

**BERWICK AREA SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT AND ADDITIONAL REPORTS**  
**AS REQUIRED BY THE SINGLE AUDIT ACT OF 1984**  
**AND SINGLE AUDIT ACT AMENDMENTS OF 1996**

**JUNE 30, 2015**

**Berwick Area School District**  
**Annual Financial Statements**  
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## Independent Auditors' Report

Board of School Directors  
Berwick Area School District  
Berwick, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berwick Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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 of 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 risk 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 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.

Independent Auditors' Report  
(Cont'd)

Board of School Directors  
Berwick Area School District

**Basis for Qualified Opinion on Governmental Activities**

Management has not adopted Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits offered to its retirees. The standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits. Accounting principles generally accepted in the United States of America require that such costs be reflected, which would increase the District's liabilities, and decrease its net assets, and also change its expenditures in the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenditures is not reasonably determinable.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Berwick Area School District as of June 30, 2015, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Berwick Area School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 and budgetary comparison information on pages 4(a) through 4(h) and 47 through 48 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

Independent Auditors' Report  
(Cont'd)

Board of School Directors  
Berwick Area School District

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berwick Area School District's financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The supplementary information listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2016 on our consideration of Berwick Area 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 our 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 Berwick Area School District's internal control over financial reporting and compliance.

*J.H. Williams & Co., LLP*

January 28, 2016

# **Berwick Area School District Management Discussion and Analysis for the Fiscal Year Ended June 30, 2015**

The *Management, Discussion, and Analysis* (MD&A) of the Berwick Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The MD&A is to provide the reader friendly insight into management's analysis of the audit. This MD&A looks at the District's financial performance as a whole, although readers should review the independent Auditor's transmittal letter and notes to the financial statements to augment their understanding of the District's financial performance.

## **Overview of the Financial Statements**

This discussion and analysis 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) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### **Government-Wide Financial Statements**

The government-wide 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. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

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 assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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., uncollected taxes and earned and unused compensated absences).

Both of the governmental-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation, which is considered a business-type activity.

The government-wide financial statements can be found on pages 5 and 6 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of fund financial statements is short-term. Fund financial statements are prepared using the modified accrual basis of accounting. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

## **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the District's major funds (General Fund and Debt Service Fund).

The basic governmental fund financial statements can be found on pages 7-10 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison statement for the General Fund has been provided on page 47 of this report to demonstrate compliance with this budget.

## **Proprietary Fund**

The District accounts for two proprietary funds, a food service operation fund and a pool fund which report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 11-15 of this report.

## **Fiduciary Funds**

The District accounts for its activity fund and private purpose trust fund as fiduciary funds. The basic fiduciary fund financial statements can be found on pages 16 and 17 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-46 of this report.



## Financial Highlights

Key financial highlights for the year ending June 30, 2015, are as follows:

	Governmental Activities		Business-Type Activities	
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
• Total Net Position	\$41,924,413	(\$13,845,071)	\$22,930	(\$1,342,487)
• Change in Net Position	\$3,391,392	\$1,683,900	(\$98,904)	(\$117,963)

Total revenues for the general fund amounted to \$43,555,549.

- \$19,941,247 or 45.78% were Local Revenues
- \$22,435,325 or 51.51% were State Revenues
- \$1,178,977 or 2.71% were Federal Revenues

Total general fund expenditures amounted to \$44,241,944.

- \$26,566,477 for Instructional Services
- \$11,684,551 for Support Services
- \$788,292 for Non Instructional Services
- \$5,202,624 for Capital Outlay

Total general fund other financing uses amounted to (\$1,950,039).

- (\$8,077) Refunds of Prior Year Receipts
- (\$78,936) for Debt Service-Authority Lease Rentals
- (\$9,863,420) Operating Transfers to Other Governmental Funds
- \$8,000,211 Proceeds from Extended Term Financing Transfers from Fiduciary Funds
- \$183 Proceeds from Sales of Fixed Assets

The general fund had a decrease in fund balance in the amount of \$2,636,434 resulting in an ending Fund Balance of \$22,430,037.

**Analysis of Overall Financial Position and Results of Operations over the Past Fiscal Year: Summary of Assets, Liabilities, and Net Position as of 6-30-15**

**Table 1  
Net Position Comparison As of June 30, 2015 - (Government-Wide)**

	Governmental Activities 6/30/2014	Governmental Activities 6/30/2015	Business- Type Activities 6/30/2014	Business- Type Activities 6/30/2015
<b>Assets:</b>				
Current Assets	\$30,883,853	\$30,322,386	\$ 110,494	\$ 70,184
Capital & Other Non Current Assets	<u>\$38,228,441</u>	<u>\$42,369,215</u>	<u>\$88,749</u>	<u>\$ 42,243</u>
Total Assets	<u>\$69,112,294</u>	<u>\$72,691,601</u>	<u>\$199,243</u>	<u>\$ 112,427</u>
Deferred Outflows of Resources	<u>\$515,464</u>	<u>\$ 4,198,315</u>		<u>\$82,354</u>
<b>Liabilities:</b>				
Current Liabilities	\$ 5,539,611	\$ 7,818,790	\$163,855	\$ 177,559
Long-Term Liabilities	<u>\$22,042,709</u>	<u>\$79,518,913</u>	0	\$1,272,698
Total Liabilities	<u>\$27,682,320</u>	<u>\$87,337,703</u>	<u>\$163,855</u>	<u>\$1,450,257</u>
Deferred Inflow of Resources	<u>\$ 21,025</u>	<u>\$3,397,284</u>	<u>\$ 12,458</u>	<u>\$ 87,011</u>
<b>Net Position:</b>				
Invested in Capital Assets Net of Related Debt	\$19,730,449	\$25,258,022	\$88,749	\$ 42,243
Restricted-Committed For: Capital Projects	\$11,096,982	\$0	\$0	\$0
Restricted-Committed For: Debt	\$11,096,982	\$0	\$0	\$0
Unrestricted-Undesignated	<u>\$ 0</u>	<u>(\$39,103,093)</u>	<u>(\$65,819)</u>	<u>(\$1,384,730)</u>
<b>Total Net Position</b>	<u>\$41,924,413</u>	<u>(\$13,845,071)</u>	<u>\$22,930</u>	<u>(\$1,342,487)</u>

***Balance Sheet/Fund Balances*** - Total fund equity of Governmental funds equaled \$23,008,707 using the modified accrual basis. In accordance with GASB 34 standards, the following items need to be considered to obtain full accrual fund equity:

- ◆ Delinquent Taxes receivable are fully accrued in the Statement of Net Position, but in the Governmental Fund statements they are fully reserved \$1,070,894.

- ◆ Deferred interest on an advance bond refunding is capitalized as part of the economic gain in the Statement of Net Position, however such is not recognized in the Governmental Fund Statements \$405,568.
- ◆ Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the governmental fund statements \$42,369,216.
- ◆ Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the funds:
  - Deferred outflows of resources related to employer 2014-2015 contributions to pension plan \$3,792,742
  - Deferred inflows of resources related to pensions (\$3,376,259)

Long Term Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds statements. They appear as:

- Current Portion of Long Term Debt \$1,487,250
  - Bonds Payable \$9,680,000
  - Extended Term Financing \$5,517,727
  - Authority Lease Obligations \$426,216
  - Employee Compensated Absences \$5,281,668
  - Net Pension Liability \$58,613,302
- ◆ Accrued Interest due on outstanding debt in Governmental Activities is not reported until it becomes due and payable in the governmental funds \$109,776

Fund balance of Governmental Activities using the full accrual method gives us an ending balance of (\$13,845,071.)

**Table II**  
**Net (Expense) Revenue and changes in Net Position for the year ended 6-30-15**

<u>Revenue/Program</u>	Governmental Activities 6/30/2014	Governmental Activities 6/30/2015	Business-Type Activities 6/30/2014	Business-Type Activities 6/30/2015
Charges for Services	\$386,504	\$ 296,572	\$605,074	\$556,051
Operating Grants/Contrib.	\$9,256,445	\$9,949,584	\$906,232	\$896,184
<u>Revenues/General</u>				
Property Taxes	\$16,105,530	\$16,095,153	\$ -	\$ -
Other Taxes	\$2,510,404	\$2,299,843	\$ -	\$ -
Grants, Subsidies, Contributions, Unrest.	\$14,140,772	\$14,337,743	\$ -	\$ -
Other	<u>\$213,797</u>	<u>\$506,021</u>	<u>\$72</u>	<u>\$ 153</u>
<b>Total Revenues</b>	<u>\$42,613,452</u>	<u>\$43,484,916</u>	<u>\$1,511,378</u>	<u>\$ 1,452,388</u>

**Net (Expense) Revenue and changes in Net Position for the year ended 6-30-15**

	Governmental Activities 6/30/2014	Governmental Activities 6/30/2015	Business- Type Activities 6/30/2014	Business- Type Activities 6/30/2015
<b><u>Expenses:</u></b>				
Instruction	\$25,827,967	\$27,214,372		
Instructional Student Support	\$2,470,126	\$2,982,357		
Administrative & Financial Support	\$3,258,858	\$3,520,562		
Operation & Maint. Of Plant	\$3,147,038	\$3,383,453		
Pupil Transportation	\$1,393,648	\$1,533,813		
Student Activities	\$763,957	\$857,987		
Community Services	\$20,038	\$6,044		
Interest on Long Term Debt	\$815,044	\$639,319		
Unallocated Depreciation	\$1,558,384	\$1,663,109		
Food Services			\$1,607,282	\$1,568,587
Swimming Pool			<u>\$3,000</u>	<u>\$1,764</u>
Total Expenses	<u>\$39,255,060</u>	<u>\$41,801,016</u>	<u>\$1,610,282</u>	<u>\$1,570,351</u>
Excess (Deficiency) before Special Items & Transfers	\$3,358,392	\$0	(\$98,904)	\$0
Special and Extraordinary Items	\$0	\$0	\$0	\$0
Interfund Transfers	<u>\$33,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Change in Net Position	\$3,391,392	\$1,683,900	(\$98,904)	(\$117,963)
Net Position-Beginning	\$38,533,201	\$41,924,413	\$121,834	\$22,930
Prior Period Adjustment	<u>\$0</u>	<u>(\$57,453,384)</u>	<u>\$0</u>	<u>(\$1,247,454)</u>
Net Position- Ending	<u>\$41,924,413</u>	<u>(\$13,845,071)</u>	<u>\$22,930</u>	<u>(\$1,342,487)</u>

**Budgetary Variances**

The variance between budget and actual for the General Fund expenses amounted to \$2,209,081; whereas, the variance between the budgeted and actual revenues for the General Fund amounted to \$1,686,770.

Local Revenues had a favorable variance of \$421,961; State Revenues \$1,127,832 and Federal Revenues of \$136,977.

During the local budgeting process, usually concluded in April, it is unclear which state programs will survive the state budgeting process as legislation is not done with a final state budget until sometime in late June.

### Capital Assets and Debt Administration

At June 30, 2015, the district had \$42,369,215 invested in the following capital assets of the Governmental activities and \$42,243 invested in the following capital assets of Business Type activities (net of applicable depreciation):

**Table III**  
**Capital Assets-Net of Depreciation**  
**June 30, 2015**

	Governmental Activities	Business Type Activities
Land	\$2,306,988	\$0
Building and Building Improvements	\$34,346,561	\$0
Furniture and Equipment	\$1,746,811	\$42,243
Construction in Progress	\$3,968,855	\$0

### Debt Administration

As of June 30, 2015, the district included in its long term liabilities of \$22,392,860, General Obligation Bonds of \$16,623,057.

**Table IV**  
**Outstanding General Obligation Bonds**

General Obligation Bonds	As of June 30, 2015
2010 General Obligation Bond	\$9,855,000
2015 General Obligation Note	<u>\$6,768,057</u>
Sub Total General Obligation Bonds	\$16,623,057
Deferred Interest on Advance Refunding	<u>(\$0)</u>
Total General Obligation Bonds	\$16,623,057

Other long term obligations include accrued compensated absences of \$5,281,667 and authority lease obligations for the district portion of the Columbia Montour Vocational Technical School of \$488,136.

## **Currently Known Facts, Decisions or Conditions:**

Currently, the Pennsylvania Legislation has passed a bill known as Act 1 of 2007 that repealed Act 72. This bill allows for property tax reduction on current homestead or farmstead properties through an increase in Earned Income Taxes. The district must decide to either raise additional Earned Income Taxes or convert to a Personal Income Tax to offer such property tax reductions. Voters had the opportunity in May 2007 to convert local property tax into earned income tax. It was unsuccessful in our district and Act 1 of 2007 did not receive the majority of votes.

To the benefit of the taxpayer, Act 1 allowed property owners to pay their local property taxes in three installments and were guaranteed that the district would not increase the real property taxes above the index for the 2014-2015 school year, the eighth year in a row. Homestead/farmstead owners have continued to see rebates of approximately \$183.00 per year using gaming revenues generated within the state from casino gaming revenue.

As the economy attempts to recover, a great concern for public education funding arises. With a 2.1 billion state shortfall, the Governor has stated "a financial crisis exists."

For many years, the Berwick Area School District has taken appropriate measures to maintain fiscal integrity while trimming educational excess. Such cuts have come in the form of reduction in force due to attrition, discontinuing programs and practices that show no or little result, maintaining reasonable class size, increasing instructional time per teacher and being mindful of all personnel costs. However, we are nearing the end of reasonable reductions being available and moving into territory that may become harmful to the education of our students.

**Berwick Area School District**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 26,307,543	\$ 24,157	\$ 26,331,700
Taxes receivable, net	1,070,894	-	1,070,894
Due from other governments	2,486,283	35,960	2,522,243
Other receivables	361,070	1,862	362,932
Inventories	50,000	8,205	58,205
Prepaid expenses	46,596	-	46,596
TOTAL CURRENT ASSETS	<u>30,322,386</u>	<u>70,184</u>	<u>30,392,570</u>
<b>NONCURRENT ASSETS</b>			
Land	2,306,988	-	2,306,988
Building and building improvements (net of accumulated depreciation)	34,346,561	-	34,346,561
Furniture and equipment (net of accumulated depreciation)	1,746,811	42,243	1,789,054
Construction in progress	3,968,855	-	3,968,855
TOTAL NONCURRENT ASSETS	<u>42,369,215</u>	<u>42,243</u>	<u>42,411,458</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>4,198,315</u>	<u>82,354</u>	<u>4,280,669</u>
	<u>\$ 76,889,916</u>	<u>\$ 194,781</u>	<u>\$ 77,084,697</u>
<b>CURRENT LIABILITIES</b>			
Internal balances	\$ (19,164)	\$ 19,164	\$ -
Accounts payable	1,965,605	23,518	1,989,123
Current portion of long-term debt	1,487,250	-	1,487,250
Accrued salaries and benefits	2,098,574	134,877	2,233,451
Payroll tax withholdings	2,176,749	-	2,176,749
Other current liabilities	109,776	-	109,776
TOTAL CURRENT LIABILITIES	<u>7,818,790</u>	<u>177,559</u>	<u>7,996,349</u>
<b>NONCURRENT LIABILITIES</b>			
Bonds payable	9,680,000	-	9,680,000
Extended term financing	5,517,727	-	5,517,727
Lease purchase obligations	426,216	-	426,216
Long term portion of compensated absences	5,281,668	-	5,281,668
Net pension liability	58,613,302	1,272,698	59,886,000
TOTAL NONCURRENT LIABILITIES	<u>79,518,913</u>	<u>1,272,698</u>	<u>80,791,611</u>
TOTAL LIABILITIES	<u>87,337,703</u>	<u>1,450,257</u>	<u>88,787,960</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
	<u>3,397,284</u>	<u>87,011</u>	<u>3,484,295</u>
<b>NET POSITION</b>			
Net investment in capital assets	25,258,022	42,243	25,300,265
Unrestricted - undesignated	(39,103,093)	(1,384,730)	(40,487,823)
TOTAL NET POSITION	<u>(13,845,071)</u>	<u>(1,342,487)</u>	<u>(15,187,558)</u>
	<u>\$ 76,889,916</u>	<u>\$ 194,781</u>	<u>\$ 77,084,697</u>

The accompanying notes are an integral part of these financial statements.

**Berwick Area School District**  
**Statement of Activities**  
**For the year ended June 30, 2015**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 27,214,372	\$ 221,854	\$ 6,268,640	\$ (20,723,878)	\$ -	\$ (20,723,878)
Instructional student support	2,982,357	-	1,762,234	(1,220,123)	-	(1,220,123)
Administrative and financial support services	3,520,562	-	303,640	(3,216,922)	-	(3,216,922)
Operation and maintenance of plant services	3,383,453	-	212,972	(3,170,481)	-	(3,170,481)
Pupil transportation	1,533,813	-	700,752	(833,061)	-	(833,061)
Student activities	857,987	74,718	56,598	(726,671)	-	(726,671)
Community services	6,044	-	-	(6,044)	-	(6,044)
Interest on long-term debt	639,319	-	644,748	5,429	-	5,429
Unallocated depreciation	1,663,109	-	-	(1,663,109)	-	(1,663,109)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>41,801,016</b>	<b>296,572</b>	<b>9,949,584</b>	<b>(31,554,860)</b>	<b>-</b>	<b>(31,554,860)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food Service Fund	1,568,587	554,340	896,184	-	(118,063)	(118,063)
Pool Fund	1,764	1,711	-	-	(53)	(53)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,570,351</b>	<b>556,051</b>	<b>896,184</b>	<b>-</b>	<b>(118,116)</b>	<b>(118,116)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 43,371,367</b>	<b>\$ 852,623</b>	<b>\$ 10,845,768</b>	<b>(31,554,860)</b>	<b>(118,116)</b>	<b>(31,672,976)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>						
<b>Taxes:</b>						
Property taxes, levied for general purposes				16,095,153	-	16,095,153
Earned income and other taxes levied for general purposes				2,299,843	-	2,299,843
Grants, subsidies and contributions, not restricted				14,337,743	-	14,337,743
Investment earnings				97,574	153	97,727
Miscellaneous income				408,447	-	408,447
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>33,238,760</b>	<b>153</b>	<b>33,238,913</b>
<b>CHANGE IN NET POSITION</b>				<b>1,683,900</b>	<b>(117,963)</b>	<b>1,565,937</b>
<b>NET POSITION - July 1, 2014</b>				<b>41,924,413</b>	<b>22,930</b>	<b>41,947,343</b>
Prior period adjustment				(57,453,384)	(1,247,454)	(58,700,838)
<b>NET POSITION - June 30, 2015</b>				<b>\$ (13,845,071)</b>	<b>\$ (1,342,487)</b>	<b>\$ (15,187,558)</b>

The accompanying notes are an integral part of these financial statements.



**Berwick Area School District**  
**Balance Sheet - Governmental Funds**  
**June 30, 2015**

	General Fund	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,728,873	\$ 1,948	\$ 576,722	\$ 26,307,543
Taxes receivable (net)	1,070,894	-	-	1,070,894
Due from other governmental funds	19,164	-	-	19,164
Due from other governments	2,486,283	-	-	2,486,283
Other receivables	361,073	-	-	361,073
Inventories	50,000	-	-	50,000
Prepaid expenses	46,596	-	-	46,596
	<u>29,762,883</u>	<u>1,948</u>	<u>576,722</u>	<u>30,341,553</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 29,762,883</u>	<u>\$ 1,948</u>	<u>\$ 576,722</u>	<u>\$ 30,341,553</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,965,604	\$ -	\$ -	\$ 1,965,604
Accrued salaries and benefits	2,098,574	-	-	2,098,574
Payroll deductions and withholdings	2,176,749	-	-	2,176,749
TOTAL LIABILITIES	<u>6,240,927</u>	<u>-</u>	<u>-</u>	<u>6,240,927</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>1,091,919</u>	<u>-</u>	<u>-</u>	<u>1,091,919</u>
<b>FUND BALANCES</b>				
Nonspendable	96,596	-	-	96,596
Committed	22,333,441	-	-	22,333,441
Assigned	-	1,948	576,722	578,670
TOTAL FUND BALANCES	<u>22,430,037</u>	<u>1,948</u>	<u>576,722</u>	<u>23,008,707</u>
	<u>\$ 29,762,883</u>	<u>\$ 1,948</u>	<u>\$ 576,722</u>	<u>\$ 30,341,553</u>

The accompanying notes are an integral part of these financial statements.

**Berwick Area School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2015**

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**Total Fund Balances - Governmental Funds** **\$ 23,008,707**

**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Delinquent taxes receivable are fully accrued in the Statement of Net Position, but in the Governmental Fund statements they are fully reserved 1,070,894

Deferred interest on an advance bond refunding is capitalized as part of the economic gain in the Statement of Net Position, however such is not recognized in the Governmental Fund statements 405,568

Capital assets used in government activities are not financial resources and therefore are not reported in the Governmental Fund statements 42,369,216

Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the funds:

Deferred outflows of resources related to employer		
2014-2015 contributions to pension plan	\$ 3,792,742	
Deferred inflows of resources related to pensions	<u>(3,376,259)</u>	416,483

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the Governmental Fund statements:

Current portion of long-term debt	\$ (1,487,250)	
Bonds payable	(9,680,000)	
Extended term financing	(5,517,727)	
Authority lease obligations	(426,216)	
Compensated absences	(5,281,668)	
Net pension liability	<u>(58,613,302)</u>	(81,006,163)

Accrued interest due on outstanding debt in government activities is not reported until it becomes due and payable in the Governmental Funds (109,776)

**Total Net Position - Governmental Activities** **\$ (13,845,071)**

The accompanying notes are an integral part of these financial statements.

# Berwick Area School District

## Statement of Revenues, Expenditures and Changes in Fund Balances

### Governmental Funds

For the year ended June 30, 2015

	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources:				
Taxes	\$ 18,460,017	\$ -	\$ -	\$ 18,460,017
Earnings on investments	95,592	-	-	95,592
Other local sources	1,385,638	1,948	334	1,387,920
State sources	22,435,325	-	-	22,435,325
Federal sources	1,178,977	-	-	1,178,977
TOTAL REVENUES	<u>43,555,549</u>	<u>1,948</u>	<u>334</u>	<u>43,557,831</u>
<b>EXPENDITURES</b>				
Instruction	26,566,477	-	-	26,566,477
Support services	11,684,551	-	-	11,684,551
Non-instructional services	788,292	-	-	788,292
Debt service (principal and interest)	-	1,948,420	-	1,948,420
Debt service (principal on refunded debt)	-	7,915,000	-	7,915,000
Capital outlay	5,202,624	-	-	5,202,624
TOTAL EXPENDITURES	<u>44,241,944</u>	<u>9,863,420</u>	<u>-</u>	<u>54,105,364</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(686,395)</u>	<u>(9,861,472)</u>	<u>334</u>	<u>(10,547,533)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers from other governmental funds	-	9,863,420	-	9,863,420
Proceeds from the sales of fixed assets	183	-	-	183
Proceeds from extended term financing	8,000,211	-	-	8,000,211
Refunds of prior year receipts	(8,077)	-	-	(8,077)
Debt service - authority lease rentals	(78,936)	-	-	(78,936)
Debt service - payment to bond escrow agent	-	-	-	-
Debt service - bond issue costs	-	-	-	-
Operating transfers to other governmental funds	(9,863,420)	-	-	(9,863,420)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,950,039)</u>	<u>9,863,420</u>	<u>-</u>	<u>7,913,381</u>
NET CHANGE IN FUND BALANCES	<u>(2,636,434)</u>	<u>1,948</u>	<u>334</u>	<u>(2,634,152)</u>
FUND BALANCE - JULY 1, 2014	<u>25,066,471</u>	<u>-</u>	<u>576,388</u>	<u>25,642,859</u>
FUND BALANCE - JUNE 30, 2015	<u>\$ 22,430,037</u>	<u>\$ 1,948</u>	<u>\$ 576,722</u>	<u>\$ 23,008,707</u>

The accompanying notes are an integral part of these financial statements.

**Berwick Area School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the year ended June 30, 2015**

**Change in Fund Balances - Governmental Funds** **\$ (2,634,152)**

**Amounts reported for governmental activities in the Statement of Activities are different because:**

Outstanding real estate taxes due as of June 30, 2015 are accrued for the Statement of Activities, however since they are not both measurable and available in the governmental funds, they are not accrued	623,477
Delinquent tax revenue is not recognized for the Statement of Net Position since it is accrued in year of the duplicate; in governmental funds it is reported in the year it becomes both measurable and available	(688,498)
Amortization of deferred charges on debt refundings and retirements is recognized in the governmental activities, however it is not recognized in the governmental funds	(109,897)
Repayments on outstanding debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the governmental activities	9,387,010
Issuance of GO Notes is a direct liability in governmental activities, however it is considered an "other financing source" in the governmental funds	(8,000,211)
Amounts due as of June 30, 2014 for compensated absences are liabilities in the governmental activities, however since they are not paid from current resources, they are not reported as expenditures in the governmental funds	4,964,573
Amounts due as of June 30, 2015 for compensated absences are liabilities in the governmental activities, however since they are not paid from current resources, they are not reported as expenditures in the governmental funds	(5,281,668)
Interest is accrued on the outstanding bonds in the governmental activities, however in the governmental funds, an interest expenditure is reported when due	25,924
Governmental activities report the costs of capital outlay as fixed assets and allocate those costs over their estimated useful lives as depreciation, whereas in the governmental funds, capital outlay costs are reported as current expenditures	5,803,883
Governmental activities report depreciation expense on fixed assets over their estimated useful lives, however governmental funds do not report depreciation	(1,663,109)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
District pension contributions	\$ 3,792,745
Cost of benefits earned net of employee contributions	(4,536,177)
	(743,432)

**Change in Net Position - Governmental Activities** **\$ 1,683,900**

The accompanying notes are an integral part of these financial statements.

**Berwick Area School District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2015**

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 20,778	\$ 3,379	\$ 24,157
Federal and state subsidies receivable	35,960	-	35,960
Other receivables	1,862	-	1,862
Inventories	<u>8,205</u>	<u>-</u>	<u>8,205</u>
TOTAL CURRENT ASSETS	<u>66,805</u>	<u>3,379</u>	<u>70,184</u>
<b>NONCURRENT ASSETS</b>			
Furniture and equipment (net of accumulated depreciation)	<u>42,243</u>	<u>-</u>	<u>42,243</u>
TOTAL NONCURRENT ASSETS	<u>42,243</u>	<u>-</u>	<u>42,243</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 109,048</u>	<u>\$ 3,379</u>	<u>\$ 112,427</u>
<b>CURRENT LIABILITIES</b>			
Due to other funds	\$ 19,164	\$ -	\$ 19,164
Accounts payable	23,506	12	23,518
Accrued salaries and benefits	<u>134,877</u>	<u>-</u>	<u>134,877</u>
TOTAL CURRENT LIABILITIES	<u>177,547</u>	<u>12</u>	<u>177,559</u>
TOTAL LIABILITIES	<u>177,547</u>	<u>12</u>	<u>177,559</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<u>13,532</u>	<u>-</u>	<u>13,532</u>
<b>NET POSITION</b>			
Net investment in capital assets	42,243	-	42,243
Unrestricted	<u>(124,274)</u>	<u>3,367</u>	<u>(120,907)</u>
TOTAL NET POSITION	<u>(82,031)</u>	<u>3,367</u>	<u>(78,664)</u>
	<u>\$ 109,048</u>	<u>\$ 3,379</u>	<u>\$ 112,427</u>

The accompanying notes are an integral part of these financial statements.

**Berwick Area School District**  
**Reconciliation of the Proprietary Fund Statement of Net Position**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2015**

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**Total Net Position - Proprietary Funds** **\$ (78,664)**

**Amounts reported for business-type activities in the Statement of Net Position are different because:**

Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the funds:

Deferred outflows of resources related to employer 2014-2015 contributions to pension plan	\$ 82,354	
Deferred inflows of resources related to pensions	(73,479)	8,875

Long-term liabilities pursuant to GASB 68 are not due and payable in the current period and therefore are not reported in the Proprietary Fund statements:

Net pension liability	(1,272,698)	
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**Total Net Position - Business-Type Activities** **\$ (1,342,487)**

The accompanying notes are an integral part of these financial statements.

**Berwick Area School District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the year ended June 30, 2015**

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
<b>OPERATING REVENUES</b>			
Food service revenue	\$ 554,340	\$ -	\$ 554,340
Pool service revenue	-	1,711	1,711
<b>TOTAL OPERATING REVENUES</b>	<u>554,340</u>	<u>1,711</u>	<u>556,051</u>
<b>OPERATING EXPENSES</b>			
Salaries	427,497	1,764	429,261
Employee benefits	286,561	-	286,561
Purchased property services	14,863	-	14,863
Supplies	776,507	-	776,507
Depreciation	46,506	-	46,506
Other operating expenditures	284	-	284
<b>TOTAL OPERATING EXPENSES</b>	<u>1,552,218</u>	<u>1,764</u>	<u>1,553,982</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(997,878)</u>	<u>(53)</u>	<u>(997,931)</u>
<b>NONOPERATING REVENUES</b>			
Earnings on investments	151	2	153
State sources	57,638	-	57,638
Federal sources	838,546	-	838,546
<b>TOTAL NONOPERATING REVENUES</b>	<u>896,335</u>	<u>2</u>	<u>896,337</u>
<b>CHANGE IN NET POSITION</b>	<u>(101,543)</u>	<u>(51)</u>	<u>(101,594)</u>
<b>TOTAL NET POSITION - JULY 1, 2014</b>	<u>19,512</u>	<u>3,418</u>	<u>22,930</u>
<b>TOTAL NET POSITION - JUNE 30, 2015</b>	<u>\$ (82,031)</u>	<u>\$ 3,367</u>	<u>\$ (78,664)</u>

The accompanying notes are an integral part of these financial statements.

**Berwick Area School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Net Position of Proprietary Funds to the Statement of Activities**  
**For the year ended June 30, 2015**

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***Change in Net Position - Proprietary Funds*** **\$ (101,594)**

**Amounts reported for business-type activities in the Statement of Activities are different because:**

Proprietary funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

District pension contributions	\$	82,354	
Cost of benefits earned net of employee contributions		<u>(98,723)</u>	<u>(16,369)</u>

***Change in Net Position - Business-Type Activities*** **\$ (117,963)**

The accompanying notes are an integral part of these financial statements.



**Berwick Area School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the year ended June 30, 2015**

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from users	\$ 554,209	\$ 1,711	\$ 555,920
Cash payments to employees for services	(696,765)	(1,914)	(698,679)
Cash payments to suppliers for goods and services	(777,795)	-	(777,795)
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(920,351)</u>	<u>(203)</u>	<u>(920,554)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
State sources	41,772	-	41,772
Federal sources	835,944	-	835,944
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>877,716</u>	<u>-</u>	<u>877,716</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Earnings on investments	151	2	153
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>151</u>	<u>2</u>	<u>153</u>
NET (DECREASE) IN CASH	(42,484)	(201)	(42,685)
CASH AND CASH EQUIVALENTS AT JULY 1, 2014	<u>63,262</u>	<u>3,580</u>	<u>66,842</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2015	<u>\$ 20,778</u>	<u>\$ 3,379</u>	<u>\$ 24,157</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>			
Operating (loss)	\$ (997,878)	\$ (53)	\$ (997,931)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and net amortization	46,506	-	46,506
Increase (decrease) in cash resulting from changes in operating assets and liabilities:			
Accounts receivable	(1,205)	-	(1,205)
Inventories	1,539	-	1,539
Accounts payable	12,320	(150)	12,170
Accrued salaries and benefits	21,426	-	21,426
Advances from other funds	(4,133)	-	(4,133)
Deferred revenues	1,074	-	1,074
TOTAL ADJUSTMENTS	<u>77,527</u>	<u>(150)</u>	<u>77,377</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>\$ (920,351)</u>	<u>\$ (203)</u>	<u>\$ (920,554)</u>

The accompanying notes are an integral part of these financial statements.

**Berwick Area School District**  
**Statement of Fiduciary Net Position**  
**June 30, 2015**

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 285,586
Investments	<u>414,971</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>414,971</b>	<b>285,586</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	<u>-</u>	<u>-</u>
	<u>\$ 414,971</u>	<u>\$ 285,586</u>
<b>LIABILITIES</b>		
Amounts due to student activity organizations and clubs	<u>\$ -</u>	<u>\$ 285,586</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>285,586</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Reserved for scholarships and other academics	<u>414,971</u>	<u>-</u>
<b>TOTAL NET POSITION</b>	<u>414,971</u>	<u>-</u>
	<u>\$ 414,971</u>	<u>\$ 285,586</u>

The accompanying notes are an integral part of these financial statements.

**Berwick Area School District**  
**Statement of Changes in Fiduciary Net Position**  
**For the year ended June 30, 2015**

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	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Investment income	\$ 17,494
Contributions	<u>10,250</u>
<b>TOTAL ADDITIONS</b>	<u>27,744</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	18,100
Investment fees	1,966
Administrative fees	<u>5,976</u>
<b>TOTAL DEDUCTIONS</b>	<u>26,042</u>
<b>CHANGE IN NET POSITION</b>	1,702
<b>NET POSITION - JULY 1, 2014</b>	<u>413,269</u>
<b>NET POSITION - JUNE 30, 2015</b>	<u>\$ 414,971</u>

The accompanying notes are an integral part of these financial statements.

**NOTE 1 – Summary of Significant Accounting Policies**

The accounting policies of Berwick Area School District (the "District") conform to accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

**Reporting Entity**

The Berwick Area School District was founded in 1839. It services approximately 4,000 students K through 12 in four elementary buildings: Orange Street Elementary, Nescopeck Elementary, Fourteenth Street Elementary, Salem Elementary, and one Middle School and one Senior High School. It is affiliated with the Columbia-Montour Area Technical School where approximately 200 of the students are located.

The community serviced by the Berwick Area School District is composed of seven contiguous municipalities: Berwick Borough, Briar Creek Borough and Briar Creek Township in Columbia County; Salem Township, Nescopeck Township, Nescopeck Borough, and Hollenback Township in Luzerne County. The population is concentrated in Berwick Borough, Columbia County and Nescopeck Borough, Luzerne County situated on the north branch of the Susquehanna River along Route 93. Itinerant services are provided by the Central Susquehanna Intermediate Unit #16. Occupational training and adult education in various vocational and technical fields are provided by the School District and the Columbia-Montour Area Technical School.

The Berwick Area School District is one of seven participating members of a jointure for the establishment of an area vocational-technical school under and pursuant to Article XVIII of the Public School Code of 1949, as amended. The school, known as Columbia-Montour Vocational-Technical School, shall provide vocational and technical education to students residing in the various member districts. Current expenditures for the operation of the school shall be borne by each member district in proportion to the average daily membership of pupils. All costs of capital outlay for new buildings, additions, purchase of real estate, equipping the building, including lease rentals, shall be divided among the member districts on the basis of the current market value of all property for each of the member districts as determined by the State Tax Equalization Board at the time to the total market value of real property of all participating interests. Each member district is obligated to pay during the current year its respective share of the costs of capital outlay from its current revenues, including state reimbursements. Furthermore, since legal title to all land and buildings lies with each member district, then each member district must report their proportionate share of those assets and related debt on their financial statements. Consequently, the School District's proportionate share of land and buildings and related debt has been reported in the accompanying statement of net position.

**Berwick Area School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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At the end of each fiscal year - June 30, the Columbia-Montour Vocational-Technical School determines its final costs of operations and determines if any amounts are still due from its member districts or if any amounts are due back to the member districts. Any amounts owed or to be received from Columbia-Montour Vocational-Technical School are adjusted in subsequent years' billings. This procedure eliminates any financial benefit or financial burden to the member districts.

The Columbia-Montour Vocational-Technical School issues an annual financial report. A copy of the report may be obtained by visiting the business office during working hours or by writing to: Columbia-Montour Vocational-Technical School, c/o Business Manager, 5050 Sweppenheiser Drive, Bloomsburg, PA 17815.

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements present only the activities of those organizational entities for which its elected governing board is financially accountable.

### **Basis of Presentation**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

### Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting entity. These statements include all funds of the reporting entity except for fiduciary funds. The statements include a statement of net position and a statement of activities. Governmental activities generally are financed through taxes and intergovernmental revenue and other non-exchange revenue.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to users for goods, services, or privileges provided
- operating grants and contributions

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Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as non-operating revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided are not eliminated as doing so would distort the direct costs and program revenues reported by the departments concerned.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Separate statements are presented for governmental funds, proprietary funds and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered to be major if it is the primary operating fund of the District or meets the following criteria:

- total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental or enterprise funds combined.

At its discretion, the District may designate any fund not meeting the above criteria to be reported as major funds. All funds not meeting the above criteria are reported as "other funds" in the fund financial statements. Fiduciary funds are aggregated and reported by fund type.

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The District reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the School District. It is used to account for and report all financial resources not accounted for and reported in another fund. Beginning July 1, 2010 (the start of the School District's fiscal year), the Athletic Fund is required to become part of the General Fund so as to comply with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

The District reports the following major enterprise funds:

Food Service Fund - The Food Service Fund accounts for the food service operations within the District.

The District reports the following fiduciary fund types:

Agency Fund - The Agency Fund accounts for assets held by the District as an agent for the students. It consists of the Student Activities Funds only, which accounts for monies raised by students to finance student clubs and organizations but held by the District.

Trust Funds - The Trust Funds have been established by various citizens for the purpose of providing scholarships and other funding for qualifying students of the School District. The trust agreements designate the School District to establish committees to make annual recipient selections based on established criteria.

### **Basis of Accounting**

The government-wide, proprietary, 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 flows take place. Property taxes are recognized as revenue in the year for which they are levied.

The School District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 2009 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the School District has the option to apply FASB pronouncements issued after that date to its proprietary fund, it has chosen not to do so.

Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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**Notes to Financial Statements**  
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Governmental funds 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 year-end. 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 are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred there is both restricted and unrestricted net position available to finance the program. The District applies grant resources to such programs before using general revenues.

#### **Cash and Investments**

For purposes of its statement of cash flows, the District considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **Inventories**

Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and are also reported as part of the nonspendable fund balance as they do not constitute "available spendable resources". These inventories are stated at cost.

Inventories of the proprietary funds are recorded as assets when purchased and expensed when consumed. These inventories are stated at lower of cost or market.

#### **Capital Assets**

The School District's land, site improvements, building, and furniture and equipment, with useful lives of more than one year, are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capitals are also reported in their respective financial statements. The School District generally capitalizes assets with a cost of \$4,000 or more as purchases and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.



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Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Government Funds			
Buildings and improvements	\$4,000	Straight-line	15-40 years
Furniture and equipment	\$4,000	Straight-line	5-10 years
Proprietary Funds			
Furniture and equipment	\$4,000	Straight-line	7-12 years

**Deferred Outflows/Inflows of Resources**

In June 2011, the GASB issued Statement 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*" GASB 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. This change was incorporated in the District's financial statements for the year ended June 30, 2013; however, there was no effect on beginning net position/fund balance.

Effective July 1, 2013 the District implemented GASB 65, "Items Previously Reported as Assets and Liabilities." This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The District has three items that qualifies as deferred outflows of resources in its government wide statement of net position. One is a deferred charge in the governmental activities on bond refunding which results from the difference in the carrying value of the refunded debt and its reacquisition price. This deferred charge is amortized over the shorter of the life of the refunded bonds, or the new debt. The other outflows are the District's allocable share of retirement contributions paid during the current year in both the governmental activities and business-type activities. The District had no deferred outflows of resources in its governmental funds balance sheet.

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Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only four items that qualify as deferred inflows of resources in its government wide statement of net position. One is deferred tax collections, reported in the governmental activities, received for a levy period subsequent to the 2014 levy assessed by the District in the current year. One is for lunch deposits credited to student accounts, reported in the business-type activities. The other outflows are the District's allocable share of the difference between the retirement system's projected investment earnings and actual investment earnings. The District has two items that qualify as deferred inflows of resources in its governmental funds balance sheet. Those items are deferred tax collections noted above, as well as total delinquent taxes due as of June 30, 2015 on previously assessed tax levies not yet collected by the tax collector. The District also has one item that qualifies as a deferred inflow of resources in its proprietary fund balance sheet. That item is the lunch deposits credited to student accounts noted above.

**Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

**Compensated Absences**

The District provides for accumulation of sick pay which is compensated under certain conditions as described below. The total amount of the accumulated sick pay is required to be reflected as a liability in the government-wide statement of net position.

Included in the School District's contract with its teachers and non-professional employees is a provision for accruing sick and vacation days.

All professional and non-instructional personnel receive ten sick days per year. Secretary aides receive seven days. These days may be accumulated from one year to the next. There is no limit as to how many sick days may be accumulated.

Administrators receive twenty vacation days per year. Secretaries, custodians and maintenance receive fifteen vacation days per year. Eight vacation days may be carried over to the next year, any days in excess of the eight carried over will be paid into the employees' tax shelter annuity account (up to maximum of 5). Any days in excess of the 13 are lost.

The liability for accumulated sick days is reported in the government-wide financial statements.

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The District provides for accumulation of sick pay which is payable on retirement for employees with at least 20 years of service retiring under the Commonwealth of Pennsylvania Public School Employees' Retirement System. Beginning with the fiscal year ending June 30, 2008 the School District changed their policy for providing compensation to those individuals entitled to receive benefits for unused sick and personal days. Rather than pay cash for those unused days, the School District now provides an option to the employee to convert their sick days into health insurance coverage at a rate of 35 days per year of coverage, or convert their sick days into a 403(b) contribution at a per diem amount per day unused. In July 2008 the School District revised its conversion policy, whereby any unused sick days that were accrued after June 30, 2008 are to be converted at a rate of 48 days per year of coverage. No accrual or effect on expenditures and related Fund Balance in the governmental financial statements occurs until the liability is incurred. The accrued benefit to be provided for unused sick days was estimated to be \$5,281,668 at June 30, 2015, and is accounted for in the government-wide statement of net position as a long-term liability.

**Post Retirement Health Care Benefits**

The School District has an early retirement incentive program which provides for health care coverage for participating employees for ten years following the employees retirement or until the retiree reaches the age of 65, whichever is sooner. The costs of those benefits are recognized on a "pay as you go" basis.

**Due To and Due From Other Funds**

Interfund receivables and payables are the result of routine expenses paid from one fund on behalf of or properly chargeable to another fund. All such balances reflected are current and are normally liquidated within a reasonable time period.

In the process of aggregating data for the government-wide statement of net position and statement of activities, amounts reported as interfund activity and balances in the funds were eliminated or reclassified, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Budgetary Accounting**

The School District prepares a budget for the General Fund as required by the Commonwealth of Pennsylvania Public School Code. Budgets are not used for any other funds of the School District.

In reference to the General Fund, note that encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable amount of the budgetary appropriation, is used during the year on interim financial reports as a planning tool for controlling operations and to ensure that the budget, which is prepared on the modified accrual method, is not overexpended. The modified accrual method of accounting is used for both budgetary and financial reporting purposes.

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With proper approval of the School Board of Directors, budgetary transfers between departments can be made. The annual operating budget is adopted each year through passage of an annual budget resolution and is amended as required from time to time. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers and amendments.

All unencumbered budget appropriations lapse at the end of each year.

**Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

**Restricted Net Position**

Effective July 1, 2010, the School District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in the spendable form (such as inventory and prepaid expenses) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official of body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

**Berwick Area School District**  
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The Board of School Directors establishes (or modifies or rescinds) fund balance commitments by passage of a resolution or by a simple majority vote. Assigned fund balance is established by the School Board with an intent that such assignment be for a specified purpose. Assigned fund balances are passed by Board resolution or simple majority vote.

The District has established a policy that when certain expenditures are funded partially by committed resources, assigned resources, and unassigned resources simultaneously, it considers committed resources to be used first, followed by assigned resources, then unassigned resources.

In the general fund, the School District strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 5-10% of the actual GAAP basis expenditures and other financing sources and uses. As of June 30, 2015 no unassigned fund balance was available.

### **Financial Reporting**

In June 2012, the GASB issued Statement No 68 "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.*" This Statement provides guidance to improve accounting and financial reporting by state and local governments for pensions. The provisions of this Statement are to be effective for reporting periods beginning after June 15, 2014, and it has been implemented by the District for the year ended June 30, 2015.

In January 2013, the GASB issued Statement No. 69 "*Government Combinations and Disposals of Government Operations*". This Statement provides accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The provisions of this Statement are effective for reporting periods beginning after December 15, 2013. Management has determined that this Statement has no impact on the financial statements.

In April 2013, the GASB issued Statement No. 70 "*Accounting and Financial Reporting for Non-exchange Financial Guarantees*". The Statement provides guidance to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Management has determined that this Statement has no impact on the financial statements.

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**Notes to Financial Statements**  
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In November 2013, the GASB issued Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.*" This Statement provides guidance to address accounting issues regarding contributions made by government employers to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective to reporting periods beginning after June 15, 2014. Management has not yet determined the impact this Statement has on the financial statements.

In February 2015, the GASB issued Statement No. 72 "*Fair Value Measurement and Application.*" This Statement provides guidance for accounting and financial reporting issues related to fair value measurements. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. Management has not yet determined the impact this Statement has on the financial statements.

In June 2015, GASB issued Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, 67, and Amendments to Certain Provisions of GASB Statements No. 67 and 68.*" This Statement provides guidance that will improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments in order to make certain decisions and assess accountability. The provisions of this Statement are effective for reporting periods beginning after June 30, 2016. Management has not yet determined the impact this Statement has on the financial statement.

In June 2015, the GASB issued Statement No. 74 "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" This Statement provides guidance to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial report of state and local governmental OPEB plans in order to make certain decisions and assess accountability. The provisions of this Statement are effective for reporting periods beginning after June 15, 2016. Management has not yet determined the impact this Statement has on the financial statement.

In June 2015, the GASB issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*" This Statement provides guidance to improve the accounting and financial reporting of postemployment benefits other than pensions by state and local governments. The provisions of this Statement are effective for reporting periods beginning after June 15, 2017. Management has not yet determined the impact this Statement has on the financial statement.

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In June 2015, the GASB issued Statement No. 76 "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" This Statement provides guidance to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015. Management has not yet determined the impact this Statement has on the financial statement.

**NOTE 2 – Taxes Receivable - Delinquent**

The year for the assessment and collection of the School District's real estate, per capita and occupation taxes runs from July 1 through June 30. Taxes are levied each July 1 with the following collection schedule employed:

Discount period:	July 1 to August 31
Face period:	September 1 to October 31
Penalty period:	November 1 to December 31

Real estate taxes remaining unpaid as of December 31 are turned over to independent third parties for collection each January 1. Per capita and occupation taxes remaining unpaid at that point are turned over to an appointed tax collection agency.

**NOTE 3 – Deposits and Investments**

The Public School Code of the Commonwealth of Pennsylvania authorizes the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit, repurchase agreements, state treasurer's investment pools or mutual funds.

In addition to investments authorized for its general operations, Pennsylvania statutes prescribe a "prudent person rule" for the District's fiduciary funds to make investments in securities in which a prudent person of discretion and intelligence, who is seeking reasonable income and preservation of capital, would buy.

**Berwick Area School District**  
**Notes to Financial Statements**  
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**Deposits**

At June 30, 2015, the District had the following deposits:

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
GOVERNMENTAL ACTIVITIES		
Demand deposits	\$ 25,286,807	\$ 25,434,424
State treasurer's investment trust	1,020,736	1,020,736
TOTAL GOVERNMENTAL ACTIVITIES	26,307,543	26,455,160
BUSINESS-TYPE ACTIVITIES	24,157	24,222
FIDUCIARY FUNDS	285,586	300,114
	<u>\$ 26,617,286</u>	<u>\$ 26,779,496</u>

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. Of the total deposits above, \$500,000 was covered by federal depository insurance, and \$26,279,496 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository was not in the District's name.

The School District maintains its funds in various financial institutions. All amounts are either federally insured or, if in excess of FDIC or FSLIC insurance limits, collateralized by a pool of eligible securities as required by an act of the General Assembly of the Commonwealth of Pennsylvania as of August 6, 1971 (P.L. 281, No. 72).

**Other Risks**

Included in the total bank balance are deposits with the Pennsylvania Local Government Investment Trust (PLGIT), an external investment trust. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share and is subject to an independent annual audit. Standard and Poors rates PLGIT as "AA+."

**Investments**

The District voluntarily invests in an external pooled investment fund, managed by the Central Susquehanna Community Foundation, which includes money market funds. The Central Susquehanna Community Fund invests in "qualified" investments for Pennsylvania school districts. Financial statements for Central Susquehanna Community Foundation can be found on the internet at [www.cs giving.com](http://www.cs giving.com).



**Berwick Area School District**  
**Notes to Financial Statements**  
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Fair Value Measurements

The third party records its investments based on fair value. The use of observable inputs is maximized and the use of unobservable inputs is minimized using observable inputs when available.

Valuation of Investments

Third party investments whose values are based on quoted market prices in active markets consisted of active listed equities, certain U.S. government and sovereign obligations, certain money market securities, certain mutual funds, and certificates of deposit at June 30, 2015.

Third party investments that trade in markets are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs consisted of investment-grade corporate bonds and municipal obligations at June 30, 2015.

The balance of funds held by the third party at June 30, 2015 was \$414,971.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Marketable securities are in the custody of a custodial bank by the third party's investment advisor. The custodian provides insurance coverage up to \$500,000 on securities, including up to \$250,000 on cash, through the Securities Investor Protection Corporation and supplemental coverage up to the full net equity value of assets held in these accounts. Such coverage, however, does not insure against losses resulting from changes in securities markets.

**NOTE 4 – Due From Other Governments**

Amounts in the General Fund which are due from other governments include \$1,511,884 due from the Commonwealth of Pennsylvania's Department of Education ("PDE") for social security and retirement contributions, as well as rental/sinking fund payments and transportation, \$322,517 due from Luzerne and Columbia Counties for delinquent real estate taxes, \$17,418 from Luzerne and Columbia Counties for real estate transfer taxes, \$600,474 in federal funds passed through the PDE, and \$33,990 due from other Local Government Agencies for tuition and other reimbursements.

**Berwick Area School District**  
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**NOTE 5 – Capital Assets**

Capital assets at June 30, 2015 consist of all land, buildings, furniture and equipment owned by and which has been titled in the name of the School District. Values assigned are as explained in Note 1. Amounts reflected in the government-wide statements may be summarized as follows:

	Beginning Balance <u>07/01/14</u>	Additions/ Transfers	Retirements	Ending Balance <u>06/30/15</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Land	\$ 2,306,988	\$ -	\$ -	\$ 2,306,988
Construction in process	1,149,131	4,251,401	1,431,677	3,968,855
Buildings	55,644,048	902,546	-	56,546,594
Building improvements	4,488,163	1,309,954	-	5,798,117
Furniture and equipment	<u>13,512,821</u>	<u>771,659</u>	-	<u>14,284,480</u>
	<u>77,101,151</u>	<u>7,235,560</u>	<u>1,431,677</u>	<u>82,905,034</u>
Less: Accumulated depreciation				
Buildings	25,393,558	1,128,785	-	26,522,343
Building improvements	1,316,725	159,082	-	1,475,807
Furniture and equipment	<u>12,162,427</u>	<u>375,242</u>	-	<u>12,537,669</u>
	<u>38,872,710</u>	<u>1,663,109</u>	-	<u>40,535,819</u>
NET CAPITAL ASSETS	<u>38,228,441</u>	<u>5,572,451</u>	<u>1,431,677</u>	<u>42,369,215</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service equipment	645,701	-	-	645,701
Less: Accumulated depreciation	<u>(556,952)</u>	<u>(46,506)</u>	-	<u>(603,458)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>88,749</u>	<u>(46,506)</u>	-	<u>42,243</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>\$ 38,317,190</u>	<u>\$ 5,525,945</u>	<u>\$ 1,431,677</u>	<u>\$ 42,411,458</u>

Depreciation expense was charged to functions as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
Unallocated depreciation		\$ 1,663,109
<b>BUSINESS ACTIVITIES</b>		
Food service		<u>46,506</u>
	<b>TOTAL DEPRECIATION</b>	<u>\$ 1,709,615</u>

**Berwick Area School District**  
**Notes to Financial Statements**  
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**NOTE 6 – Deferred Outflows/Inflows and Unavailable Revenue**

Deferred outflows of resources and deferred inflows of resources as of June 30, 2015 are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
<b>Deferred Outflows:</b>				
Deferred interest on bond refundings	\$ 405,568	\$ -	\$ -	\$ -
Difference between employer contributions and proportionate share of total contributions	<u>3,792,747</u>	<u>82,354</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,198,315</u>	<u>\$ 82,354</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Deferred Inflows:</b>				
Deferred tax collections	\$ 21,025	\$ -	\$ 21,025	\$ -
Delinquent tax receivable	-	-	1,070,894	-
Prepaid student accounts	-	13,532	-	13,532
Net difference between projected and actual retirement investment earnings	<u>3,376,259</u>	<u>73,479</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,397,284</u>	<u>\$ 87,011</u>	<u>\$ 1,091,919</u>	<u>\$ 13,532</u>

**NOTE 7 – Long-Term Debt**

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2015:

	<u>Balance 07/01/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/15</u>	<u>Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>Bonds payable:</b>					
2009 General Obligation Bond	\$ 7,915,000	\$ -	\$ 7,915,000	\$ -	\$ -
2010 General Obligation Bond	10,035,000	-	180,000	9,855,000	175,000
2015 GO Note	<u>-</u>	<u>8,000,211</u>	<u>1,232,154</u>	<u>6,768,057</u>	<u>1,250,330</u>
	17,950,000	8,000,211	9,327,154	16,623,057	1,425,330
Accrued compensated absences	4,964,573	317,094	-	5,281,667	-
Authority lease obligations	<u>547,992</u>	<u>-</u>	<u>59,856</u>	<u>488,136</u>	<u>61,920</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 23,462,565</u>	<u>\$ 8,317,305</u>	<u>\$ 9,387,010</u>	<u>\$ 22,392,860</u>	<u>\$ 1,487,250</u>

**Berwick Area School District**  
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The District has no long-term debt in the business-type activities.

Details of the items comprising long-term debt are presented below:

General Obligation Bonds Issued by the School District

- A. On September 14, 2009, the District issued \$9,435,000 General Obligation Bond, Series of 2009. The net proceeds of \$9,403,981 (after payment of \$86,011 in underwriting fees, insurance, and other issuance costs) were used to purchase certain direct obligations of the United States of America. Those securities were deposited in an irrevocable trust with an escrow agent (First Keystone Community Bank) to provide for all future debt service payments on the 2004 General Obligation issue. As a result, the 2004 General Obligation Bonds refunding is considered to be a current refunding and the liability for those bonds has been removed from the government-wide statements. The new bonds mature in varying annual amounts (\$5,000 to \$1,370,000) from 2010 to 2021 and pay interest at rates ranging from 1.90 to 3.625%. The average annual debt service over the life of the bonds is estimated to be \$972,178. The Bonds were called during the current year.

Although the current refunding resulted in a deferred charge to the District in the amount of \$100,575 which is the economic loss sustained by the District for the year ended June 30, 2010, it enabled the District to reduce its aggregate debt service payments by almost \$320,343 (net of state subsidies), over the next 12 years. The deferred charge is amortized annually as a part of bond interest expense, and is reported as a deferred outflow of resources in the government-wide statements.

- B. On September 13, 2010, the District issued \$9,320,000 General Obligation Bond, Series A of 2010 and \$1,025,000 General Obligation Bond, Series B of 2010. The net proceeds of \$10,000,823 (after payment of \$344,177 in underwriting fees, insurance, and other issuance costs) were used to pay off the unpaid principal of the District's 2005 Series A and B General Obligation Bonds, including interest accrued thereon. The new bonds mature in varying annual amounts (\$5,000 to \$2,170,000) from 2012 to 2026 and pay interest at rates ranging from .85% to 3.375%. The average annual debt service over the life of the bonds is estimated to be \$941,538. The principal balance at June 30, 2015 amounted to \$9,855,000.

Although the issuance resulted in a deferred charge to the District in the amount of \$220,000 which is an economic loss sustained by the District for the year ended June 30, 2011, it enabled the District to reduce its aggregate debt service payments by almost \$420,539 (net of state subsidies) over the next 15 years. The deferred charge is amortized annually as part of bond interest expense, and is reported as a deferred outflow of resources in the government-wide statements.

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- C. On April 15, 2014, the District executed a General Obligation Note, Series of 2014 to be structured as a construction loan in an amount not to exceed \$9,500,000. The proceeds of the Note are to be used to finance the construction of a new elementary school. Terms of the Note include periodic draw downs for a period not to exceed 12 months, at which time the Note will become a permanent financing Note for a period of 20 years. Interest only is paid during the construction period (maximum twelve months) at a rate of 1.83% per annum, and will continue for the first 60 months, at which time the rate will adjust to 60% of the Bank's prime rate, not to exceed 7.25% if a new fixed rate is not negotiated at least 30 days prior to the expiration of the initial rate. There were no current monthly payment terms as of June 30, 2015 as the District had not taken any draw downs during the current year. The principal balance of the Note as of June 30, 2015 was \$0.
- D. On February 20, 2015, the District executed a General Obligation Note, Series of 2015. The net proceeds of \$8,000,210.51 were used to pay off the unpaid principal of the District's 2009 Series, including accrued interest thereon. Terms of the note include annual installments in varying amounts (\$299,581 to \$1,378,923) from 2015 through 2021 and pay interest at 1.90% for the first five years, then adjusts to 3.00% for the remainder of the Note. The average annual debt service over the life of the Note is estimated to be \$1,205,207. The principal balance of the Note as of June 30, 2015 was \$6,768,057.

Authority Lease Obligations

The District is obligated to pay its pro rata share of lease payments for the Columbia-Montour Area Technical School addition/alteration project of 2001. The total amount of future payments is reflected as a liability in the government-wide statement of net position. The Columbia-Montour Area Technical School refinanced its 2001 obligation with the Series of 2007 obligations.

Accrued Sick and Longevity Pay

Accumulated sick leave and longevity pay payable upon retirement of employees with service in excess of 20 years, under the Public School Employees' Retirement System is a long-term liability of the School District. Under the terms of the School District's various collective bargaining agreements with its employees, retiring employees are entitled to receive a per diem amount for their accumulated, unused sick days as well as a rate per year of service performed. The School District revised its policy for reimbursements for unused sick and personal leave as well as longevity pay. Rather than pay such benefits in cash, as in the past, the District has now implemented a policy whereby qualifying employees are given the option to either convert their unused sick leave into health insurance at a rate of 35 days per year of coverage, or convert the same days into a 403(b) contribution at a per diem rate. In July 2008 the School District revised its conversion policy, whereby any unused sick days that were accrued after June 30, 2008 are to be converted at a rate of 48 days per year of coverage. The accrued benefit to be provided from unused sick days and longevity years was estimated to be \$5,281,668 as of June 30, 2015, and was reflected in the statement of net position as "accrued compensated absences." This amount reported in the statement of net position represents the amount that would have been committed by the School District under the terms of the various collective bargaining agreements computed as if all eligible School District employees had retired effective July 1, 2015.

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Post Retirement Health Care Benefits

Employees of the School District wishing to take advantage of the Early Retirement Incentive Program continue to receive the health insurance benefits provided in the contract between the School District and the Berwick Area Education Association for ten years following the employees retirement or until the employee attains the age of 65, whichever is sooner. The benefits paid for retirees are capped at an annual dollar amount depending on the employees' retirement year. Maximum benefits range from \$4,500 to \$7,200 per year. The health care insurance costs payable in the future were estimated to be \$773,772 at June 30, 2015. The amount of benefits paid for the District's 38 retirees totaled approximately \$353,757 for the year ended June 30, 2015.

Aggregate Maturities of Long-Term Debt

Aggregate maturities and sinking fund requirements of the District's long-term debt (excluding accrued sick pay) are as follows:

	<u>2010 Issue</u>		<u>2015</u>	<u>Authority</u>		
	<u>Series A</u>	<u>Series B</u>	<u>Series A</u>	<u>Lease</u>	<u>Total</u>	
				<u>Obligations</u>		
Fiscal year ended June 30:						
2016	\$ 293,325	\$ 184,138	\$ 1,378,923	\$ 81,260	\$ 1,937,646	
2017	382,313	185,850	1,375,635	82,065	2,025,863	
2018	419,838	182,025	1,373,370	80,496	2,055,729	
2019	411,813	-	1,376,646	81,982	1,870,441	
2020	423,325	-	1,376,917	81,239	1,881,481	
2021-2025	8,923,463	-	299,579	161,983	9,385,025	
2026	<u>854,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>854,173</u>	
	TOTAL	11,708,250	552,013	7,181,070	569,025	20,010,358
Less: Amounts representing interest	<u>2,388,250</u>	<u>17,013</u>	<u>413,013</u>	<u>80,889</u>	<u>2,899,165</u>	
PRESENT VALUE OF LONG-TERM DEBT	<u>\$ 9,320,000</u>	<u>\$ 535,000</u>	<u>\$ 6,768,057</u>	<u>\$ 488,136</u>	<u>\$ 17,111,193</u>	

**Berwick Area School District**  
**Notes to Financial Statements**  
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**NOTE 7 – Fund Balance**

Fund Balances reported at June 30, 2015 are summarized as follows:

	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Nonspendable:				
Inventory	\$ 50,000	\$ -	\$ -	\$ 50,000
Prepaid expenses	46,596	-	-	46,596
Committed to:				
Retirement of debt service	11,166,721	-	-	11,166,721
Provide for future capital outlay	11,166,720	-	-	11,166,720
Assigned	-	1,948	576,722	578,670
<b>TOTAL FUND BALANCES</b>	<u>\$ 22,430,037</u>	<u>\$ 1,948</u>	<u>\$ 576,722</u>	<u>\$ 23,008,707</u>

**NOTE 8 – Pension Costs**

**1. Summary of Significant Accounting Policies**

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

*General Information about the Pension Plan*

Plan description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.pfers.state.pa.us](http://www.pfers.state.pa.us).

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Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.



**Berwick Area School District**  
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Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions:**

The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,875,101 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$58,613,302 for its proportionate share of the net pension liability in its governmental activities and \$1,272,698 in its business-type activities. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.1513 percent, which was the same as its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$4,536,177 in its governmental activities and \$98,723 in its business-type activities. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Net difference between projected and actual investment earnings	\$	\$ 3,376,259	\$	\$ 73,479
Contributions subsequent to the measurement date	3,792,747		82,354	

**Berwick Area School District**  
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\$3,792,747 reported as deferred outflows of resources in the governmental activities and \$82,354 reported as deferred outflows of resources in the business-type activities related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	831,262
2017		831,262
2018		831,262
2019		831,262
2020		124,690
	\$	<u>3,449,738</u>

Actuarial assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal -level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

**Berwick Area School District**  
**Notes to Financial Statements**  
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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	90.0%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Berwick Area School District**  
**Notes to Financial Statements**  
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Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
District's proportionate share of the net pension liability:			
Governmental Activities	\$ 73,108,000	\$ 58,610,000	\$ 46,233,000
Business-Type Activities	<u>1,591,000</u>	<u>1,276,000</u>	<u>1,006,000</u>
	<u>\$ 74,699,000</u>	<u>\$ 59,886,000</u>	<u>\$ 47,239,000</u>

Pension plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**NOTE 9 – Related Party Transactions**

Berwick Area School District is a participating member of a jointure with Columbia-Montour Area Technical School (CMATS). During the fiscal year 2000-2001, the Columbia-Montour Area Technical School issued its government obligation Bond Series of 2001 payable for an addition/alteration project in the amount of \$4,810,000. The bond paid interest at rates ranging from 4.00% to 6.00% with a term of 20 years. The average annual debt service over the life of the bond was \$393,658. The outstanding balance of \$4,095,000 was refinanced by CMATS as part of a School Lease Revenue Bond Series of 2007 (Lease# 072739) in the amount of \$4,250,000. The bond pays interest at rates ranging from 3.5% to 4.00% with a term of 14 years. The average annual debt service over the life of the bond is \$402,679. The principal balance of the bond as of June 30, 2015 is \$2,365,000.

**Berwick Area School District**  
**Notes to Financial Statements**  
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The School District's share of the outstanding balance on the bond is \$488,136. Payments on the debt service during the year amounted to \$78,936 and are shown as part of debt service expenditures in the Statement of Activities.

Total expenses relating to the School District's share of Columbia-Montour Area Technical School's expenses at June 30, 2015 were \$1,569,465. Also, at June 30, 2015, the School District had no balance outstanding with CMATS (see Note 4).

**NOTE 10 – Commitments**

As of June 30, 2015 the School District had the following improvement projects in process. A summary of the improvement projects, along with estimated costs to complete follows:

<u>Project</u>	<u>Estimated Costs</u>	<u>Costs Incurred Through June 30, 2015</u>	<u>Remaining Costs Committed</u>
Elementary school construction management	\$ 267,300	\$ 126,600	\$ 140,700
Elementary school - general contractor	13,150,200	1,930,855	11,219,345
Elementary school - plumbing	805,500	67,469	738,031
Elementary school - HVAC system	2,679,500	302,576	2,376,924
Elementary school - electrical	2,304,400	75,321	2,229,079
Elementary school - material testing	83,200	-	83,200
Baseball complex - general	1,296,600	1,167,000	129,600
Baseball complex	131,782	115,467	16,315
Baseball complex - concession building	25,620	-	25,620
Baseball complex - club house demolition	8,050	-	8,050
Trash removal	71,852	20,908	50,944
Salem sidewalk replacement	10,800	-	10,800
	<u>\$ 20,834,804</u>	<u>\$ 3,806,196</u>	<u>\$ 17,028,608</u>

**NOTE 11 - Litigation**

The District normally becomes involved in legal actions arising in the ordinary course of its operations. In the opinion of the District management and outside counsel, the estimated amounts of potential claims against the School District will not materially affect the accompanying financial statements.

**NOTE 12 – Contingencies**

The School District participates in various State and Federal grant programs, which are governed by rules and regulations of the grantor agencies. Costs charged to the respective programs are subject to audit and adjustment by the grantor agencies. Therefore to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any funds received may be required and collectability of any receivables at June 30, 2015 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance; therefore, no provision for contingent liabilities has been recorded in the accompanying financial statements.

**NOTE 13 – Risk Management**

The School District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters and workers' compensation for which the School District carries commercial insurance. There have been no significant reductions in coverage from the prior year. Settlement amounts have not exceeded insurance coverage in the current year or the past three years.

**NOTE 14 – Private Purpose Trust Funds**

The School District has been the recipient of various donations and bequests during the past. Terms of the donors stipulate that the District must establish certain trust and scholarship funds whereby the principal of such funds is to be invested and the income generated by the funds may be utilized to provide scholarships and other grant awards to students of the District based on an established criteria as set by the District in concert with the Board.

**Berwick Area School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 15 – Interfund Balances and Activity**

Interfund Receivables and Payables – interfund balances at June 30, 2015 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
GOVERNMENTAL FUNDS		
General fund	\$ 19,164	\$ -
ENTERPRISE FUNDS		
Food service fund	-	19,164
TOTAL	<u>\$ 19,164</u>	<u>\$ 19,164</u>

Interfund Transfers – interfund transfers for the year ended June 30, 2015, were as follows:

	<u>Interfund Transfers In</u>	<u>Interfund Transfers Out</u>
GOVERNMENTAL FUNDS		
General fund	\$ -	\$ 9,863,420
Debt service fund	9,863,420	-
TOTAL GOVERNMENTAL FUNDS	<u>9,863,420</u>	<u>9,863,420</u>
TOTAL	<u>\$ 9,863,420</u>	<u>\$ 9,863,420</u>

**NOTE 16 – Prior Period Adjustment**

Net Position at July 1, 2014 has been restated to reflect a change in accounting principal as instituted by GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27." That standard improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Because the Statement requires a retroactive restatement of the District's net pension liability, a prior period adjustment is recorded to correct net position for the net pension liability of the District as of July 1, 2014.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position, July 1, 2014	\$ 41,924,413	\$ 22,930
Adjustment to reflect net pension liability of the District as of June 30, 2014	<u>(57,453,384)</u>	<u>(1,247,454)</u>
Net Position, July 1, 2014 (Restated)	<u>\$ (15,528,971)</u>	<u>\$ (1,224,524)</u>

**Berwick Area School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 17 – Subsequent Events**

The District has evaluated subsequent events through January 28, 2016, which is the date at which the financial statements were available to be issued.

Subsequent to June 30, 2015, the District awarded bid and other contracts for various projects as follows:

<u>Project</u>	<u>Contract Award</u>
Speech therapy services	\$ 33,860
Cyber School equipment	43,740
Diesel mower	11,900
One-to-one computer project	297,625
Baseball complex	1,293,000
Modular classroom removal - High School	23,600
Professional commissioning services	31,350
New elementary school construction	<u>18,939,600</u>
	<u>\$ 20,674,675</u>



**Berwick Area School District**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local revenues	\$ 18,447,251	\$ 19,519,286	\$ 19,941,247	\$ 421,961
State program revenues	22,400,715	21,307,493	22,435,325	1,127,832
Federal program revenues	<u>1,042,000</u>	<u>1,042,000</u>	<u>1,178,977</u>	<u>136,977</u>
<b>TOTAL REVENUES</b>	<u>41,889,966</u>	<u>41,868,779</u>	<u>43,555,549</u>	<u>1,686,770</u>
<b>EXPENDITURES</b>				
Regular programs	17,820,059	18,027,168	18,371,969	(344,801)
Special programs	5,956,837	5,995,394	5,791,143	204,251
Vocational programs	2,540,345	2,536,202	2,352,105	184,097
Other instructional programs	175,725	175,726	37,196	138,530
Nonpublic school programs	17,450	17,450	14,064	3,386
Pupil personnel services	1,430,288	1,424,318	1,376,086	48,232
Instructional staff services	960,721	945,693	914,466	31,227
Administrative services	2,001,506	1,994,081	1,958,656	35,425
Pupil health	569,733	572,420	542,089	30,331
Business services	552,695	552,695	544,290	8,405
Operation and maintenance of plant services	3,580,673	3,586,421	3,514,762	71,659
Student transportation services	1,402,249	1,402,249	1,544,434	(142,185)
Central and other support services	1,278,393	1,369,464	1,289,768	79,696
Student activities	732,610	1,362,879	782,248	580,631
Community service	20,049	20,049	6,044	14,005
Facility improvement and acquisition	<u>6,000,000</u>	<u>6,468,816</u>	<u>5,202,624</u>	<u>1,266,192</u>
<b>TOTAL EXPENDITURES</b>	<u>45,039,333</u>	<u>46,451,025</u>	<u>44,241,944</u>	<u>2,209,081</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(3,149,367)</u>	<u>(4,582,246)</u>	<u>(686,395)</u>	<u>3,895,851</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceed from sales of fixed assets	-	-	183	183
Proceeds from extended term financing	7,000,000	7,000,000	8,000,211	1,000,211
Refunds of prior year receipts	-	-	(8,077)	(8,077)
Debt service	-	-	(78,936)	(78,936)
Operating transfers to other funds	(2,377,867)	(1,910,526)	(9,863,420)	(7,952,894)
Budgetary reserve	<u>(659,249)</u>	<u>(352,930)</u>	<u>-</u>	<u>352,930</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,962,884</u>	<u>4,736,544</u>	<u>(1,950,039)</u>	<u>(6,686,583)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>813,517</b>	<b>154,298</b>	<b>(2,636,434)</b>	<b>(2,790,732)</b>
<b>FUND BALANCE - BEGINNING</b>	<u>25,066,471</u>	<u>25,066,471</u>	<u>25,066,471</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 25,879,988</u>	<u>\$ 25,220,769</u>	<u>\$ 22,430,037</u>	<u>\$ (2,790,732)</u>

**Berwick Area School District**  
**Notes to Budgetary Comparison Schedule**  
**June 30, 2015**

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**Budget and Budgetary Accounting**

The School Board utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) About May 1, the Superintendent submits to the School Board a tentative operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and sources of funding.
- (2) Several public hearings are then conducted after required official advertising to obtain taxpayer comments.
- (3) State law requires the budget be legally adopted by June 30th by the School Board during a public session.
- (4) Budget documents for the General Fund are structured such that revenues are budgeted by source and appropriations by function. School Board practice prescribes that the level of budgetary control is at the functional level. Revisions to the budget as enacted on a functional level require School Board approval. Budget amounts included in the accompanying financial statements include the original budget and the final amended budget for the General Fund. There were no amendments to the budget during the current year.
- (5) The School Board utilizes formal budgetary systems as a management control device.
- (6) The budget and actual comparisons are made by source for revenues and by function for expenditures, which in some cases is more detailed than the fund level legal requirement.
- (7) The basis of accounting applied to budgetary data presented is substantially consistent with the appropriate basis of accounting for each fund type for which an annual budget is prepared. Appropriations which are not expended lapse at year end.

**Berwick Area School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**For the year ended June 30, 2015**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability	0.1513%	0.1513%	NA	NA	NA	NA	NA	NA	NA	NA
District's proportionate share of the net pension liability	\$ 59,886,000	\$ 61,936,000	NA	NA	NA	NA	NA	NA	NA	NA
District's covered-employee payroll	\$ 19,305,768	\$ 19,418,299	NA	NA	NA	NA	NA	NA	NA	NA
District's proportionate share of the net pension liability as a percentage of it covered-employee payroll	310.20%	318.96%	NA	NA	NA	NA	NA	NA	NA	NA
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%	NA	NA	NA	NA	NA	NA	NA	NA

NA - Information for those year is not available

**Berwick Area School District**  
**Schedule of District Retirement Contributions**  
**For the year ended June 30, 2015**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 3,875,101	\$ 3,057,448	NA	NA	NA	NA	NA	NA	NA	NA
Contributions in relation to the contractually required contribution	<u>(3,875,101)</u>	<u>(3,057,448)</u>	NA	NA	NA	NA	NA	NA	NA	NA
Contribution deficiency (excess)	-	-	NA	NA	NA	NA	NA	NA	NA	NA
District's covered-employee payroll	19,305,768	19,418,299	NA	NA	NA	NA	NA	NA	NA	NA
Contributions as a percentage of covered-employee payroll	20.07%	15.75%	NA	NA	NA	NA	NA	NA	NA	NA

NA - Information for these years is not available

**Berwick Area School District**  
**General Fund**  
**Balance Sheet**  
**June 30, 2015**

ASSETS

Cash	\$ 25,728,873
Taxes receivable (delinquent)	1,070,894
Due from other funds	19,164
Due from other governments	2,486,283
Other receivables	361,073
Inventories	50,000
Prepaid expenses/expenditures	<u>46,596</u>
	29,762,883

DEFERRED OUTFLOWS OF RESOURCES

\$ 29,762,883

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 1,965,604
Accrued salaries and benefits	2,098,574
Payroll deductions and withholdings	<u>2,176,749</u>
	<u>6,240,927</u>

DEFERRED INFLOWS OF RESOURCES

1,091,919

FUND EQUITY

Nonspendable	96,596
Committed	<u>22,333,441</u>

TOTAL FUND EQUITY 22,430,037

\$ 29,762,883

**Berwick Area School District**  
**General Fund**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**For the year ended June 30, 2015**

<b>REVENUE</b>		
Local sources		\$ 19,941,247
State sources		22,435,325
Federal sources		<u>1,178,977</u>
	<b>TOTAL REVENUE</b>	<u>43,555,549</u>
<b>EXPENDITURES</b>		
<b>INSTRUCTION</b>		
Regular programs		18,371,969
Special programs		5,791,143
Vocational education programs		2,352,105
Other instructional programs		<u>51,260</u>
	<b>TOTAL INSTRUCTION</b>	<u>26,566,477</u>
<b>SUPPORT SERVICES</b>		
Pupil personnel		1,376,086
Instructional staff		914,466
Administration		1,958,656
Pupil health		542,089
Business		544,290
Operation and maintenance of plant		3,514,762
Student transportation		1,544,434
Central services		<u>1,289,768</u>
	<b>TOTAL SUPPORT SERVICES</b>	<u>11,684,551</u>
<b>OPERATION OF NON-INSTRUCTIONAL SERVICES</b>		
Student activities		782,248
Community services		<u>6,044</u>
	<b>TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES</b>	<u>788,292</u>
<b>FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES</b>		<u>5,202,624</u>
	<b>TOTAL EXPENDITURES</b>	<u>44,241,944</u>
	<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(686,395)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from sales of assets		183
Proceeds from extended term financing		8,000,211
Refunds of prior year receipts		(8,077)
Debt service - authority lease rentals		(78,936)
Operating transfers to other governmental funds		<u>(9,863,420)</u>
	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,950,039)</u>
	<b>NET CHANGE IN FUND BALANCE</b>	(2,636,434)
<b>FUND BALANCE - BEGINNING</b>		<u>25,066,471</u>
<b>FUND BALANCE - ENDING</b>		<u>\$ 22,430,037</u>

**Berwick Area School District**  
**Schedule of General Fund Revenue - Budget and Actual**  
**For the year ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUE FROM LOCAL SOURCES</b>			
Taxes levied/assessed:			
Current real estate taxes	\$ 15,396,130	\$ 14,978,543	\$ (417,587)
Public utility realty taxes	24,000	23,032	(968)
Payments in lieu of taxes	10,000	16,014	6,014
Current per capita tax, Section 679	74,000	72,406	(1,594)
Current Act 511, occupational taxes	122,000	119,374	(2,626)
Current Act 511, earned income taxes	1,600,000	1,885,800	285,800
Current Act 511, real estate transfer taxes	140,000	173,669	33,669
Delinquencies on taxes levied/assessed:			
Delinquent real estate taxes	1,153,700	1,158,599	4,899
Delinquent per capita taxes	4,200	14,498	10,298
Delinquent occupational taxes	4,100	18,081	13,981
Interest earned	85,000	95,592	10,592
Facility rents	67,377	82,584	15,207
Revenue from pass-through sources	677,329	673,026	(4,303)
Grants and gifts	30,750	32,481	1,731
Miscellaneous	130,700	597,548	466,848
<b>TOTAL LOCAL SOURCES</b>	<u>19,519,286</u>	<u>19,941,247</u>	<u>421,961</u>
<b>REVENUE FROM STATE SOURCES</b>			
Basic instructional subsidy	13,910,011	13,838,025	(71,986)
Sect 1305/1306	42,000	70,152	28,152
Vocational education	-	173	173
Special education of exceptional pupils	2,091,063	2,128,524	37,461
Transportation	685,000	695,802	10,802
Rental and sinking fund payment reimbursements	677,019	644,748	(32,271)
Medical and nursing services	57,000	1,148,381	1,091,381
State accountability grant	208,925	-	(208,925)
Ready/learn block grant	-	429,566	429,566
Other state grants	2,000	94,547	92,547
Social Security - state share	1,519,713	844,318	(675,395)
Retirement reimbursement - state share	2,114,762	2,541,089	426,327
<b>TOTAL STATE SOURCES</b>	<u>21,307,493</u>	<u>22,435,325</u>	<u>1,127,832</u>
<b>REVENUE FROM FEDERAL SOURCES</b>			
Title I	640,000	678,068	38,068
Title II Improvement	85,000	154,466	69,466
Program improvement applications	12,000	16,824	4,824
Access medical assistance	305,000	329,619	24,619
<b>TOTAL FEDERAL SOURCES</b>	<u>1,042,000</u>	<u>1,178,977</u>	<u>136,977</u>
<b>TOTAL GENERAL FUND REVENUE</b>	<u>\$ 41,868,779</u>	<u>\$ 43,555,549</u>	<u>\$ 1,686,770</u>

**Berwick Area School District**  
**Schedule of General Fund Expenditures - Budget and Actual**  
**For the year ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>INSTRUCTION</b>			
<b>REGULAR PROGRAMS</b>			
Personnel services - salaries	\$ 10,658,023	\$ 10,821,755	\$ (163,732)
Personnel services - benefits	6,361,011	6,361,190	(179)
Purchased prof. and tech. services	151,577	134,948	16,629
Other purchased services	547,362	781,271	(233,909)
Supplies	207,924	181,056	26,868
Textbooks	81,169	76,242	4,927
Equipment	18,647	14,540	4,107
Miscellaneous	1,455	967	488
<b>TOTAL REGULAR PROGRAMS</b>	<u>18,027,168</u>	<u>18,371,969</u>	<u>(344,801)</u>
<b>SPECIAL PROGRAMS</b>			
Personnel services - salaries	3,493,319	3,343,419	149,900
Personnel services - benefits	1,978,666	1,746,091	232,575
Purchased prof. and tech. services	126,066	171,926	(45,860)
Other purchased services	286,526	428,438	(141,912)
Supplies	108,790	99,694	9,096
Miscellaneous	2,027	1,575	452
<b>TOTAL SPECIAL PROGRAMS</b>	<u>5,995,394</u>	<u>5,791,143</u>	<u>204,251</u>
<b>VOCATIONAL EDUCATION PROGRAMS</b>			
Personnel services - salaries	606,499	494,171	112,328
Personnel services - benefits	328,762	264,069	64,693
Purchased prof. and tech. services	1,000	1,000	-
Other purchased services	1,574,213	1,572,903	1,310
Supplies	22,928	17,258	5,670
Equipment	2,800	2,704	96
<b>TOTAL VOCATIONAL EDUCATION PROGRAMS</b>	<u>2,536,202</u>	<u>2,352,105</u>	<u>184,097</u>
<b>OTHER INSTRUCTIONAL PROGRAMS</b>			
Personnel services - salaries	96,563	10,706	85,857
Personnel services - benefits	37,886	3,195	34,691
Purchased prof. and tech. services	17,450	14,064	3,386
Other purchased services	38,777	23,078	15,699
Supplies and textbooks	2,500	217	2,283
<b>TOTAL OTHER INSTRUCTIONAL PROGRAMS</b>	<u>193,176</u>	<u>51,260</u>	<u>141,916</u>
<b>TOTAL INSTRUCTION</b>	<u>26,751,940</u>	<u>26,566,477</u>	<u>185,463</u>
<b>SUPPORT SERVICES</b>			
<b>PUPIL PERSONNEL</b>			
Personnel services - salaries	946,924	887,616	59,308
Personnel services - benefits	454,118	478,046	(23,928)
Purchased prof. and tech. services	4,395	565	3,830
Other purchased services	5,918	1,777	4,141
Supplies and textbooks	11,113	7,957	3,156
Equipment	1,500	-	1,500
Miscellaneous	350	125	225
<b>TOTAL PUPIL PERSONNEL</b>	<u>1,424,318</u>	<u>1,376,086</u>	<u>48,232</u>



**Berwick Area School District**  
**Schedule of General Fund Expenditures - Budget and Actual**  
**For the year ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>SUPPORT SERVICES (CONT'D)</b>			
<b>INSTRUCTIONAL STAFF</b>			
Personnel services - salaries	452,716	434,947	17,769
Personnel services - benefits	115,916	176,061	(60,145)
Purchased prof. and tech. services	39,681	28,300	11,381
Other purchased services	22,550	9,153	13,397
Supplies and textbooks	312,280	264,497	47,783
Miscellaneous	2,550	1,508	1,042
<b>TOTAL INSTRUCTIONAL STAFF</b>	<u>945,693</u>	<u>914,466</u>	<u>31,227</u>
<b>ADMINISTRATION</b>			
Personnel services - salaries	1,219,732	1,277,029	(57,297)
Personnel services - benefits	621,889	559,939	61,950
Purchased prof. and tech. services	80,800	71,116	9,684
Other purchased services	43,096	20,085	23,011
Supplies and textbooks	18,336	13,260	5,076
Equipment	2,000	-	2,000
Miscellaneous	8,228	17,227	(8,999)
<b>TOTAL ADMINISTRATION</b>	<u>1,994,081</u>	<u>1,958,656</u>	<u>35,425</u>
<b>PUPIL HEALTH</b>			
Personnel services - salaries	339,771	330,116	9,655
Personnel services - benefits	219,859	197,151	22,708
Purchased prof. and tech. services	1,221	5,075	(3,854)
Other purchased services	1,302	522	780
Supplies and textbooks	10,167	9,225	942
Miscellaneous	100	-	100
<b>TOTAL PUPIL HEALTH</b>	<u>572,420</u>	<u>542,089</u>	<u>30,331</u>
<b>BUSINESS</b>			
Personnel services - salaries	337,645	344,606	(6,961)
Personnel services - benefits	175,600	170,584	5,016
Purchased prof. and tech. services	26,000	20,831	5,169
Other purchased services	3,950	1,563	2,387
Supplies and textbooks	6,500	6,426	74
Equipment	2,500	-	2,500
Miscellaneous	500	280	220
<b>TOTAL BUSINESS</b>	<u>552,695</u>	<u>544,290</u>	<u>8,405</u>
<b>OPERATION AND MAINTENANCE OF PLANT</b>			
Personnel services - salaries	1,284,436	1,238,328	46,108
Personnel services - benefits	807,685	781,118	26,567
Purchased prof. and tech. services	106,101	103,079	3,022
Other purchased services	863,623	959,734	(96,111)
Supplies	483,976	377,682	106,294
Equipment	40,100	39,642	458
Miscellaneous	500	15,179	(14,679)
<b>TOTAL OPERATION AND MAINTENANCE OF PLANT</b>	<u>3,586,421</u>	<u>3,514,762</u>	<u>71,659</u>

**Berwick Area School District**  
**Schedule of General Fund Expenditures - Budget and Actual**  
**For the year ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>SUPPORT SERVICES (CONT'D)</b>			
<b>STUDENT TRANSPORTATION</b>			
Personnel services - salaries	28,238	28,781	(543)
Personnel services - benefits	29,012	16,778	12,234
Purchased prof. and tech. services	27,500	13,381	14,119
Other purchased services	1,300,499	1,485,357	(184,858)
Supplies	2,000	137	1,863
Equipment	15,000	-	15,000
<b>TOTAL TRANSPORTATION</b>	<u>1,402,249</u>	<u>1,544,434</u>	<u>(142,185)</u>
<b>CENTRAL SERVICES</b>			
Personnel services - salaries	216,817	221,502	(4,685)
Personnel services - benefits	106,676	102,742	3,934
Purchased prof. and tech. services	290,900	219,597	71,303
Other purchased services	45,300	41,575	3,725
Supplies and textbooks	279,377	337,017	(57,640)
Textbooks	62,215	-	62,215
Equipment	368,179	367,335	844
<b>TOTAL CENTRAL SERVICES</b>	<u>1,369,464</u>	<u>1,289,768</u>	<u>79,696</u>
<b>TOTAL SUPPORT SERVICES</b>	<u>11,847,341</u>	<u>11,684,551</u>	<u>162,790</u>
<b>OPERATION OF NON-INSTRUCTIONAL SERVICES</b>			
<b>STUDENT ACTIVITIES</b>			
Personnel services - salaries	305,693	329,091	(23,398)
Personnel services - benefits	-	102,446	(102,446)
Purchased prof. and tech. services	181,749	147,591	34,158
Other purchased services	133,069	111,742	21,327
Supplies	87,734	75,361	12,373
Textbooks	278	-	278
Miscellaneous	17,077	16,017	1,060
<b>TOTAL STUDENT ACTIVITIES</b>	<u>725,600</u>	<u>782,248</u>	<u>(56,648)</u>
<b>COMMUNITY SERVICES</b>			
Purchased prof. and tech. services	2,500	1,350	1,150
Supplies	17,549	4,694	12,855
<b>TOTAL COMMUNITY SERVICES</b>	<u>20,049</u>	<u>6,044</u>	<u>14,005</u>
<b>TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES</b>	<u>745,649</u>	<u>788,292</u>	<u>(42,643)</u>
<b>FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES</b>	<u>6,468,816</u>	<u>5,202,624</u>	<u>1,266,192</u>
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<u>\$ 45,813,746</u>	<u>\$ 44,241,944</u>	<u>\$ 1,571,802</u>

**Berwick Area School District**  
**Schedule of Expenditures of Federal Awards (including State portions)**  
**For the year ended June 30, 2015**

Federal Grantor/ Pass Through Grantor/ Project Title and Description	ARRA Funds	Source Code	CFDA	Grantor Contract #	Grant Award	Grant Period	Net Cash Received Current FY	Accrued or (Unavailable) Revenue at July 1, 2014	Revenue Recognized	Expenditures Recognized	Accrued or (Unavailable) Revenue at June 30, 2015
<b>UNITED STATES DEPARTMENT OF AGRICULTURE:</b>											
RECEIVED THROUGH THE PENNSYLVANIA DEPARTMENT OF AGRICULTURE: National School Lunch Program (Food Nutrition Services) (State portion of the above)	I	10.555	362	\$ 631,088	07-01-14/06-30-15	\$ 630,931	\$ 24,844	\$ 633,246	\$ 633,246	\$ 633,246	\$ 27,159
Regular/Needy Breakfast Program (State portion of the above)	S	N/A	510-0000	\$ 33,409	07-01-14/06-30-15	33,348	1,341	33,409	33,409	33,409	1,402
	I	10.553	365/387-0000	\$ 153,019	07-01-14/06-30-15	145,471	6,675	145,757	145,757	145,757	6,961
	S	N/A	511-0000	\$ 8,437	07-01-14/06-30-15	8,425	391	8,437	8,437	8,437	403
RECEIVED THROUGH THE PENNSYLVANIA DEPARTMENT OF AGRICULTURE Donated Commodities (Food)	I	10.555	2-03-40-500	\$ 62,396	07-01-14/06-30-15	59,542	(2,451)	61,198	61,198	61,198	(795) d.
<b>TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE</b>						<b>877,717</b>	<b>30,800</b>	<b>882,047</b>	<b>882,047</b>	<b>882,047</b>	<b>35,130</b>
<b>UNITED STATES DEPARTMENT OF EDUCATION:</b>											
RECEIVED THROUGH PENNSYLVANIA DEPARTMENT OF EDUCATION: ESEA Title I ESEA Title I	I	84.010	13-14-0032	\$ 679,340	10-01-14/09-30-15	677,329	564,975	679,340	679,340	679,340	2,011
	I	84.010	13-13-0032	\$ 704,947	10-01-13/09-30-14	564,975	564,975	(1,272)	(1,272)	678,068	(1,272)
						1,242,304		678,068	678,068	678,068	739
Education for Economic Security Act: Title IIA (Improving Teacher Quality) Title IIA (Improving Teacher Quality)	I	84.367	20-140032	\$ 154,677	10-01-13/09-30-14	154,677	123,870	154,677	154,677	154,677	-
	I	84.367	20-130032	\$ 154,627	10-01-13/09-30-14	123,870	123,870	154,677	154,677	154,677	-
						278,547		154,677	154,677	154,677	-
ESEA Title III (Language Instruction LEP) ESEA Title III (Language Instruction LEP) ESEA Title III (Language Instruction LEP)	I	84.365	10-140032	\$ 16,824	10-01-14/09-30-15	16,824	-	16,824	16,824	16,824	-
	I	84.365	10-130032	\$ 15,489	10-01-13/09-30-14	12,391	12,391	16,824	16,824	16,824	-
	I	84.365	10-120032	\$ 13,579	10-01-12/08-30-13	9,958	9,958	16,824	16,824	16,824	-
						39,173	22,349	16,824	16,824	16,824	-
<b>TOTAL CFDA #84.365</b>						<b>10,316</b>	<b>-</b>	<b>10,316</b>	<b>10,316</b>	<b>10,316</b>	<b>-</b>
ARRA - Race to the Top	ARRA	I	84.413A	B413A.120004	\$ 58,106	07-01-2012/09-30-15	1,570,340	711,194	859,885	859,885	739
<b>TOTAL UNITED STATES DEPARTMENT OF EDUCATION</b>						<b>1,570,340</b>	<b>711,194</b>	<b>859,885</b>	<b>859,885</b>	<b>859,885</b>	<b>739</b>
Medical Assistance - Access Medical Assistance - Access	I	93.778	044-007032	\$ 37,955	07-01-14/06-30-15	24,361	-	37,955	37,955	37,955	13,594
	I	93.778	044-007032	\$ 57,704	07-01-12/06-30-13	13,892	13,892	37,955	37,955	37,955	13,594
						38,253	13,892	37,955	37,955	37,955	13,594
Individuals with Disabilities Education Act: IDEA Funds (financial assistance to meet special needs disabled children) IDEA Funds (financial assistance to meet special needs disabled children) (EI)	P	84.027	N/A	\$ 652,895	07-01-14/06-30-15	246,116	383,169	652,895	652,895	652,895	406,779
	P	84.027	N/A	\$ 634,970	07-01-13/06-30-14	629,285	383,169	652,895	652,895	652,895	406,779
<b>TOTAL CFDA #84.027</b>						<b>629,285</b>	<b>383,169</b>	<b>652,895</b>	<b>652,895</b>	<b>652,895</b>	<b>406,779</b>
IDEA Funds (financial assistance to meet special needs disabled children) (619) IDEA Funds (financial assistance to meet special needs disabled children) (619)	P	84.173	N/A	\$ 10,736	07-01-13/06-30-14	9,941	9,941	10,736	10,736	10,736	10,736
	P	84.173	N/A	\$ 9,941	07-01-13/06-30-14	9,941	9,941	10,736	10,736	10,736	10,736
						9,941	9,941	10,736	10,736	10,736	10,736
<b>TOTAL CFDA #84.173</b>						<b>9,941</b>	<b>9,941</b>	<b>10,736</b>	<b>10,736</b>	<b>10,736</b>	<b>10,736</b>
<b>TOTAL UNITED STATES DEPARTMENT OF EDUCATION PASSED THROUGH OTHER GRANTOR AGENCIES</b>						<b>653,118</b>	<b>407,002</b>	<b>701,586</b>	<b>701,586</b>	<b>701,586</b>	<b>417,515</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>						<b>\$ 3,101,175</b>	<b>\$ 1,148,996</b>	<b>\$ 2,443,518</b>	<b>\$ 2,443,518</b>	<b>\$ 2,443,518</b>	<b>\$ 453,364</b>

**Berwick Area School District**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended June 30, 2015**

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Legend

Source Codes:

S = State Funding  
 I = Indirect Funding  
 P = Pass Through Funding

Footnotes

a. Donated Commodities Received  
 b. July 1, 2014 (Beginning Inventory)  
 c. Donated Commodities Used  
 d. June 30, 2015 (Ending Inventory)

TEST FOR 50% RULE

Total Expenditures	\$ 2,443,518
Less: State Share of National School Lunch Program Expenditures	(33,409)
State Share of Regular/Needy Breakfast Program Expenditures	(8,437)
<b>TOTAL FEDERAL EXPENDITURES</b>	<u>\$ 2,401,672</u>
ESEA Title I	\$ 678,068 *
IDEA Funds	663,631 *
National School Lunch Program (Entire Cluster)	840,201 *
Total Type I Programs	<u>\$ 2,181,900</u>
Total Federal Expenditures	<u>2,401,672</u>
	<u>90.85%</u>

\* Selected for Testing



Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of General Purpose Financial  
Statements Performed in Accordance with Government Auditing Standards

To the Board of School Directors  
Berwick Area School District  
Berwick, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berwick Area School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Berwick Area School District's basic financial statements and have issued our report thereon dated January 28, 2016. In that report, we issued a qualified opinion because the School District did not implement Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits to its retirees.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Berwick Area 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 the Berwick Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berwick Area School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Berwick Area School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, and it is referenced as 2015-002.

Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of General Purpose Financial  
Statements Performed in Accordance with *Government Auditing Standards*  
(Cont'd)

To the Board of School Directors  
Berwick Area School District

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, and they are referenced as 2015-001 and 2015-003.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Berwick Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Berwick Area School District's Response to Findings**

The Berwick Area School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Berwick Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*J.H. Williams & Co., LLP*

January 28, 2016



Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by OMB Circular A-133

To the Board of School Directors  
Berwick Area School District  
Berwick, Pennsylvania

**Report on Compliance**

We have audited the Berwick Area School District's compliance with the types of compliance requirements described in the U.S. Office of Management of Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Berwick Area School District's major federal programs for the year ended June 30, 2015. The Berwick Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of each of Berwick Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Berwick Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Berwick Area School District's compliance.

Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
(Cont'd)

To the Board of School Directors  
Berwick Area School District

**Unmodified Opinion on Major Federal Programs**

In our opinion, the Berwick Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of audit results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of the Berwick Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Berwick Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Berwick Area School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-005 to be a material weakness.



Independent Auditors' Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
(Cont'd)

To the Board of School Directors  
Berwick Area School District

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-004 to be a significant deficiency.

The Berwick Area School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Berwick Area School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*J.H. Williams & Co., LLP*

January 28, 2016

**Berwick Area School District**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2015**

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**A. SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditors' report issued: Gov't Activities -- MODIFIED  
 Remaining Units -- UNMODIFIED

Internal control over financial reporting:  
 Material weakness(es) identified?  X  yes \_\_\_\_\_ one reported  
 Significant deficiencies identified that are  
 not considered to be material weaknesses?  X  yes \_\_\_\_\_ two reported  
 Noncompliance material to financial statements  
 noted? \_\_\_\_\_ yes  X  no

Federal Awards

Internal control over major programs:  
 Material weakness(es) identified?  X  yes \_\_\_\_\_ one reported  
 Significant deficiencies identified that are  
 not considered to be material weaknesses?  X  yes \_\_\_\_\_ one reported

Type of auditors' report issued on compliance  
 for major programs: UNMODIFIED

Any audit findings disclosed that are required  
 to be reported in accordance with Section  
 501(a) of Circular A-133?  X  yes \_\_\_\_\_ no Section C

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
10.553/10.555	National School Lunch Program
84.010	ESEA Title I
84.027	IDEA Funds

Dollar threshold used to distinguish  
 between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

Internal Controls:

**2015-001 General - Segregation of Duties (National School Lunch/Breakfast)**

Condition and Criteria: In the National School Lunch/Breakfast program, a limited number of personnel are involved in accounting functions in which they are responsible for all related transactions (i.e. the same person recording transactions, preparing checks, recording cash disbursements, mailing checks and reconciling bank accounts, etc.).

**Berwick Area School District**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2015**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONT'D)**

**Effect:** A lack of segregation of duties results in a weakness within the School District's internal control system.

**Cause:** The School District has only a limited number of employees within the business office to assign duties. Additionally, various employees' capabilities restrict the School District's options, in addition to weighing the additional costs of employing new personnel against the expected benefits to be derived.

**Population and Items Tested:** N/A; Finding is based upon the understanding and review of the internal control system.

**Auditor's Recommendation:** A greater segregation of duties can be achieved by the implementation of additional procedures that utilize current and new personnel. A procedure the District may want to consider is obtaining additional Board oversight than presently exists. Board oversight gives the District additional controls over the operations of the Program. However, in evaluating any need, the School Board must weigh the cost of employing additional personnel against the expected benefits to be derived.

**Auditee Response:** The School District has segregated duties to the ability of the number of staff available and to the extent of available public funds. Furthermore, in July 2015, the School District contracted with an outside food service company to manage the National School Lunch/Breakfast program.

**2015-002 General – Financial Statement Preparation**

In connection with the audit of the School District's financial statements, like most governments, management has requested that we assist in the drafting of the financial statements and related footnote disclosures.

**Effect:** The School District's management has determined that it is more cost-beneficial to utilize services of auditors to assist in drafting financial statements, as opposed to hiring a professional accountant trained in such matters.

**Cause:** While the School District's internal accounting personnel have the ability to interpret and understand its financial statements, they do not have sufficient experience in preparing those financial statements in accordance with generally accepted accounting principles.

**Berwick Area School District**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2015**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONT'D)**

Population and Items tested: N/A; finding based upon the understanding and review of the internal control system.

Auditors' Recommendation: Management should establish a process to identify or communicate corrective actions to improve controls.

Auditee Response: The School District will continue to evaluate its need to hire an individual with the proper experience in order to enable the District to draft its own financial statements and related footnote disclosures; however, it will significantly weigh the costs of attaining such services against the benefits that will be derived therefrom.

**2015-003 Inventories**

Condition and Criteria: Perpetual inventories are not maintained and physical inventories are not taken for instructional materials and supplies or maintenance materials and supplies.

Effect: The lack of perpetual inventories as well as physical inventories results in weaknesses of internal controls regarding a complete accountability of all items.

Cause: The School District has a lack of personnel and central storage facilities that make perpetual inventories and supervised physical inventories difficult to accomplish.

Population and Items Tested: N/A; Finding is based upon the understanding and review of the internal control system.

Auditor's Recommendation: The optimum in control is to have all inventoriable items on a perpetual recordkeeping system and that supervised physical inventories be taken not less than yearly. The system should include use of prenumbered withdrawal slips and written reports disclosing major differences, if any, to the business manager and the Board of School Directors when physical inventories are taken and compared to the perpetual records. We recommend that the School District investigate the feasibility of installing a controlled perpetual inventory system under the general guidelines herein noted.

Auditee Response: The School District will work on improving present inventory procedures. A lack of central storage facilities and limited manpower make perpetual inventories and supervised physical inventories very difficult to accomplish.

**Berwick Area School District**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2015**

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C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONT'D)

Internal Controls:

**2015-004 General – Segregation of Duties (National School Lunch/Breakfast)**

**Condition and Criteria:** In the National School Lunch/Breakfast program, a limited number of personnel are involved in accounting functions in which they are responsible for all related transactions (i.e. the same person recording transactions, preparing checks, recording cash disbursements, mailing checks and reconciling bank accounts, etc.).

**Effect:** A lack of segregation of duties results in a weakness within the School District's internal control system.

**Cause:** The School District has only a limited number of employees within the business office to assign duties. Additionally, various employees' capabilities restrict the School District's options, in addition to weighing the additional costs of employing new personnel against the expected benefits to be derived.

**Population and Items Tested:** N/A; Finding is based upon the understanding and review of the internal control system.

**Auditor's Recommendation:** A greater segregation of duties can be achieved by the implementation of additional procedures that utilize current and new personnel. A procedure the District may want to consider is obtaining additional Board oversight then presently exists. Board oversight gives the District additional controls over the operations of the Program. However, in evaluating any need, the School Board must weigh the cost of employing additional personnel against the expected benefits to be derived.

**Auditee Response:** The School District has segregated duties to the ability of the number of staff available and to the extent of available public funds. Furthermore, in July 2015, the School District contracted with an outside food service company to manage the National School Lunch/Breakfast program..

**2015-005 General – Financial Statement Preparation**

In connection with the audit of the School District's financial statements, like most governments, management has requested that we assist in the drafting of the financial statements and related footnote disclosures.

**Berwick Area School District**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2015**

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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONT'D)**

**Effect:** The School District's management has determined that it is more cost-beneficial to utilize services of auditors to assist in drafting financial statements, as opposed to hiring a professional accountant trained in such matters.

**Cause:** While the School District's internal accounting personnel have the ability to interpret and understand its financial statements, they do not have sufficient experience in preparing those financial statements in accordance with generally accepted accounting principles.

**Population and Items tested:** N/A; finding based upon the understanding and review of the internal control system.

**Auditors' Recommendation:** Management should establish a process to identify or communicate corrective actions to improve controls.

**Auditee Response:** The School District will continue to evaluate its need to hire an individual with the proper experience in order to enable the District to draft its own financial statements and related footnote disclosures; however, it will significantly weigh the costs of attaining such services against the benefits that will be derived therefrom.