued in the current year	<u>5,393</u>
Total expense	<u>\$173,492</u>

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Long-Term Debt Obligations

Long-term liability balances and activity for the year are summarized below:

1. Long-Term Debt Interest

Interest paid	\$80,100
Less interest accrued in the prior year	(3,338)
Plus interest accrued in the current year	<u>3,071</u>
Total expense	<u>\$79,833</u>

2. Changes

	Balance 7/1/2020	Additions	Deletions	Balance 6/30/2021	Due Within One Year
Serial Bonds	\$ 3,435,000	\$ -	\$ 320,000	\$ 3,115,000	<u>\$ 325,000</u>
Compensated Absences	114,049	38,459	-	152,508	
OPEB Obligations	43,459,150	2,438,285	-	45,897,435	
Net Pension Liability- Proportionate Share	2,897,589	-	1,670,365	1,227,224	
Totals	<u>\$ 49,905,788</u>	<u>\$ 2,476,744</u>	<u>\$ 1,990,365</u>	<u>\$ 50,392,167</u>	

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

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Long-Term Debt Obligations (Continued)

3. Maturity

a. The following is a summary of the debt issued:

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2021
Serial Bonds:				
Construction	2019	2033	2-3%	3,115,000
Total				<u>\$ 3,115,000</u>

b. The following is a summary of maturing principal debt service requirements:

Year	Principal	Interest	Total
2022	\$ 325,000	\$ 73,700	\$ 398,700
2023	335,000	67,200	402,200
2024	340,000	60,500	400,500
2025	350,000	53,700	403,700
2026	355,000	46,700	401,700
2027 and thereafter	1,410,000	110,100	1,520,100
Total	<u>\$ 3,115,000</u>	<u>\$ 411,900</u>	<u>\$ 3,526,900</u>

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits

A. General Information about the OPEB Plan

Plan Description- The District's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of Statement 75.

Benefits Provided- The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms- At June 30, 2021, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefit payments	148
Inactive members entitled to but not yet receiving benefit payments	-
Active plan members	<u>175</u>
Total members	323

B. Total OPEB Liability

The District's total OPEB liability of \$45,897,435 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs- The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

B. Total OPEB Liability (Continued)

Inflation	2.60%
Salary Increases	2.60%, average, including inflation
Discount Rate	2.16%
Healthcare Cost Trend Rates	6.6% for 2021, decreasing to an ultimate rate of 4.1% over 56 years

Retiree's Share of Benefit-Related Costs 45% of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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).

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period April 1, 2010-March 31, 2015.

C. Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$43,459,150</u>
<u>Changes for the Year</u>	
Service cost	2,030,981
Interest	994,358
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	411,544
Benefit payments	<u>(998,598)</u>
Net Changes	<u>2,438,285</u>
Balance at June 30, 2021	<u>\$45,897,435</u>

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

C. Changes in the Total OPEB Liability (Continued)

Changes of assumptions and other inputs reflect no change in the discount rate from 2.21% in 2020 to 2.16% in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

	(1.16%) <u>1% Decrease</u>	Current Discount Rate (2.16%)	(3.16%) <u>1% Increase</u>
Total OPEB Liability	<u>\$55,320,148</u>	<u>\$45,897,435</u>	<u>\$38,554,144</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates- The following presents the total OPEB liability of the District, 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 or 1 percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Total OPEB Liability	<u>\$36,907,220</u>	<u>\$45,897,435</u>	<u>\$58,075,936</u>

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,644,106. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 738,890	\$ -
Changes of assumptions or other inputs	<u>5,210,034</u>	<u>(1,587,843)</u>
Total	<u>\$5,948,924</u>	<u>(\$1,587,843)</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 617,365
2023	617,365
2024	617,365
2025	793,794
2026	1,057,396
Thereafter	657,796

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The Berlin Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; 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.

2. Other Items

The School District has received grants, which are subject to audit by agencies of the State and Federal government. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

3. Workers' Compensation Insurance

The School District participates in a risk-sharing pool, Rensselaer-Columbia-Greene Workers' Compensation Consortium, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risk related to workers' compensation claims.

4. Health Insurance

The School 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 health insurance coverage at a lower rate for member educational institutions due to a larger participation pool.

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Commitments and Contingencies (Continued)

A. Risk Financing and Related Insurance (Continued)

5. Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payments of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. The School District has established a tax certiorari reserve to cover a portion of the potential refund exposure and the District has legal authority to borrow funds to repay school taxes when needed.

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Other Disclosures

A. Prior Period Adjustment

The reconciliation of restated amounts to the June 30, 2020 year end balance is:

Beginning Net Position	(\$21,695,758)
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The following adjustment is necessary to determine the revised beginning Net Position for the Statement of Activities:

Capital assets	<u>74,480</u>
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Beginning net position reported on Statement of Activities, for governmental activities, July 1, 2020.	<u><u>(\$21,621,278)</u></u>
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B. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

Total governmental fund balance	\$ (2,310,814)
Capital assets (net)	22,213,897
Deferred outflows of resources	11,867,508
Bonds payable	(3,115,000)
Accrued interest payable	(8,464)
Net pension liability- proportionate share	(1,227,224)
Deferred inflows of resources	(4,416,180)
Compensated absences	(152,508)
OPEB obligations	<u>(45,897,435)</u>
Total net position	<u><u>\$ (23,046,220)</u></u>

BERLIN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Other Disclosures (Continued)

C. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net changes in fund balance – total governmental funds	(\$3,527,917)
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	5,651,768
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(668,502)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	685,728
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The decrease in accrued interest during 2020/21 results in less expense.	157,582
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(365,728)
Certain revenues are recorded as revenue in the governmental funds, but not in the Statement of Activities.	(101,632)
Retainage and receivables from prior year need to be recognized as revenue in the Statement of Activities.	260,700
(Increases) Decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds:	
Teachers' Retirement System	(936,657)
Employees' Retirement System	102,281
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(2,644,106)
Compensated absences	(38,459)
Change in Net Position – Governmental Activities	<u>(\$1,424,942)</u>

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Stewardship, Compliance and Accountability

A. Budgetary Procedures and Budgetary Accounting

1. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

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 included in the original budget (When permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The General Fund budget was increased to reflect the the carryover encumbrances in the amount of \$650,296.

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.

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.

Special Aid Fund and School Lunch Fund have not been included because they do not have legally authorized budgets.

BERLIN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

2. 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.

3. Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that can be retained by a school district. The current law limits this amount to 4% of the ensuing year's budget. The District's financial statements for the year ended June 30, 2021, indicate that the unassigned fund balance is in excess of the legal limit.

Due to the current COVID-19 pandemic and the uncertainty of future State and Federal Aid, the District feels that it is prudent to maintain excess fund balance at this time.

4. The Capital Fund had a deficit fund balance at June 30, 2021 of \$8,852,726. The deficit will be eliminated when the District obtains permanent financing for the Capital Project.

XIII. Subsequent Events

On July 27, 2021 the District issued a Bond Anticipation Note (BAN) for \$3,000,000 for use on one of the Capital Projects.

On August 26, 2021 the District issued a Bond Anticipation Note (BAN) for \$846,200 for the purchase of buses.

BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2021

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 9,767,611	\$ 8,779,511	\$ 8,787,785	\$ 8,274
Other tax items	4,000	992,100	999,580	7,480
Charges for services	28,000	28,000	45,194	17,194
Use of money and property	62,000	62,000	2,587	(59,413)
Sale of property and compensation for loss	-	-	1,350	1,350
Miscellaneous	713,739	713,739	823,955	110,216
Total Local Sources	<u>10,575,350</u>	<u>10,575,350</u>	<u>10,660,451</u>	<u>85,101</u>
State sources	10,822,299	10,822,299	11,007,322	185,023
Federal sources	-	-	214,889	214,889
Total Revenues	<u>21,397,649</u>	<u>21,397,649</u>	<u>21,882,662</u>	<u>\$ 485,013</u>
Other Financing Sources				
Operating transfers in	-	-	-	-
Total Revenues and Other Financing Sources	<u>21,397,649</u>	<u>21,397,649</u>	<u>21,882,662</u>	<u>\$ 485,013</u>
Appropriated Fund Balance	500,000	500,000		
Appropriated Reserves	-	650,296		
Total Revenues, Appropriated Fund Balance and Reserves	<u>\$ 21,897,649</u>	<u>\$ 22,547,945</u>		

See paragraph on required supplementary information included in auditor's report.

BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-
GENERAL FUND
For Year Ended June 30, 2021

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 15,495	\$ 15,755	\$ 10,898	\$ -	\$ 4,857
Central administration	261,829	261,829	298,471	-	(36,642)
Finance	380,242	380,319	352,645	-	27,674
Staff	119,674	119,674	137,583	-	(17,909)
Central services	1,571,155	2,135,267	1,875,644	113,610	146,013
Special items	227,467	227,467	222,910	-	4,557
Total General Support	2,575,862	3,140,311	2,898,151	113,610	128,550
Instruction					
Instruction, administration and improvement	797,718	741,433	691,630	998	48,805
Teaching - regular school	5,261,031	5,403,058	5,140,945	4,922	257,191
Programs for children with handicapping conditions	2,725,630	2,650,027	2,268,875	2,984	378,168
Occupational education	570,518	570,518	568,813	-	1,705
Special schools	25,000	25,000	11,721	-	13,279
Instructional media	604,901	619,981	541,066	3,500	75,415
Pupil services	1,019,068	1,021,550	772,737	22,020	226,793
Total Instructional	11,003,866	11,031,567	9,995,787	34,424	1,001,356
Pupil Transportation	1,511,671	1,569,818	1,241,829	-	327,989
Employee Benefits	6,138,340	6,014,589	4,918,571	-	1,096,018
Debt Service					
Principal	555,740	555,740	685,728	-	(129,988)
Interest	92,170	215,920	410,907	-	(194,987)
Total Expenditures	21,877,649	22,527,945	20,150,973	148,034	2,228,938
OTHER FINANCING USES					
Operating transfers out	20,000	20,000	4,973	-	15,027
Total Expenditures and Other Financing Uses	\$ 21,897,649	\$ 22,547,945	20,155,946	\$ 148,034	\$ 2,243,965
Net change in fund balance			1,726,716		
Fund balance- Beginning			4,763,400		
Fund balance- Ending			<u>\$ 6,490,116</u>		

See paragraph on required supplementary information included in auditor's report.

BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
For Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost at end of year	\$ 2,030,981	\$ 1,507,707	\$ 1,541,534	\$ 1,496,635
Interest	994,358	1,229,641	1,091,584	1,040,191
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	-	-	10,672
Changes of assumptions or other inputs	411,544	7,587,384	(2,911,047)	-
Benefit payments	(998,598)	(972,580)	(912,559)	(846,542)
Net change in Total OPEB Liability	2,438,285	9,352,152	(1,190,488)	1,700,956
Total OPEB Liability- beginning	43,459,150	34,106,998	35,297,486	33,596,530
Total OPEB Liability- ending	<u>\$ 45,897,435</u>	<u>\$ 43,459,150</u>	<u>\$ 34,106,998</u>	<u>\$ 35,297,486</u>
Covered-employee payroll	9,242,420	9,242,420	9,487,313	9,306,501
Total OPEB Liability as a percentage of covered-employee payroll	496.60%	470.21%	359.50%	379.28%

See paragraph on required supplementary information included in auditor's report

BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
June 30, 2021

	<u>Employees' Retirement System</u>						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District 's proportion of the net pension asset	.0070306%	.0067%	.0070%	.0072%	.0069%	.0075%	.0074%
District's proportionate share of the net pension (asset) liability	\$ 7,001	\$ 1,775,328	\$ 499,198	\$ 231,660	\$ 651,630	\$ 1,201,371	\$ 250,771
District's covered-employee payroll	\$ 2,610,561	\$ 2,654,403	\$ 2,503,706	\$ 2,601,083	\$ 2,465,538	\$ 2,521,225	\$ 2,198,100
District's proportionate share of the net pension liability/asset as a percentage of its covered-employee payroll	0.27%	67.00%	20.00%	9.00%	26.00%	48.00%	11.00%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
	<u>Teachers' Retirement System</u>						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District 's proportion of the net pension liability	.0441459%	.0431%	.0411%	.0438%	.0436%	.0455%	.0461%
District's proportionate share of the net pension liability	\$ 1,220,223	\$ (1,122,261)	\$ (743,580)	\$ (332,659)	\$ 466,568	\$ (4,728,908)	\$ (5,129,690)
District's covered-employee payroll	\$ 7,510,000	\$ 7,633,953	\$ 7,269,260	\$ 7,062,305	\$ 6,869,673	\$ 6,770,885	\$ 6,810,500
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	16.25%	-15.00%	-10.00%	-5.00%	7.00%	-70.00%	-75.00%
Plan fiduciary net position as a percentage of the total pension liability	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

See paragraph on required supplementary information included in auditor's report.

BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
June 30, 2021

Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 329,701	\$ 330,576	\$ 352,976	\$ 366,616	\$ 350,216	\$ 402,547
Contributions in relation to the contractually required contribution	<u>329,701</u>	<u>330,576</u>	<u>352,976</u>	<u>366,616</u>	<u>350,216</u>	<u>402,547</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 2,610,561</u>	<u>\$ 2,654,403</u>	<u>\$ 2,503,706</u>	<u>\$ 2,601,083</u>	<u>\$ 2,465,538</u>	<u>\$ 2,521,225</u>
Contributions as a percentage of covered employee payroll	12.63%	12.45%	14.10%	14.09%	14.20%	15.97%

Teachers' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 715,703	\$ 765,732	\$ 656,422	\$ 812,821	\$ 891,345	\$ 1,198,863
Contributions in relation to the contractually required contribution	<u>715,703</u>	<u>765,732</u>	<u>656,422</u>	<u>812,821</u>	<u>891,345</u>	<u>1,198,863</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 7,510,000</u>	<u>\$ 7,633,953</u>	<u>\$ 7,269,260</u>	<u>\$ 7,062,305</u>	<u>\$ 6,869,673</u>	<u>\$ 6,770,885</u>
Contributions as a percentage of covered employee payroll	9.53%	10.03%	9.03%	11.51%	12.98%	17.71%

See paragraph on required supplementary information included in auditor's report.

BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND
THE REAL PROPERTY TAX LIMIT
For Year Ended June 30, 2021

CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget	\$ 21,897,649
Additions:	
Prior year's encumbrances	<u>650,296</u>
Revised Budget	<u><u>\$ 22,547,945</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 Voter-approved Expenditure Budget	\$ 23,840,690
Maximum allowed (4% of 2021-2022 Budget)	<u>\$ 953,628</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:	
Committed fund balance	-
Assigned fund balance	848,034
Unassigned fund balance	<u>1,025,560</u>
Total unrestricted fund balance	<u>\$ 1,873,594</u>

Less:	
Appropriated fund balance	700,000
Encumbrances included in committed and assigned fund balance	<u>148,034</u>
Total adjustments	<u>\$ 848,034</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 1,025,560</u></u>
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Actual percentage	4.30%
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* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (originally Issued November 2010), the portion of General Fund Fund Balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

See paragraph on required supplementary information included in auditor's report.

BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
For Year Ended June 30, 2021

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2021
			Prior Years	Current Year	Total		NYS Sources	Proceeds of Obligations	Local Sources	Total	
Buses-2021	\$ 475,000	\$ 475,000	\$ -	\$ 430,676	\$ 430,676	\$ 44,324	\$ -	\$ -	\$ -	\$ -	\$ (430,676)
Buses-2020	387,000	387,000	366,802	-	366,802	20,198	-	-	77,400	77,400	(289,402)
Buses-2019	125,000	125,000	125,000	-	125,000	-	-	-	50,000	50,000	(75,000)
Buses-2018	120,000	120,000	120,000	-	120,000	-	-	-	72,000	72,000	(48,000)
Buses-2017	125,000	125,000	125,000	-	125,000	-	-	-	103,935	103,935	(21,065)
Buses-2016	487,122	487,122	487,122	-	487,122	-	-	-	487,122	487,122	-
100k Technology	100,000	100,000	77,832	-	77,832	22,168	-	-	100,000	100,000	22,168
100k BES Stage	100,000	100,000	72,254	-	72,254	27,746	-	-	-	-	(72,254)
100K Project 2021	100,000	100,000	-	75,592	75,592	24,408	-	-	-	-	(75,592)
BES Phase II	2,856,000	2,856,000	2,845,743	-	2,845,743	10,257	-	-	306,683	306,683	(2,539,060)
BES Phase III	742,000	723,500	735,179	-	735,179	(11,679)	-	-	310,495	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)
Districtwide/Athletic 2018	13,025,000	13,025,000	7,855,316	4,930,319	12,785,635	239,365	-	3,925,000	2,700,000	6,625,000	(6,160,635)
Districtwide 2019	7,000,000	7,000,000	-	185,812	185,812	6,814,188	-	-	3,000,000	3,000,000	2,814,188
	<u>\$ 28,182,122</u>	<u>\$ 27,401,622</u>	<u>\$ 14,587,637</u>	<u>\$ 5,622,399</u>	<u>\$ 20,210,036</u>	<u>\$ 7,191,586</u>	<u>\$ -</u>	<u>\$ 3,925,000</u>	<u>\$ 7,432,310</u>	<u>\$ 11,357,310</u>	<u>\$ (8,852,726)</u>

See paragraph on required supplementary information included in auditor's report.

BERLIN CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2021

Capital assets, net	\$ 22,213,897
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Deduct:

Bond anticipation notes payable	\$ 11,123,665	
Short-term portion of bonds payable	325,000	
Long-term portion of bonds payable	2,790,000	
less: unspent bond proceeds	<u>(1,749,537)</u>	<u>12,489,128</u>

Net investment in capital assets	<u><u>\$ 9,724,769</u></u>
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See paragraph on required supplementary information included in auditor's report.

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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 Board of Education of the
Berlin Central School District:

We have audited, 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, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Berlin Central School District as of and for the year ended June 30, 2021, 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 28, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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 Berlin Central School District's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we have reported to the Board of Education, Audit Committee and Management in our accompanying management letter.

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.

Raymond G. Preusser, CPA, PC

Claverack, New York
October 28, 2021

RAYMOND G. PREUSSER, CPA, P.C.

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To the Board of Education of the
Berlin Central School District:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Berlin Central School District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Berlin Central School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Berlin Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berlin Central School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 28, 2021 on the financial statements of the Berlin Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Other Matters:

Reserve Plan

During our audit, we noted that the District does not have a written plan for the reserves. The Board is responsible for developing a written plan for use of its reserves. This plan should include when the reserves were formed, Section of Law, purpose, guidelines on funding levels and how and when disbursements should be made. Once the plan is completed it should be available on the District's website.

We have provided a sample of the reserve plan and noted that the District has commenced writing their plan to be in compliance and will be completed shortly.

Interfund Transactions

Advances between funds are designed to be temporary in nature and should be repaid as soon as funds are available.

We recommend that interfund loans be reviewed regularly and the funds be repaid when available.

Budget Transfers:

The matter of effecting budgetary transfers is of critical importance to the efficient management of a district's fiscal affairs. It is important to note that such transfer authority has its basis in Section 170.2(I) of Commissioner's Regulations. This authorization is limited to transfers between and within districtwide (ST-3) function unit appropriations for teachers' salaries and ordinary contingent expenses.

Since the adopted budget is, at best, an estimated expenditure plan, it is not unusual for conditions to arise whereby transfers between or among function/object categories are required to maintain fiscal balance. Appropriately, Section 170.2(I) of Commissioner's Regulations provides for such transfers and permits the Board of Education to facilitate the procedure by authorizing "the Chief School Officer to make transfers within the limits as established by the Board."

During our audit, we noted that budget transfers were not always made on a timely basis.

We recommend that budget transfers are made prior to the authorization to expend all codes.

Information Technology

We reviewed the security measures and controls related to Information Technology of the District. With the heavy reliance on computer technology in today's business environment, this has become an important area.

During our audit, we noted the District did not have a documented Disaster Recovery Plan on file.

We recommend that the District develop a written Disaster Recovery Plan to be kept on file.

We also recommend that on completion of the plan, copies be distributed to employees and training programs be made available to the staff.

Revenue Status Report

During our audit, we noted that the District's Revenue Status Report did not contain the amounts budgeted. In order to compare that status of the revenue received to the budgeted amounts throughout the year, the budgeted amounts must be included.

We recommend that the budgeted amounts for revenue be entered on the Revenue Status Report at the beginning of each fiscal year.

Payroll

An important Internal Control procedure for payroll is to have someone outside of the Payroll Department review a "Payroll Exceptions Report" for each payroll. This report shows changes from payroll to payroll. These changes should be reviewed for accuracy based on documents provided to the Payroll Department.

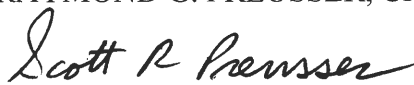
In addition, we noted during our audit that a few individuals were placed on payroll before Board approval was obtained. All new hires should be approved by the Board and proper documents provided to the Payroll Department for entry into the system.

We recommend that all hires be approved by the Board before being placed on the payroll unless the Board decrees otherwise.

This communication is intended solely for the information and use of the Board of Education, management, the audit committee, the New York State Education Department and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the Business Office personnel for their courtesies received during the course of our audit.

Very truly yours,
RAYMOND G. PREUSSER, CPA, P.C.


Scott R. Preusser