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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, 2024, 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.

### **Opinions**

In our opinion, the accompanying 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 funds of the Berlin Central School District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Berlin Central School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Berlin Central School

District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or aggregate, they would influence the judgment made by a reasonable user based on the basic financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Berlin Central School District's internal control. Accordingly, no such opinion is expressed.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Berlin Central School District's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant auditing findings, and certain internal control-related matters that we identified during the audit.

## **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-M9 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 comprises 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.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024, 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 this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Berlin Central School District's internal control over financial reporting and compliance.

*Raymond G. Preusser, CPA, P.C.*

Claverack, New York  
October 15, 2024

**BERLIN CENTRAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2024**

**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, 2024. 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 (\$18,770,091) which was restated from the prior year to (\$19,151,119) in the districtwide financial statements.
- As of the close of this fiscal year, the District's General Fund balance was \$6,769,783, an increase of \$72,825 in comparison with the prior year.
- The District appropriated \$1,000,000 to fund balance to offset 2024-25 taxes and was able to maintain \$4,697,220 in reserves for employee benefits accrued liability, unemployment, workers compensation, employee and teacher retirement contributions, and capital.
- Final Cost Reports were filed for the \$13,025,000 and the \$7,000,000 Capital Project.

**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

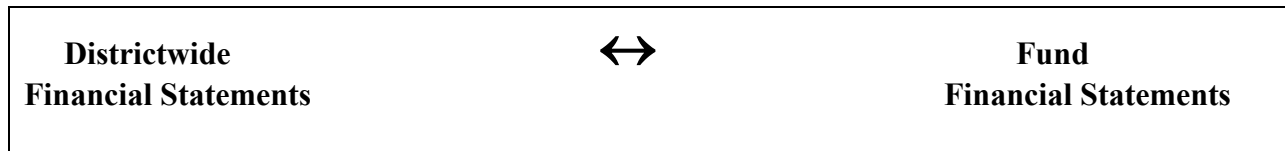
In addition to these statements, this report also includes required supplemental information and other supplemental information.

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**



**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 and Intangible Assets**

**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, 2024 and 2023**

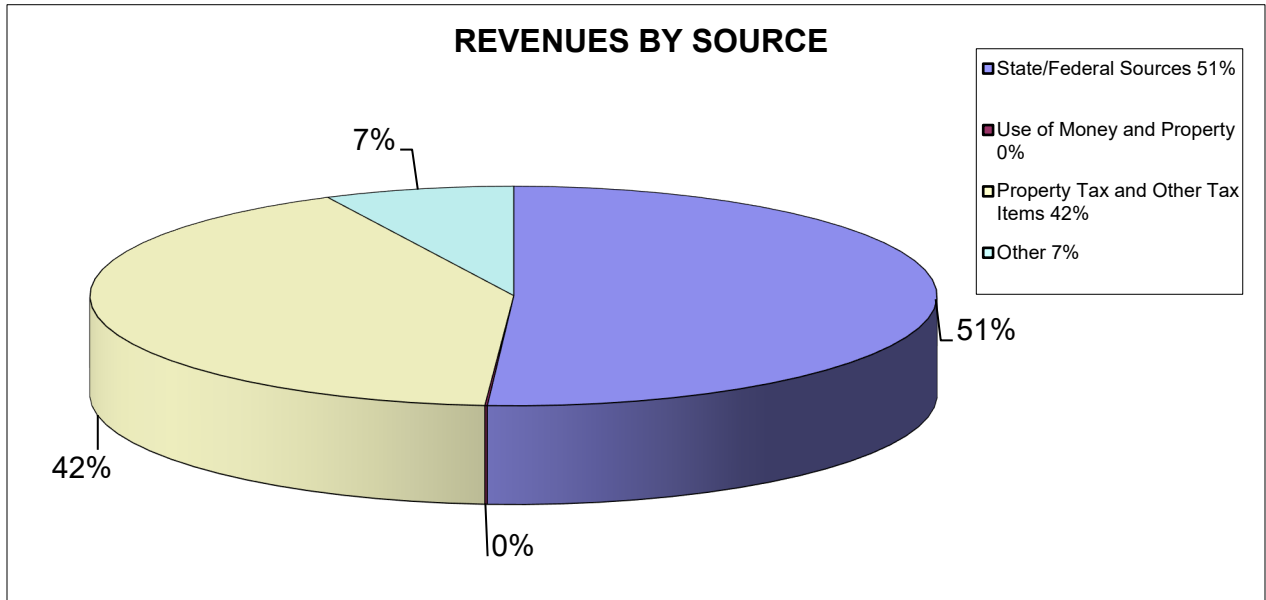
	Governmental Activities		Variance Increase (Decrease)
	2024	Restated 2023	
Current Assets	\$ 9,200,861	\$ 9,713,514	\$ (512,653)
Capital and Intangible Assets	28,475,966	27,930,946	545,020
Total Assets	<u>37,676,827</u>	<u>37,644,460</u>	<u>32,367</u>
Deferred Outflows of Resources	9,654,706	9,730,638	(75,932)
Total Assets and Outflows of Resources	<u>47,331,533</u>	<u>47,375,098</u>	<u>(43,565)</u>
Current Liabilities	4,357,821	3,845,041	512,780
Noncurrent Liabilities	13,007,442	14,789,309	(1,781,867)
Total OPEB Obligation	34,479,044	31,675,520	2,803,524
Net Pension Liability	1,607,920	2,520,194	(912,274)
Total Liabilities	<u>53,452,227</u>	<u>52,830,064</u>	<u>622,163</u>
Deferred Inflows of Resources	13,030,425	14,220,803	(1,190,378)
Total Liabilities and Inflows of Resources	<u>66,482,652</u>	<u>67,050,867</u>	<u>(568,215)</u>
Net Position:			
Investment in capital assets, net of related debt	13,874,547	12,620,588	1,253,959
Restricted	4,697,220	4,588,354	108,866
Unrestricted (deficit)	(37,722,886)	(35,979,033)	(1,743,853)
Total Net Position	<u>\$ (19,151,119)</u>	<u>\$ (18,770,091)</u>	<u>\$ (381,028)</u>

**Berlin Central School District's  
Changes in Net Position  
For the Years Ended June 30, 2024 and 2023**

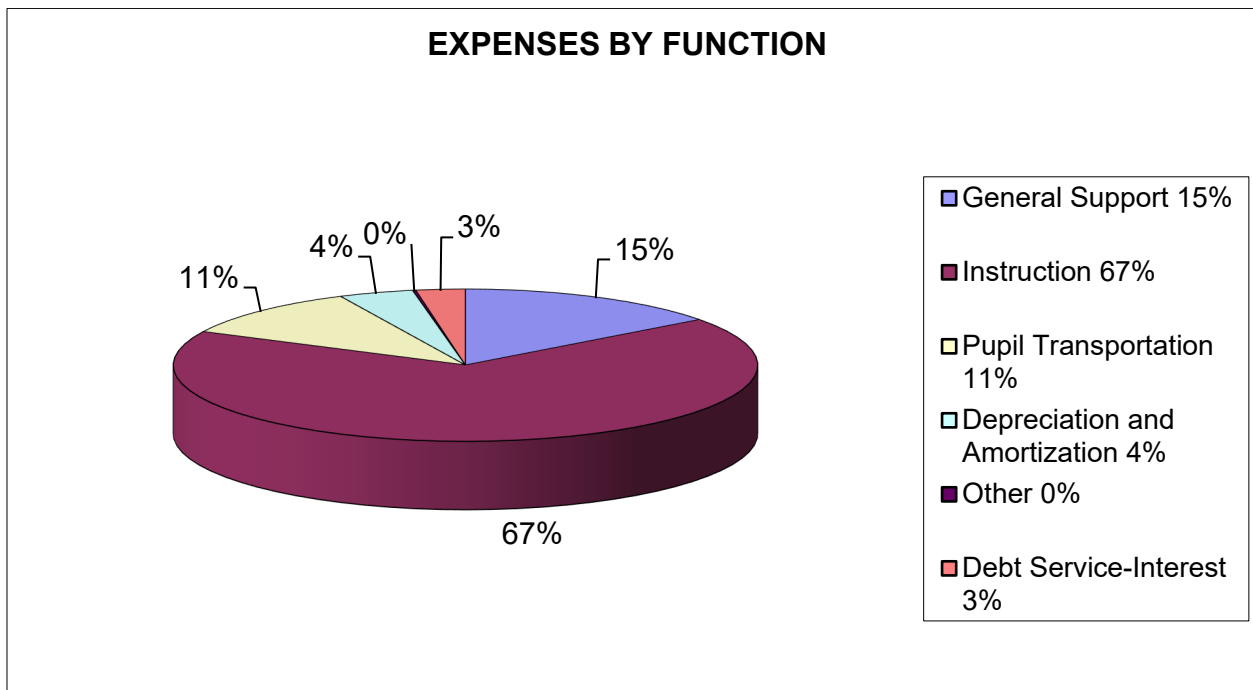
	Governmental Activities		Variance Increase (Decrease)
	2024	2023	
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services	\$ 74,092	\$ 282,471	\$ (208,379)
Operating Grants and Contributions	2,815,892	2,131,041	684,851
Total Program Revenues	<u>\$ 2,889,984</u>	<u>\$ 2,413,512</u>	<u>\$ 476,472</u>
General Revenues:			
Real Property Taxes	\$ 9,317,703	\$ 9,162,513	\$ 155,190
Other Tax Items	838,509	906,922	(68,413)
Use of Money and Property	186,581	22,410	164,171
Sale of Property and Compensation for Loss	316	3,082	(2,766)
Miscellaneous	1,356,708	383,833	972,875
State Sources	12,734,360	12,242,294	492,066
Federal Sources	107,865	81,473	26,392
Premium on Obligations	9,083	1,365,000	(1,355,917)
Total General Revenues	<u>24,551,125</u>	<u>24,167,527</u>	<u>383,598</u>
<b><u>Expenses (Net of Program Revenues):</u></b>			
Instruction	16,230,890	15,336,449	894,441
Support Services:			
General Support	4,026,634	3,361,789	664,845
Pupil Transportation	2,519,349	2,437,578	81,771
Debt Service-Interest	838,782	619,205	219,577
Depreciation & Amortization	1,343,971	941,506	402,465
School Lunch	(27,473)	(38,621)	11,148
Total Expenses	<u>24,932,153</u>	<u>22,657,906</u>	<u>2,274,247</u>
Change in Net Position	<u>\$ (381,028)</u>	<u>\$ 1,509,621</u>	<u>\$ (1,890,649)</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, 2024**



**Districtwide Expenses by Function**  
**For the Year Ended June 30, 2024**



## **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 \$6 million, which is above last year’s total of \$5.9 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2024 and 2023.

	<b>Fund Balance 2024</b>	<b>Fund Balance 2023</b>	<b>Variance Increase (Decrease)</b>
General	\$ 6,769,783	\$ 6,696,958	\$ 72,825
School Lunch	194,131	166,658	27,473
Special Aid	8,727	862	7,865
Capital	(987,400)	(929,283)	(58,117)
Totals	<u>\$ 5,985,241</u>	<u>\$ 5,935,195</u>	<u>\$ 50,046</u>

**General Fund**

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

<b><u>Revenues:</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>Variance Increase (Decrease)</u></b>
Taxes and Other Tax Items	\$ 10,156,212	\$ 10,069,435	\$ 86,777
Use of Money and Property	186,581	22,410	164,171
State/Federal Sources	12,842,225	12,323,767	518,458
Other	1,440,869	546,228	894,641
Totals	<u>\$ 24,625,887</u>	<u>\$ 22,961,840</u>	<u>\$ 1,664,047</u>

<b><u>Expenses:</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>Variance Increase (Decrease)</u></b>
General Support	\$ 3,303,572	\$ 2,899,561	\$ 404,011
Instruction	11,666,424	11,046,392	620,032
Pupil Transportation	1,754,696	1,713,528	41,168
Employee Benefits	5,431,416	5,238,685	192,731
Debt Service	1,921,819	1,934,588	(12,769)
Operating Transfers Out	475,135	266,163	208,972
Totals	<u>\$ 24,553,062</u>	<u>\$ 23,098,917</u>	<u>\$ 1,454,145</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 \$687,182. This amount represents carryover encumbrances from the prior year in the amount of \$257,182 and a transfer to Capital Fund for voter approved projects in the amount of \$430,000.

**CAPITAL ASSETS**

The District's capital assets (net of accumulated depreciation) as of June 30, 2024, are as follows:

<u>Asset Description</u>	<u>Amount</u>
Land	\$ 32,600
Buildings and Improvements	26,307,669
Equipment	576,812
Vehicles	<u>1,264,866</u>
Total	<u>\$ 28,181,947</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the current fiscal year was \$1,627,313. 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 \$14,307,400 as of June 30, 2024, a decrease over the previous year of \$775,400. The debt outstanding for the year ended June 30, 2024, is summarized as follows:

<u>Debt Description</u>	<u>Outstanding Balance</u>
Bonds	\$13,320,000
Bond Anticipation Notes	<u>987,400</u>
Total	<u>\$14,307,400</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. On June 30, 2024, 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 School District is aware of the following circumstances which could significantly affect its financial position in the future:

The allocation of State, Federal and Local support to schools remains critical to maintaining the District's financial position.

- .Sunset of COVID-related ARP funds in September of 2023 and allocation of resources to fund the budgetary gaps created.
- .The School District is heavily reliant on State Aid to fund expenditures. Future adjustments to State Aid are dependent on the actions of the NYS Governor and Legislature. The impact of an unstable NYS Budget and economic climate could negatively affect the School District.
- .The Property Tax Levy Cap, enacted in 2011, continues to limit the School District's ability to raise tax revenue to meet future operating expenditures and obligations.
- . Rising cost of health care and pension benefits
- . Impact of labor shortages for instructional and non-instructional staff, transportation, food service, facilities and substitutes in all areas
- . Challenge of forecasting Special Education services & associated costs
- Uncertainty surrounding the cost of additional transportation regulations such as the NYS zero emission vehicle mandate
- Escalating cost of maintaining facilities and addressing energy savings
- Program and student support service needs, mandates and new academic standards at the State and Federal level may require additional resources. The ongoing implications of learning loss associated with remote and/or hybrid learning may continue to have impact.
- .Turnover and transition of key leadership roles within the School District

To promote long-term fiscal sustainability, the District continues to explore cost savings measures and engage in long-term planning for contractual wages and benefits. The School District strives to provide the best possible educational program for our students, moderate tax increases for the school community and protect the financial integrity of the District.

### **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) 658-1500