

BERWICK AREA SCHOOL DISTRICT
Berwick, Pennsylvania

Financial and Single Audit Reports

For the Year Ended June 30, 2018

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Independent Auditor's Report

Members of the School Board
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 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of net pension liability, schedule of pension contributions, schedule of net OPEB liability, and schedule of OPEB contributions, and Changes in Fund Balances – Budget to Actual – General Fund as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the accompanying table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Klacik & Associates, P.C.

Shamokin, Pennsylvania
March 29, 2019

Berwick Area School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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, 2018. 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 and pool operation, which is considered a business-type activity. The government-wide financial statements can be found on pages 11 and 12 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.

Berwick Area School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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 Capital Project Fund). The basic governmental fund financial statements can be found on pages 13-16 of this report.

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 17-19 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 20-21 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 22-52 of this report.

Berwick Area School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Financial Highlights

Key financial highlights for the year ending June 30, 2018, are as follows:

	Governmental Activities		Business Type Activities	
	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Total Net Position	\$ (28,705,376)	\$ (31,433,175)	\$ (343,172)	\$ (66,614)
Change in Net Position	\$ 13,997,175	2,727,799	\$ (854,025)	\$ (276,558)

Total revenues for the general fund amounted to \$44,860,607.

- \$19,109,118 or 42.60% were Local Revenues
- \$24,472,919 or 54.55% were State Revenues
- \$ 1,278,570 or 2.85% were Federal Revenues

Total general fund expenditures amounted to \$46,023,921.

- \$29,475,859 for Instructional Services
- \$13,139,445 for Support Services
- \$933,869 for Non Instructional Services
- \$964,267 for Debt Service (Principal and Interest)
- \$1,510,481 for Capital Outlay

Total general fund other financing sources amounted to \$336,699.

- \$187,685 Operating Transfers from Other Governmental Funds.
- \$149,014 Proceeds from Sales of Fixed Assets

The general fund had a decrease in fund balance in the amount of \$826,615 resulting in an ending fund balance of \$13,305,173.

Berwick Area School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table I
Analysis of Overall Financial Position and Results of Operations over the Past Fiscal Year:
Summary of Assets, Liabilities, and Net Position as of 6-30-18

	Governmental Activities 6/30/2017	Governmental Activities 6/30/2018	Business-Type Activities 6/30/2017	Business-Type Activities 6/30/2018
Assets:				
Current Assets	\$ 20,393,906	\$ 19,623,670	\$ 290,289	\$ 386,150
Capital & Other Non Current Assets	<u>\$ 57,696,405</u>	<u>\$ 42,412,324</u>	<u>\$ 58,018</u>	<u>\$ 221,762</u>
Total Assets	<u>\$ 78,090,311</u>	<u>\$ 62,035,994</u>	<u>\$ 348,307</u>	<u>\$ 607,912</u>
Deferred Outflows of Resources	<u>\$ 14,982,598</u>	<u>\$ 12,940,420</u>	<u>\$ 163,022</u>	<u>\$ 116,458</u>
Liabilities:				
Current Liabilities	\$ 4,819,992	\$ 4,746,470	\$ 159,327	\$ 63,575
Long-Term Liabilities	<u>\$ 100,445,879</u>	<u>\$ 97,720,327</u>	<u>\$ 852,677</u>	<u>\$ 691,200</u>
Total Liabilities	<u>\$ 105,265,871</u>	<u>\$ 102,466,797</u>	<u>\$ 1,012,004</u>	<u>\$ 754,775</u>
Deffered Inflow of Resources	<u>\$ 638,902</u>	<u>\$ 3,942,792</u>	<u>\$ 7,098</u>	<u>\$ 36,209</u>
Net Position:				
Invested in Capital Assets Net of Related Debt	\$ 39,247,512	\$ 24,543,844	\$ 58,018	\$ 221,762
Restricted for capital projects	\$ 697,155	\$ 523,206	\$ -	\$ -
Unrestricted	<u>\$ (52,776,531)</u>	<u>\$ (56,500,225)</u>	<u>\$ (565,791)</u>	<u>\$ (288,376)</u>
Total Net Position	<u>\$ (12,831,864)</u>	<u>\$ (31,433,175)</u>	<u>\$ (507,773)</u>	<u>\$ (66,614)</u>

Berwick Area School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table II
Net (Expense) Revenue and changes in Net Position for the year ended 6-30-18

	Governmental Activities		Business-Type Activities	
	6/30/2017	6/30/2018	6/30/2017	6/30/2018
<u>Revenue/Program</u>				
Charges for Services	\$ 104,978	\$ 128,100	\$ 557,930	\$ 493,782
Operating Grants and Contributions	\$ 12,496,844	\$ 11,069,091	\$ 1,026,960	\$ 935,547
<u>Revenues/General</u>				
Property Taxes levied for general purposes	\$ 16,021,928	\$ 15,655,487	\$ -	\$ -
Public utility, realty, earned income and miscellaneous taxes levied for general purposes	\$ 1,985,004	\$ 2,501,443	\$ -	\$ -
Grants, Subsidies, Contributions not restricted	\$ 15,142,655	\$ 15,350,733	\$ -	\$ -
Investment Earnings	\$ 86,401	\$ 195,488	\$ 238	\$ 812
Miscellaneous	\$ 299,203	\$ 407,377	\$ -	\$ -
Total Revenues	<u>\$ 46,137,013</u>	<u>\$ 45,307,719</u>	<u>\$ 1,585,128</u>	<u>\$ 1,430,141</u>
<u>Expenses</u>				
Instruction	\$ 27,224,027	\$ 30,800,641		
Instructional Student Support	\$ 2,240,296	\$ 3,263,775		
Administrative & Financial Support	\$ 4,655,318	\$ 5,077,597		
Operation & Maint. off Plant Services	\$ 3,524,798	\$ 4,026,906		
Pupil Transportation	\$ 1,588,480	\$ 1,829,783		
Student Activities	\$ 864,727	\$ 962,651		
Community Services	\$ 22,407	\$ 38,637		
Capital Acquisition	\$ 1,311,753	\$ 1,604,441		
Interest on Long Term Debt	\$ 497,851	\$ 431,088		
Unallocated Depreciation	\$ 2,231,019	\$ -		
Food Services	\$ -	\$ -	\$ 889,756	\$ 1,147,188
Swimming Pool	\$ -	\$ -	\$ 5,648	\$ 6,395
Total Expenses	<u>\$ 44,160,676</u>	<u>\$ 48,035,519</u>	<u>\$ 895,404</u>	<u>\$ 1,153,583</u>
Change in Net Position		\$ (2,727,799)		\$ 276,558
Net Position-Beginning (restated)		<u>\$ (28,705,376)</u>		<u>\$ (343,172)</u>
Net Position- Ending		\$ (31,433,175)		\$ (66,614)

As of June 30, 2018, a one-time reallocation of \$2,802,940 was allocated across expenditures to enhance the financial reporting. This reallocation was based upon a percentage basis and distributed across functions. Previous years, this was reported separately as unallocated depreciation.

Berwick Area School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Capital Assets

At June 30, 2018, the district had \$42,412,324 invested in the following Capital assets of the Governmental activities and \$221,762 invested in the following capital assets of Business Type activities (net of applicable depreciation):

Table III
Capital Assets-Net of Depreciation
June 30, 2018

	Governmental Activities	Business-Type Activities
Land not being depreciated	\$ 2,306,988	\$ -
Buildings (net of Accumulated Depreciation)	\$ 31,466,556	\$ -
Building Improvements (net of Accumulated Depreciation)	\$ 4,350,006	\$ -
Furniture and Equipment	\$ 4,288,774	\$ 221,762

Prior fiscal years, the District maintained its capital assets without the assistance of a third party. During the 2017-18 school year the District hired a third party vendor, Industrial Appraisals, to conduct a full valuation of its capital assets. As a result, the District's net position is restated as of June 30, 2017 in both the District-Wide Financial Statement and Fund Level Proprietary Financial Statements.

Long Term Liabilities

As of June 30, 2018, the District's long term liabilities totaled \$97,720,327 of Governmental Activities, \$691,200 of Business-Type Activities. The General Obligation Notes were \$17,573,377. In addition, \$295,103 of authority lease obligations for the District portion of the Columbia Montour Vocational Technical School.

Table IV
Long Term Liabilities

Governmental Activities	As of June 30, 2017	As of June 30, 2018
2014 General Obligation Note	\$ 8,867,377	\$ 8,571,199
2016 General Obligation Notes, Series A & B	9,217,172	9,002,178
2015 School Lease Revenue Note	<u>364,344</u>	<u>295,103</u>
Total General Obligation Notes	18,448,893	17,868,480
Compensated Absences	5,186,912	4,531,946
Net Pension Liability	76,753,323	72,283,182
Net OPEB Liability	<u>-</u>	<u>2,981,618</u>
Total Governmental Activities	\$ 100,389,128	\$ 97,665,226
Business-Type Activities	As of June 30, 2017	As of June 30, 2018
Net Pension Liability	\$ 852,677	\$ 663,818
Net OPEB Liability	<u>30,694</u>	<u>27,382</u>
Total Business-Type Activities	\$ 883,371	\$ 691,200

Berwick Area School District
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

PSERS Health Insurance Premium Assistance program, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Premium Assistance is funded by employer contributions and is impacted by GASB 74 and GASB 75 and is included in the OPEB liability. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Since the maximum Premium Assistance annual reimbursement benefit is capped at \$1,200, the Net As of June 30, 2018, Net OPEB liability is reported separately from Net Pension Liability.

Currently Known Facts, Decisions or Conditions:

The Pennsylvania Legislation 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 had to 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. For the eleventh year in a row in the 2017-2018 school year, the district did not increase the real property taxes. In fact, millage rates were decreased in both Columbia and Luzerne County. Homestead/farmstead owners have continued to see rebates of approximately \$188 per year using gaming revenues generated within the state from casino gaming revenue.

The Commonwealth continues to face challenges in tax collections, rising health care costs and pension obligations. For many years, the Berwick Area School District has taken appropriate measures to maintain fiscal integrity, as we have been faced with challenges similar to the Commonwealth, specifically the District's increasing pension obligation. The Berwick Area School District continues to implement appropriate measures to trim excess educational costs. Such cuts have come in the form of reduction in force due to attrition, 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.

Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office at The Berwick Area School District, 500 Line Street, Berwick, PA 18603, (570) 759 - 6400 ext. 3519.

Berwick Area School District
Statement of Net Position
As of June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 15,596,923	\$ 169,496	\$ 15,766,419
Investments	11,975	-	11,975
Receivables, net:			
Taxes	1,314,624	-	1,314,624
Intergovernmental receivables	2,264,309	138,134	2,402,443
Other receivables	396,703	42,699	439,402
Inventories	39,136	35,821	74,957
Total Current Assets	19,623,670	386,150	20,009,820
Capital Assets:			
Land not being depreciated	2,306,988	-	2,306,988
Buildings (net of accumulated depreciation)	31,466,556	-	31,466,556
Building Improvements (net of accumulated depreciation)	4,350,006	-	4,350,006
Furniture and Equipment (net of accumulated depreciation)	4,288,774	221,762	4,510,536
Total capital assets	42,412,324	221,762	42,634,086
TOTAL ASSETS	62,035,994	607,912	62,643,906
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred interest on refunding	259,365	-	259,365
Pension activity	12,495,450	114,753	12,610,203
OPEB activity	185,605	1,705	187,310
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,940,420	116,458	13,056,878
LIABILITIES:			
Accounts payable	3,297,704	33,656	3,331,360
Accrued salaries and benefits	1,427,741	10,412	1,438,153
Unearned income	21,025	19,507	40,532
Long-Term Liabilities:			
Due within one year:			
Bonds and authority lease	741,595	-	741,595
Accrued interest	55,102	-	55,102
Due in more than one year:			
Net pension liability	72,283,182	663,818	72,947,000
Net OPEB liability	2,981,618	27,382	3,009,000
Compensated absences	4,531,946	-	4,531,946
Bonds and authority lease	17,126,885	-	17,126,885
TOTAL LIABILITIES	102,466,797	754,775	103,221,572
DEFERRED INFLOWS OF RESOURCES:			
Pension activity	3,641,558	33,443	3,675,001
OPEB activity	301,234	2,766	304,000
TOTAL DEFERRED INFLOWS OF RESOURCES	3,942,792	36,209	3,979,001
NET POSITION			
Invested in capital assets, net of related debt	24,543,844	221,762	24,765,606
Restricted for capital projects	523,206	-	523,206
Unrestricted	(56,500,225)	(288,376)	(56,788,601)
Total Net Position	\$ (31,433,175)	\$ (66,614)	\$ (31,499,789)

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction	\$ 30,800,641	\$ 57,059	\$ 8,980,554	\$ (21,763,028)	\$ -	\$ (21,763,028)
Instructional student support	3,263,775	-	1,286,182	(1,977,593)	-	(1,977,593)
Administrative and financial support services	5,077,597	-	-	(5,077,597)	-	(5,077,597)
Operation and maintenance of plant services	4,026,906	-	-	(4,026,906)	-	(4,026,906)
Pupil transportation	1,829,783	-	608,888	(1,220,895)	-	(1,220,895)
Student activities	962,651	71,041	-	(891,609)	-	(891,609)
Community services	38,637	-	-	(38,637)	-	(38,637)
Capital acquisition	1,604,441	-	-	(1,604,441)	-	(1,604,441)
Interest on long-term debt	431,088	-	193,467	(237,621)	-	(237,621)
Total Governmental Activities	48,035,519	128,100	11,069,091	(36,838,328)	-	(36,838,328)
Business-Type Activities:						
Food Service Fund	1,241,696	485,537	1,030,055	-	273,896	273,896
Pool Fund	6,395	8,245	-	-	1,850	1,850
Total Business-Type Activities	1,248,091	493,782	1,030,055	-	275,746	275,746
Total Primary Government	\$ 49,283,610	\$ 621,882	\$ 12,099,146	(36,838,328)	275,746	(36,562,582)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes, net				15,655,487	-	15,655,487
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				2,501,443	-	2,501,443
Grants, subsidies, and contributions, not restricted				15,350,733	-	15,350,733
Investment Earnings				195,488	812	196,300
Miscellaneous				407,377	-	407,377
Total General Revenues				34,110,528	812	34,111,340
Change in Net Position				(2,727,799)	276,558	(2,451,241)
Net Position - June 30, 2017, as restated (Note 16)				(28,705,376)	(343,172)	(29,048,548)
Net Position - June 30, 2018				\$ (31,433,175)	\$ (66,614)	\$ (31,499,789)

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District

Balance Sheet

June 30, 2018

	General Fund	Capital Projects	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 15,073,717	\$ 523,206	\$ 15,596,923
Investments	11,975	-	11,975
Taxes Receivable, Net	1,314,624	-	1,314,624
Intergovernmental Receivables	2,264,309	-	2,264,309
Other Receivables	396,703	-	396,703
Inventories	39,136	-	39,136
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 19,100,464	\$ 523,206	\$ 19,623,670
LIABILITIES & DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 3,297,704	\$ -	\$ 3,297,704
Accrued Salaries and Benefits	1,427,741	-	1,427,741
Unearned Revenue	21,025	-	21,025
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	4,746,470	-	4,746,470
DEFERRED INFLOWS OF RESOURCES	<u>1,048,821</u>	<u>-</u>	<u>1,048,821</u>
FUND BALANCES			
Nonspendable Fund Balance	39,136	-	39,136
Committed Fund Balance	10,500,000	-	10,500,000
Assigned Fund Balance	-	523,206	523,206
Unassigned Fund Balance	2,766,037	-	2,766,037
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	13,305,173	523,206	13,828,379
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u><u>\$ 19,100,464</u></u>	<u><u>\$ 523,206</u></u>	<u><u>\$ 19,623,670</u></u>

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
 Reconciliation of Governmental Funds Balance Sheet
 to the Statement of Net Position
 As of June 30, 2018

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS \$ 13,828,379

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the fund financial statements, but are reported in the governmental activities of the statement of net position.

Cost of capital assets	73,540,678	
Less: accumulated depreciation	<u>(31,128,354)</u>	42,412,324

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

Deferred outflows of resources related to pensions	12,495,450	
Deferred inflows of resources related to pensions	(3,641,558)	
Deferred outflows of resources related to OPEB	185,605	
Deferred inflows of resources related to OPEB	(301,234)	

Long-term liabilities, including bond and notes payable, are not due and payable in the current period and are not reported as liabilities in the fund statements.

Net Pension Liability	(72,283,182)	
Net OPEB Liability	(2,981,618)	
Bonds and Authority Lease	(17,868,480)	
Compensated absences	<u>(4,531,946)</u>	(97,665,226)

Governmental funds do not report a liability for accrued interest until due and payable - such liability is accrued on the District-Wide financial statements. (55,102)

Deferred income 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. 259,365

Property taxes receivable are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 1,048,821

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES \$ (31,433,175)

See notes to financial statements
 which are an integral part of this statement.

Berwick Area School District
Statement of Revenues, Expenditures Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Capital Projects	Total Governmental Funds
REVENUES			
Local Sources:			
Taxes	\$ 17,872,567	\$ -	\$ 17,872,567
Earnings On Investments	195,234	-	195,234
Other Local Sources	1,041,317	13,736	1,055,053
State Grants	24,472,919	-	24,472,919
Federal Grants	1,278,570	-	1,278,570
TOTAL REVENUES	44,860,607	13,736	44,874,343
EXPENDITURES			
Instruction	29,475,859	-	29,475,859
Support Services	13,139,445	-	13,139,445
Non-Instructional Services	933,869	-	933,869
Capital Outlay	1,510,481	-	1,510,481
Debt Service - Interest Payments	383,853	-	383,853
Debt Service - Principal Payments	580,414	-	580,414
TOTAL EXPENDITURES	46,023,921	-	46,023,921
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,163,314)	13,736	(1,149,578)
OTHER FINANCING SOURCES (USES)			
Operating Transfers From Other Governmental Fu:	187,685	(187,685)	-
Proceeds From the Sale of Fixed Assets	149,014	-	149,014
TOTAL OTHER FINANCING SOURCES (USES)	336,699	(187,685)	149,014
Net Change in Fund Balances	(826,615)	(173,949)	(1,000,564)
Fund Balance - July 1, 2017	14,131,788	697,155	14,828,943
Fund Balance - June 30, 2018	<u>\$ 13,305,173</u>	<u>\$ 523,206</u>	<u>\$ 13,828,379</u>

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
 Reconciliation of Statement of Revenues, Expenditures and
 Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 For the Year Ended June 30, 2018

Net changes in fund balances, total governmental funds \$ (1,000,564)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Depreciation expense	(2,802,940)
Capital outlay	50,065

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the Statement of Activities, however, revenues are recorded regardless of when financial resources are available. 284,363

Governmental funds report repayment of bond and capital lease principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long term liabilities. 580,414

The decrease/ (increase) in proportionate share of collective net pension liability does not require the use of current financial resources and is not reported in the governmental funds. (691,927)

The decrease/ (increase) in proportionate share of collective net OPEB liability does not require the use of current financial resources and is not reported in the governmental funds. 245,059

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is the net change of the following balance:

Compensated absences	654,966
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Amortization of deferred charges on debt refundings and retirements is recognized in the governmental activities, however it is not recognized in the governmental funds. (48,884)

Accrued interest on bonds and Authority leases decreased at year end. 1,649

Change in net position of governmental activities \$ (2,727,799)

See notes to financial statements
 which are an integral part of this statement.

Berwick Area School District

Statement of Net Position

Proprietary Fund

June 30, 2018

	Food Service Fund	Non-Major Enterprise Fund	Total Enterprise Funds
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 164,387	\$ 5,109	\$ 169,496
Intergovernmental Receivable	138,134	-	138,134
Other Receivables	41,924	775	42,699
Inventories	35,821	-	35,821
TOTAL CURRENT ASSETS	380,266	5,884	386,150
NONCURRENT ASSETS			
Furniture and Equipment, Net of Accum. Deprec.	221,762	-	221,762
TOTAL ASSETS	602,028	5,884	607,912
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Activity	114,753	-	114,753
OPEB Activity	1,705	-	1,705
TOTAL DEFERRED OUTFLOWS OF RESOURCES	116,458	-	116,458
LIABILITIES			
Accounts Payable	33,656	-	33,656
Accrued Salaries and Benefits	10,738	(326)	10,412
Unearned Revenues	19,507	-	19,507
Long-Term Liabilities:			
Net Pension Liability	663,818	-	663,818
Net OPEB Liability	27,382	-	27,382
TOTAL LIABILITIES	755,101	(326)	754,775
DEFERRED INFLOWS OF RESOURCES:			
Pension Activity	33,443	-	33,443
OPEB Activity	2,766	-	2,766
TOTAL DEFERRED INFLOWS OF RESOURCES	36,209	-	36,209
NET POSITION			
Net Investment In Capital Assets	221,762	-	221,762
Restricted Net Position	-	6,210	6,210
Unrestricted	(294,586)	-	(294,586)
TOTAL NET POSITION	\$ (72,824)	\$ 6,210	\$ (66,614)

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
Statement of Revenues, Expenditures Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Food Service Fund	Non-Major Enterprise Fund	Total Enterprise Funds
OPERATING REVENUES			
Food Service	\$ 485,537	\$ -	\$ 485,537
Other Operating Revenue	-	8,245	8,245
TOTAL OPERATING REVENUES	485,537	8,245	493,782
OPERATING EXPENSES			
Salaries	182,048	5,348	187,396
Employee Benefits	24,677	1,047	25,724
Purchased Professional Services	866,659	-	866,659
Purchased Property Service	2,315	-	2,315
Supplies	134,207	-	134,207
Depreciation	31,551	-	31,551
Dues and Fees	239	-	239
TOTAL OPERATING EXPENSES	1,241,696	6,395	1,248,091
OPERATING INCOME/(LOSS)	\$ (756,159)	\$ 1,850	\$ (754,309)
NONOPERATING REVENUES (EXPENSES)			
Earnings on Investments	810	2	812
State Grants	44,598	-	44,598
Federal Grants	985,457	-	985,457
TOTAL NONOPERATING REVENUES (EXPENSES)	1,030,865	2	1,030,867
CHANGE IN NET POSITION	274,706	1,852	276,558
NET POSITION - JULY 1, 2017, as restated (Note 16)	(347,530)	4,358	(343,172)
NET POSITION - JUNE 30, 2018	\$ (72,824)	\$ 6,210	\$ (66,614)

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
<i>Cash Flows from Operating Activities</i>			
Cash Received From Users	\$ 437,941	\$ 7,495	\$ 445,436
Cash Payments to Employees For Services	(440,617)	(6,970)	(447,587)
Cash Payments to Suppliers For Goods and Services	(973,264)	-	(973,264)
Net Cash (Used for) Operating Activities	(975,940)	525	(975,415)
<i>Cash Flows from Noncapital Financing Activities</i>			
State Sources	40,678	-	40,678
Federal Sources	910,020	-	910,020
Net Cash Provided by Noncapital Financing Activities	950,698	-	950,698
<i>Cash Flows from Investing Activities</i>			
Earnings on Investments	810	2	812
Net Cash Provided by Investing Activities	810	2	812
Net Increase (Decrease) in Cash and Cash Equivalents	(24,432)	527	(23,905)
Cash and Cash Equivalents Beginning of Year	188,819	4,582	193,401
Cash and Cash Equivalents End of Year	<u>\$ 164,387</u>	<u>\$ 5,109</u>	<u>\$ 169,496</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (756,159)	\$ 1,850	\$ (754,309)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	31,551	-	31,551
(Increase) Decrease in Accounts Receivable	(37,674)	-	(37,674)
(Increase) Decrease in Other Receivables	-	(750)	(750)
(Increase) Decrease in Inventories	(1,984)	-	(1,984)
Increase (Decrease) in Accounts Payable	(71,243)	-	(71,243)
Increase (Decrease) in Accrued Salaries and Benefits	(139,386)	(575)	(139,961)
Increase (Decrease) in Deferred Revenues	(1,045)	-	(1,045)
Total Adjustments	(219,781)	(1,325)	(221,106)
Net Cash (Used for) Operating Activities	<u>\$ (975,940)</u>	<u>\$ 525</u>	<u>\$ (975,415)</u>

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency Fund Student Activities
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 424,203
Investments	423,913	-
TOTAL ASSETS	423,913	424,203
LIABILITIES		
Accounts Payable	-	24,517
Other Current Liabilities	-	399,686
TOTAL LIABILITIES	-	\$ 424,203
FIDUCIARY NET POSITION		
Reserved for scholarships and other academics	\$ 423,913	

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Gifts and Contributions	\$ 250
Other Additions	35,767
TOTAL ADDITIONS	36,017
DEDUCTIONS	
Scholarships and Awards	17,600
Other Deductions	7,262
TOTAL DEDUCTIONS	24,862
CHANGE IN FUND NET POSITION	11,155
FIDUCIARY NET POSITION - JULY 1, 2017	412,758
FIDUCIARY NET POSITION - JUNE 30, 2018	\$ 423,913

See notes to financial statements
which are an integral part of this statement.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

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).

A. FINANCIAL REPORTING ENTITY

The Berwick Area School District was founded in 1839. It services approximately 4,000 students K through 12 in three elementary buildings: West Berwick Elementary, Nescopeck 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 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 District's proportionate share of land and buildings and related debt has been reported in the accompanying statement of net position.

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.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. FINANCIAL REPORTING ENTITY (Continued)

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.

B. 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 the Statement of Activities report information on all of the non-fiduciary activities of the District as a whole. 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.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

The activities of the General Fund and Other Capital Projects Fund have been presented as governmental activities in the government-wide financial statements. The activities of the Food Service Fund and the Pool Fund have been presented as business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Local appropriations, state and federal aid and other items which are not classified as program revenues are presented as general revenues of the District.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

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.

The statement of net position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net Position is reported in three categories:

- Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions of enabling legislation.
- Unrestricted Net Position – Consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. All individual governmental funds are considered to be major funds and are reported as separate columns in the governmental 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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

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 would be reported as "non-major funds" in the fund financial statements. Fiduciary funds are aggregated and reported by fund type.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the 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 District's fiscal year), the Athletic Fund became part of the General Fund so as to comply with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Capital Projects - The Capital Projects Fund is used to account for and hold the cash required per the District's debt indenture(s) as well as activity related to the track and turf.

The District reports the following major proprietary fund:

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation within the District.

Non-Major Enterprise Fund – The Non-Major Enterprise Fund is used to account for the activity related to the District pool.

The District reports the following types of fiduciary funds:

Agency Funds - 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 District. The trust agreements designate the District to establish committees to make annual recipient selections based on established criteria.

C. FUND ACCOUNTING

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.

Established classifications are as follows:

- Nonspendable - Amounts that cannot be spent because they are either in a nonspendable form (such as inventory and prepaid expenses) or are legally or contractually required to be maintained intact.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. FUND ACCOUNTING (Continued)

- Restricted - Amounts constrained to be used for specific purposes by their external resource providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed - Amounts constrained to be used for specific purposes by a formal action of the School District Board of Directors (the District's highest level of decision-making authority). Upon commitment, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned - Amounts a government intends to be used for a specific purpose by the governing body or by an official of body to which the governing body delegates the authority.
- Unassigned – Residual amounts that are available for any purpose not constrained in other classifications; positive amounts are reported only in the general fund.

Order of Fund Balance Spending Policy

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 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, 2018 an unassigned fund balance of \$2,766,037 was available.

D. 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. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BASIS OF ACCOUNTING (Continued)

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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.

Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. 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.

E. BUDGETARY ACCOUNTING

The 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 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 over expended. The modified accrual method of accounting is used for both budgetary and financial reporting purposes.

With proper approval of the School District 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.

F. CASH AND INVESTMENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments with a maturity of one year or less at the time of purchase are recorded at cost or amortized cost. Those with a maturity of greater than one year are reported at fair value. Changes in the fair value of investments are recorded as investment income.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. TAXES RECEIVABLE AND INTERGOVERNMENTAL RECEIVABLES

Taxes receivable are reported net an allowance for uncollectible balances.

Intergovernmental receivables include amounts due from the state and federal governments for various grants and subsidies.

H. INVENTORY

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 cost. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the financial statements, commodities received are recorded as deferred revenue until consumed.

I. CAPITAL ASSETS

The District's capital assets, which include 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 capital assets are also reported in their respective financial statements. The 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.

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
Property Funds			
Furniture and equipment	\$ 4,000	Straight-line	7-12 years

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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 deferred outflows of resources in its government wide statement of net position relating to three types of activity. One type 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 second and third types of activity relate to the District's PSERS pension and OPEB liabilities, respectively, in both the governmental activities and business-type activities. The District had no deferred outflows of resources in its governmental funds balance sheet.

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 deferred inflows of resources in its government wide statement of net position relating to the District's PSERS pension liability in both the governmental activities and business-type activities.

The District has one item that qualifies as deferred inflows of resources in its governmental funds balance sheet, the deferred tax collections. The portion of the net tax receivable estimated to be collectible, which was measurable and available within the 60 days, was recognized as revenue; the balance of the net tax receivable is deferred in the fund financial statements.

K. COMPENSATED ABSENCES

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The total amount of the accumulated sick pay is required to be reflected as a long-term liability in the government-wide statement of net position. No accrual or effect on expenditures and related Fund Balance in the governmental financial statements occurs until the liability is incurred. The District maintains records of unused absences and applies current contracted rate provisions to the various types of compensated absences as described in Note 8.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. COMPENSATED ABSENCES (Continued)

Post-Retirement Health Care Premiums

The District has two types of retirement options, grandfathered or early retirement incentive, for those members of the collective bargaining agreement. To be eligible for the grandfathered option, professional employees must be 55 years old or had at least 25 total years of service on or before August 14, 2016, of which at least 20 years were serving the Berwick Area School District. The grandfathered option provides a non-elective contribution equal to the value of monthly medical premiums, by exchanging unused sick and/or personal days. The early retirement incentive option provides a non-elective contribution valued similarly to the Single Rate monthly medical premium 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 these benefits are recognized on a “pay as you go” basis.

L. LONG-TERM LIABILITIES

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Debt issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, the face amount of debt issued is reported as other financing sources and the repayment of debt is reported as expenditures. Premiums received on debt issues are reported as other financing sources; discounts on debt issuances are reported as other financing uses during the current period.

M. 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.

N. RESTRICTED ASSETS

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the District-wide financial statements.

O. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a restricted purpose.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. INVESTMENT INCOME

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

Q. 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.

R. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – TAXES ASSESSED AND DEFERRED REVENUE; TAXES RECEIVABLE

The tax on real estate for public school purposes for the year ended June 30, 2018 was 43.23 mills (\$43.23 per \$1,000) and 10.72 mills (\$10.72 per \$1,000) of assessed valuation as levied by the board. Assessed valuations of property are determined by Columbia and Luzerne Counties, and the elected tax collectors are responsible for the collection. The following is a listing of the taxes assessed.

Real Estate - Columbia County	43.23 mills
Real Estate - Luzerne County	10.72 mills
Real Estate Transfer Tax (Act 511)	0.5%
Local Services Tax (Act 511) \$5.00	per person
Occupational Assessment Tax (Act 511)	\$10.00 per person

The year for the assessment and collection of the District's taxes runs from July 1 through December 31st. 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. Personal taxes remaining unpaid at that point are turned over to an appointed tax collection agency.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 2 – TAXES ASSESSED AND DEFERRED REVENUE; TAXES RECEIVABLE
(Continued)

The District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible was measurable and available within the 60 days, was recognized as revenue, and the balance deferred in the fund financial statements. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected.

The taxes receivable net of allowance of uncollectible are summarized as follows:

Taxes Receivable	\$ 1,383,815
Less allowance for uncollectible accounts	<u>69,191</u>
Taxes receivable, net	<u><u>\$ 1,314,624</u></u>

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 fund 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.

Deposits

At June 30, 2018, the District had the following deposits:

	Carry Balance (Book)	Bank Balance
Governmental Funds	\$ 15,596,923	\$ 15,790,525
Proprietary Funds	169,496	177,875
Fiduciary Funds	<u>424,203</u>	<u>528,717</u>
District Total	<u><u>\$ 16,190,622</u></u>	<u><u>\$ 16,497,117</u></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.

All deposits at June 30, 2018 are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The District maintains its funds in various financial institutions. All deposits at June 30, 2018 are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000. Deposits over this amount are collateralized by a pool of eligible securities established under Act 72 of the 1971 Session of the Pennsylvania General Assembly for the protection of public depositors. The pledged securities in the pool are safe kept at correspondent banks in accounts specifically segregated for this purpose. Act 72 specifies that it is the bank's responsibility to maintain sufficient assets in the pool to collateralize adequately all public deposits greater than the \$250,000 per type of account per entity which is FDIC insured.

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, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

Investments

The investment policy of the school district adheres to state statutes and prudent business practices. The investments of the school district are authorized by the Board. Investments are stated at cost including accrued interest which approximates market value.

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.csgiving.com.

Fair Value Measurements

The third party records its investments based on fair value (market 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, 2018.

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, 2018.

The balance of funds held by the third party at June 30, 2018 was \$423,913.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year.

Credit Risk

Under Section 4440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows: Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Concentration Risk

The District does not have a policy that would limit the amount it may invest in any one issuer.

As of June 30, 2018, the District's investment balance by type and maturity was as follows:

Investment Type	Fair Value	Maturities		
		Less than 1 year	1-5 years	6-10 years
First Keystone Savings - Pepsi Fund	\$ 11,775	\$ 11,975	\$ -	\$ -
Private Purpose Trust Investments	423,913	423,913	-	-
	<u>\$ 435,688</u>	<u>\$ 435,888</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value	Quoted Prices in		
		Fair Value Measurement Using 06/30/18	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level				
First Keystone Savings - Pepsi Fund	\$ 11,775	\$ 11,775	\$ -	\$ -
Private Purpose Trust Investments	423,913	423,913	-	-
Total Investments by fair value level	<u>\$ 435,688</u>	<u>\$ 435,688</u>	<u>\$ -</u>	<u>\$ -</u>

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Due from other governments consist of amounts due for revenues earned by the District as of June 30, 2018. The following amounts are due from other governmental units:

	General Fund	Proprietary Fund	Total
Federal Subsidies	\$ 532,944	\$ 131,395	\$ 664,339
State Subsidies	1,731,365	6,739	1,738,104
	\$ 2,264,309	\$ 138,134	\$ 2,402,443

NOTE 5 – DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

Deferred outflows and inflows of resources as of June 30, 2018 are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
DEFERRED OUTFLOWS				
Deferred Interest On Bond Refundings	\$ 259,365	\$ -	\$ -	\$ -
Pension Related	12,495,450	114,753	-	-
OPEB Related	185,605	1,705	-	-
	\$ 12,940,420	\$ 116,458	\$ -	\$ -
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
DEFERRED INFLOWS				
Deferred Taxes Receivable	\$ -	\$ -	\$ 1,048,821	\$ -
Pension Related	3,641,558	33,443	-	-
OPEB Related	301,234	2,766	-	-
	\$ 3,942,792	\$ 36,209	\$ 1,048,821	\$ -

NOTE 6 – CAPITAL ASSETS

Capital assets at June 30, 2018 consist of all land, buildings, furniture and equipment owned by and which has been titled in the name of the District. Amounts reflected in the government-wide statements are summarized in the schedule that follows.

During the year ended June 30, 2018, the District completed a full inventory of all capital assets on hand with the assistance of third party provider, Industrial Appraisals. Prior to this point, the District self-maintained their asset listing. A restatement as of the beginning of the year has been entered as described Note 16.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

	BALANCE AT 06/30/17	RESTATEMENT	RESTATEED BALANCE AT 06/30/17
GOVERNMENTAL ACTIVITIES			
Capital assets, not being depreciated			
Land	\$ 2,350,957	\$ (43,969)	\$ 2,306,988
	<u>2,350,957</u>	<u>(43,969)</u>	<u>2,306,988</u>
Capital assets, being depreciated			
Buildings	78,326,319	(26,269,775)	52,056,544
Building Improvements	6,098,404	1,241,910	7,340,314
Furniture & Equipment	15,570,018	(3,783,251)	11,786,767
	<u>99,994,741</u>	<u>(28,811,116)</u>	<u>71,183,625</u>
Less: Accumulated Depreciation			
Buildings	29,236,889	9,749,582	19,487,307
Building Improvements	1,842,067	(782,485)	2,624,552
Furniture & Equipment	13,570,337	7,356,782	6,213,555
	<u>44,649,293</u>	<u>16,323,879</u>	<u>28,325,414</u>
Governmental activities - Capital Assets, net	<u>\$ 57,696,405</u>	<u>\$ (12,531,206)</u>	<u>\$ 45,165,199</u>
BUSINESS-TYPE ACTIVITIES			
Furniture & Equipment	\$ 692,845	\$ (51,139)	\$ 641,706
Less: Accumulated Depreciation	<u>634,827</u>	<u>246,434</u>	<u>388,393</u>
Business-Type Activies- Capital Assets, Net	<u>\$ 58,018</u>	<u>\$ 195,295</u>	<u>\$ 253,313</u>

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS (Continued)

	BALANCE 06/30/17, AS RESTATED	ADDITIONS	DELETIONS	BALANCE 06/30/2018
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated				
Land	\$ 2,306,988	\$ -	\$ -	\$ 2,306,988
	2,306,988	-	-	2,306,988
Capital assets, being depreciated				
Buildings	52,056,544	-	-	52,056,544
Building Improvements	7,340,314	-	-	7,340,314
Furniture & Equipment	11,786,767	50,065	-	11,836,832
Total capital assets, being depreciated	71,183,625	50,065	-	71,233,690
Less: Accumulated Depreciation				
Buildings	19,487,307	1,102,681	-	20,589,988
Building Improvements	2,624,552	365,756	-	2,990,308
Furniture & Equipment	6,213,555	1,334,503	-	7,548,058
Total Accumulated Depreciation	28,325,414	2,802,940	-	31,128,354
Governmental activities - Capital Assets, net	\$ 45,165,199	\$ (2,752,875)	\$ -	\$ 42,412,324
Business Type Activities:				
Furniture/Equipment	\$ 641,706	\$ -	\$ -	\$ 641,706
Less: Accumulated Depreciation	388,393	31,551	-	419,944
Business Type Activities- Capital Assets, Net	\$ 253,313	\$ (31,551)	\$ -	\$ 221,762

A total depreciation expense of \$2,802,940 was charged to the Governmental Activities \$31,151 to the Business-Type Activities, in the food service function.

Instruction	\$ 1,833,549
Instructional Student Support	187,772
Administrative & Financial Support Services	288,676
Operation & Maintenance of Plant Services	233,736
Pupil Transportation	107,156
Student Activities	55,829
Community Services	2,263
Capital Acquisition	93,959
Governmental Activities Total	<u>\$ 2,802,940</u>
Business Type Activities Total	<u>\$ 31,551</u>

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 7- LONG-TERM LIABILITIES

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2018.

	Balance 07/01/17, As Restated	Additions	Reductions	Balance 06/30/18	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
2014 General Obligation Note	\$ 8,867,377	\$ -	\$ 296,178	\$ 8,571,199	\$ 454,049
2016 General Obligation Note, Series A	9,217,172	-	214,994	9,002,178	215,565
2015 School Lease Revenue Note	364,345	-	69,242	295,103	71,981
Bonds and Notes Payable Subtotal	18,448,894	-	580,414	17,868,480	741,595
Compensated Absences	5,186,912	-	654,966	4,531,946	-
Net Pension Liability	76,753,323	-	4,470,141	72,283,182	-
Net OPEB Liability	3,342,306	-	360,688	2,981,618	-
TOTAL GOV. ACTIVITIES	\$ 103,731,435	\$ -	\$ 6,066,209	\$ 97,665,226	\$ 741,595
BUSINESS-TYPE ACTIVITIES					
Net Pension Liability	\$ 852,677	\$ -	\$ 188,859	\$ 663,818	\$ -
Net OPEB Liability	30,694	-	3,312	27,382	-
TOTAL BUSINESS. ACTIVITIES	\$ 883,371	\$ -	\$ 192,171	\$ 691,200	\$ -

Long-Term Debt Obligations

General Obligation Note, Series of 2014

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 drawdowns 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. The principal balance of the Note was \$8,571,199 as of June 30, 2018.

General Obligation Note, Series A & B of 2016

On January 15, 2016, the District executed \$9,406,000 General Obligation Note, Series A of 2016 and \$363,000 General Obligation Note, Series B of 2016. The net proceeds were used to pay off the unpaid principal of the District's 2010 Series A and B General Obligation Bonds, including interest accrued thereon. The new note matures in varying annual amounts (\$181,406 to \$1,830,044) from 2017 to 2026 and pay interest at rates ranging from 1.99% to 2.35%. The principal balance of Series A was \$9,002,178 as of June 30, 2018 and Series B was paid in full during fiscal year 2017.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 7- LONG-TERM LIABILITIES (Continued)

School Lease Revenue Note, Series of 2015

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, and subsequently refinanced its 2007 obligation with the School Lease Revenue Note Series of 2015 obligations. The District's 19% portion of the total principle balance of the Note was \$295,103 as of June 30, 2018.

An analysis of debt service requirements to maturity on these obligations is as follows:

Year Ending June 30,	Principle	Interest	Total Debt Service
2019	\$ 741,595	\$ 455,708	\$ 1,174,353
2020	534,507	696,914	1,231,421
2021	1,546,780	649,910	2,196,690
2022	1,942,125	584,828	2,526,953
2023	1,943,989	527,388	2,471,377
2024-2028	9,544,628	1,636,238	11,180,866
2029-2033	1,614,857	40,110	1,629,755
	<u>\$ 17,868,480</u>	<u>\$ 4,591,096</u>	<u>\$ 22,411,415</u>

NOTE 8 – COMPENSATED ABSENCES

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 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 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 max rate of 26 days per year of coverage, or convert the same days into a 403(b) or 457 contribution at a per diem rate. In July 2008 the 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.

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.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 8 – COMPENSATED ABSENCES (Continued)

The accrued benefit to be provided from unused sick days and longevity years was estimated to be \$4,531,946 as of June 30, 2018, and was reflected in the statement of net position as "compensated absences." This amount reported in the statement of net position represents the amount that would have been committed by the District under the terms of the various collective bargaining agreements computed as if all eligible District employees had retired effective July 1, 2018.

Post-Retirement Health Care Premiums

Employees of the District eligible for the Grandfathered Retirement option continue to receive non-elective contributions based on the composite rate value that was in effect on the date of retirement and are paid into a Health Reimbursement Account "HRA." These benefits paid for retirees are based on the number of sick and/or personal days at the time of retirement (see compensated absences).

Employees of the District wishing to take advantage of the Early Retirement Incentive Program continue to receive non-elective contributions annually into either a 403(b) or 457 tax sheltered annuity provided in the contract between the District and the Berwick Area Education Association for ten years following the employee's retirement or until the employee attains the age of 65, whichever is sooner.

NOTE 9 – FUND BALANCE

Fund Balances reported at June 30, 2018 are summarized as follows:

	General Fund	Capital Projects Fund	Total
Nonspendable	\$ 39,136	\$ -	\$ 39,136
Committed	10,500,000	-	10,500,000
Assigned	-	523,206	523,206
Unassigned	2,766,037	-	2,766,037
Total Fund Balances	<u>\$ 13,305,173</u>	<u>\$ 523,206</u>	<u>\$ 13,828,379</u>

NOTE 10 – PENSION PLAN

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/deduction 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.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSION PLAN (Continued)

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.

The Administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional member of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code. The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

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.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 10 –PENSION PLAN (Continued)

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 the 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.

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest for the Members' Savings Account upon termination of public school employment. Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions

Member Contribution:

Member contribution rates are set by law (redefined with the provisions of Act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

Active member who joined the System prior to July 22, 1983, contribute at 5.25% (Members Class T-C) 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, 200, 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.

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%.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSION PLAN (Continued)

Employer Contribution:

The District contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% 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 \$7,048,203 for the year ended June 30, 2018.

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

As of June 30, 2018, the District reported a liability of \$72,947,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it related to the total one- year reported covered payroll. As of June 30, 2018, the District’s proportion was 0.1477 percent, which was a decrease of .0089 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$597,168. As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 761,000	\$ 441,000
Changes in assumptions	1,982,000	-
Net difference between projected and actual investment earnings	1,690,000	-
Changes in proportion	1,129,000	3,234,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	7,048,203	-
	\$ 12,610,203	\$ 3,675,000

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 10 –PENSION PLAN (Continued)

\$5,562,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2018. 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:	
2018	\$ 588,000
2019	1,633,000
2020	710,000
2021	(1,044,000)

3. *Changes in Actuarial Assumptions*

The total pension liability as of June 30, 2018 was determined by rolling forward the system's total pension liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions applied to all periods included in the measurement.

- The Investment Rate of Return was 7.25%.
- The inflation assumption was 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumptions changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 10 –PENSION PLAN (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative Investment	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	100.0%	

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, 2017.

Discount rate

The discount rate used to measure the total pension liability was 7.25%. 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 liability.

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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 89,791,000	\$ 72,947,000	\$ 58,725,000

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 10 – PENSION PLAN (Continued)

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.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

PSERS Healthcare Insurance Premium Assistance Plan

Plan Description

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided:

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Employer Contributions:

The school District’s contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% 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 OPEB plan from the District were \$184,310 for the year ended June 30, 2018.

As of June 30, 2018, the District reported a liability of \$3,009,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System’s total OPEB liability as of June 30, 2016 to June 30, 2017. The District’s proportion of the net OPEB liability was calculated utilizing the employer’s one-year reported covered payroll as it related to the total one- year reported covered payroll. As of June 30, 2018, the District’s proportion was 0.1477 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$247,310. As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	140,000.00
Net difference between projected and actual investment earnings	3,000	-
Changes in proportion	-	164,000.00
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	184,310	-
	\$ 187,310	\$ 304,000

\$184,310 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Employer Contributions (Continued):

Year ended June 30:		
2018	\$	50,000
2019		50,000
2020		50,000
2021		50,000
2022		51,000
Thereafter		51,000

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. 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, 2017.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
Total	<u>100.0%</u>	

Discount rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 3.13% which represents the S&P 20 Year Municipal Bond Rate as of June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 11 - POSTEMPLOYMENT BENEFITS PLAN (Continued)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2017, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,008,000	\$ 3,009,000	\$ 3,010,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 3,421,000	\$ 3,009,000	\$ 2,667,000

OPEB 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.pa.gov

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 12 – RELATED PARTY TRANSACTIONS

The District is a participating member in the joint venture Columbia-Montour Area Technical School (CMATS) which is governed by a joint operating committee. The committee is composed of fourteen members, two appointed annually from each of the seven member school districts. The CMATS provides vocational and technical education for students of the seven member school districts. Each member school district pays tuition to the CMATS based upon its relative enrollment percentage at the school. The member school districts approve the budget of the CMATS. This joint venture does not meet the criteria for inclusion within the reporting entity because the CMATS is separately chartered from the school districts it serves, its joint operating committee controls the employment of personnel, its joint operating committee has the power to approve all operating expenditures of the CMATS, and the CMATS is maintained as a separate operating unit.

The most recent CMATS financial information for the year ended June 30, 2018 is available by contacting Tony Lylo, Business Manager, Columbia-Montour Area Technical School, Bloomsburg, PA.

The District made tuition payments and lease rental payments to CMATS totaling \$1,766,292 for the year ended June 30, 2018. At June 30, 2018, the School District had no balance outstanding with CMATS.

CMATS Authority issued School Lease Revenue Bonds, Series of 2007, dated November 2007, in the aggregate principal amount of \$4,250,000 for the purpose of refunding its series of 2001 bonds. In June of 2015, the CMATS Authority issued a School Lease Revenue Note, Series of 2015 for the purpose of refunding its Series of 2007 Bonds. The Note bears interest at a fixed rate of 1.87% and is secured by the lease rentals. Berwick Area School District's share of this debt obligation balance at June 30, 2018 will be 19.59% based upon Berwick Area School District's current market value of property as a relative percentage of total CMATS' member schools at June 30, 2018.

The principal balance of the note as of June 30, 2018 is \$1,500,000. The District's share of the outstanding balance on the note is \$364,345. Payments on the debt service during the year amounted to \$69,242 and are shown as part of debt service expenditures in the Statement of Activities.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

The District participates in various State and Federal grant and subsidy programs, which are governed by rules and regulations of the granter agencies and are subject to audit and review by the Auditor General. These audits could result in a request for reimbursement by the state for amounts disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such reimbursements, if any, will not be significant; therefore, no provision for contingent liabilities has been recorded in the accompanying financial statements.

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 District will not materially affect the accompanying financial statements.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 14 – RISK MANAGEMENT

The 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 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 15 – PRIVATE PURPOSE TRUST FUNDS

The 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.

NOTE 16 – RESTATEMENT

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in which the District changed its manner of accounting for other postemployment benefits. It was also necessary relating to the full inventory performed of capital assets during the fiscal year.

District-Wide Financial Statements

	Governmental Activities	Business-Type Activities	Total
Beginning Net Position, June 30, 2017	\$ (12,831,864)	\$ (507,773)	\$(13,339,637)
Recordation of OPEB liability due to GASB 75	(3,342,306)	(30,694)	(3,373,000)
Reconciliation of Capital Asset Inventory	(12,531,206)	195,295	(12,335,911)
Restated Beginning Net Position, June 30, 2017	<u>\$ (28,705,376)</u>	<u>\$ (343,172)</u>	<u>\$(29,048,548)</u>

NOTE 17: NEW PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations." The District is required to adopt the provisions of statement No. 83 for its fiscal year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities." The District is required to adopt the provisions of statement No. 84 for its fiscal year 2020 financial statements.

In June 2017, the GASB issued Statement No. 87, "Leases." The District is required to adopt the provisions of Statement No. 87 for its fiscal year 2021 financial statements.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2018

NOTE 17: NEW PRONOUNCEMENTS (Continued)

In April 2018, the GASB issued Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.” The District is required to adopt the provisions of Statement No. 88 for its fiscal year 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period.” The District is required to adopt the provisions of Statement No. 88 for its fiscal year 2021 financial statements.

In August 2018, the GASB issued Statement No. 90, “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.” The District is required to adopt the provisions of Statement No. 90 for its fiscal year 2020 financial statements.

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 18 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 29, 2019, which is the date at which the financial statements were available to be issued.

**BERWICK AREA SCHOOL DISTRICT
JUNE 30, 2018**

**Required
Supplementary
Information**

Berwick Area School District
Required Supplementary Information
June 30, 2018

Schedule of the District's Proportionate Share of the Net Pension Liability - Last 10 Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1477%	0.1566%	0.1541%	0.1513%	0.0015%
District's proportionate share of the net pension liability	\$72,947,000	\$77,606,000	\$66,749,000	\$59,886,000	\$61,936,000
District's covered-employee payroll	\$19,661,887	\$20,283,194	\$19,823,313	\$19,305,768	\$19,418,299
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	371.01%	382.61%	336.72%	310.20%	318.96%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	54.36%	54.36%	57.24%	57.24%

Amounts were determined as of the cost-sharing plan's June 30, 2017 fiscal year.

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

Schedule of the District Contributions - Last 10 Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,048,203	\$ 6,126,371	\$ 4,974,477	\$ 3,875,101	\$ 3,057,448
Contributions in relation to the contractually required contribution	<u>(7,048,203)</u>	<u>(6,126,371)</u>	<u>(4,974,477)</u>	<u>(3,875,101)</u>	<u>(3,057,448)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 19,661,887	\$ 20,283,194	\$19,823,313	\$19,305,768	\$19,418,299
Contributions as a percentage of covered-employee payroll	35.85%	30.20%	25.09%	20.07%	15.75%

Amounts are based on actual contributions during the fiscal year.

1. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

Berwick Area School District
 Required Supplementary Information
 June 30, 2018

**Schedule of the District's Proportionate Share of the Net OPEB Liability
 Health Insurance Premium Assistance Plan
 Last 10 Years**

	2018
District's proportion of the net OPEB liability	0.1477%
District's proportionate share of the OPEB liability	\$3,009,000
District's covered-employee payroll	\$19,661,887
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.30%
Plan fiduciary net position as a percentage of the total pension liability	51.84%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available.

**Schedule of the District's Proportionate Share of the Net OPEB Liability
 Health Insurance Premium Assistance Plan
 Schedule of the District Contributions - Last 10 Years**

	2018
Contractually required contribution	\$ 184,310
Contributions in relation to the contractually required contribution	(184,310)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	 \$ 19,661,887
Contributions as a percentage of covered-employee payroll	0.94%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available.

**BERWICK AREA SCHOOL DISTRICT
JUNE 30, 2018**

**Budget
to Actual
Schedules**

Berwick Area School District
Schedule of Revenues, Expenditures Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Local Revenues	\$ 19,407,153	\$ 19,407,153	\$ 19,109,118	\$ (298,035)
State Program Revenues	23,632,785	23,632,785	24,472,919	840,134
Federal Program Revenues	1,260,176	1,260,176	1,278,570	18,394
TOTAL REVENUES	44,300,114	44,300,114	44,860,607	560,493
EXPENDITURES				
<i>Instruction:</i>				
Regular Programs	19,490,950	19,490,950	19,617,450	(126,500)
Special Programs	6,548,516	6,548,516	7,058,836	(510,320)
Vocational Programs	2,664,523	2,664,523	2,728,532	(64,009)
Other Instructional Programs	2,500	2,500	10,116	(7,616)
Nonpublic School Programs	-	-	8,952	(8,952)
Higher Education Programs for Secondary Students	-	-	51,973	(51,973)
<i>Support Services:</i>				
Pupil Personnel Services	2,040,125	2,040,125	1,881,318	158,807
Instructional Staff Services	1,173,393	1,173,393	1,137,282	36,111
Administrative Services	1,940,757	1,940,757	1,914,975	25,782
Pupil Health	611,030	611,030	596,925	14,105
Business Services	523,302	523,302	533,955	(10,653)
Operation & Maint. of Plant Services	3,873,597	3,873,597	3,757,500	116,097
Student Transportation Services	1,731,990	1,731,990	1,722,627	9,363
Central and Other Support Services	1,768,594	1,768,594	1,594,863	173,731
<i>Operation of Noninstructional Services:</i>				
Student Activities	77,368	77,368	897,495	(820,127)
Community Services	11,615	11,615	11,374	241
Scholarship and Awards	-	-	25,000	(25,000)
Acquisition, Constr., & Improvements	240,000	240,000	1,510,481	(1,270,481)
TOTAL EXPENDITURES	42,698,260	42,698,260	45,059,654	(2,361,394)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,601,854	1,601,854	(199,047)	2,921,887
OTHER FINANCING SOURCES (USES)				
Debt Service	961,854	961,854	(964,267)	1,926,121
Interfund Transfers In	-	-	187,685	(187,685)
Interfund Transfers (Out)	600,000	600,000	-	600,000
Sale of Compensation for Loss of Fixed Assets	-	-	149,014	(149,014)
Budgetary Reserve	240,000	240,000	-	240,000
TOTAL OTHER FINANCING SOURCES (USES)	1,801,854	1,801,854	(627,568)	2,429,422
Net Change in Fund Balances	\$ 3,403,708	\$ 3,403,708	\$ (826,615)	\$ 5,351,309

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
Other Supplementary Information
Schedule of General Fund Revenue
Budget and Actual
For the Year Ended June 30, 2018

	Final Budget Amount	Actual	Variance with Final Budget Positive (Negative)
REVENUE FROM LOCAL SOURCES			
Taxes Levied/Assessed			
Current Real Estate Taxes	\$ 14,537,428	\$ 14,338,122	\$ 199,306
Interim Real Estate Taxes	55,700	27,216	28,484
Public Utility Realty Taxes	22,000	17,295	4,705
Payments in Lieu of Taxes	12,775	16,016	(3,241)
Current ACT 511 Flat Rate Assessments	47,400	45,083	2,317
Current ACT 511 Proportional Assessments	2,509,140	2,416,012	93,128
Delinquencies on Taxes Levied / Assessed	1,189,450	1,012,822	176,628
Earnings on Investments	83,000	195,234	(112,234)
Revenues from Intermediary Sources/Pass-Through	664,000	796,585	(132,585)
Rentals	78,270	78,129	141
Contributions and Donations from Private Sources	44,360	64,347	(19,987)
Tuitions from Patrons	16,030	22,500	(6,470)
Services Provided Other Local Government Units / LEAs	109,600	34,559	75,041
Refunds and Other Miscellaneous Revenue	38,000	45,197	(7,197)
TOTAL LOCAL SOURCES	19,407,153	19,109,118	298,035
REVENUE FROM STATE SOURCES			
Basic Education Funding	13,948,359	14,760,768	(812,409)
Tuition for Orphans Subsidy	68,812	40,484	28,328
Special Education Funds for School-Aged Pupils	2,216,651	2,252,379	(35,728)
Other Program Revenues	-	9,447	(9,447)
Transportation	726,517	608,888	117,629
Rental and Sinking Fund Payments / Building	665,000	193,467	471,533
Health Services (Medical, Dental, Nurse, Act 125)	55,000	54,112	888
State Property Tax Reduction Allocation	1,096,556	1,096,556	-
Ready to Learn Block Grant	549,482	549,482	-
State Share of Social Security and Medicare Taxes	894,346	900,501	(6,155)
State Share of Retirement Contributions	3,412,062	4,006,835	(594,773)
TOTAL STATE SOURCES	23,632,785	24,472,919	(840,134)
REVENUE FROM FEDERAL SOURCES			
Title I	810,604	880,399	(69,795)
Title II	151,869	135,498	16,371
Title III	12,673	11,212	1,461
Title IV	-	115,948	(115,948)
School Based Access Medicaid Reimbursement	251,030	113,589	137,441
Medical Assistance Reimbursement for Admin. Claiming	34,000	21,925	12,075
TOTAL FEDERAL SOURCES	1,260,176	1,278,570	(18,394)
OTHER FINANCING SOURCES			
Special Revenue Fund Transfers	200,000	-	200,000
Internal Service Fund Transfers	-	187,685	(187,685)
Sale of or Compensation for Loss of Fixed Assets	-	149,014	(149,014)
TOTAL GENERAL FUND REVENUE	\$ 44,500,114	\$ 45,197,305	\$ (360,492)

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
Other Supplementary Information
Schedule of General Fund Expenditures
Budget and Actual
For the Year Ended June 30, 2018

	Final Budget Amount	Actual	Variance with Final Budget Positive (Negative)
INSTRUCTION			
REGULAR PROGRAMS			
Personnel Services - Salaries	\$ 11,037,400	\$ 10,874,632	\$ 162,768
Personnel Services - Benefits	7,588,427	7,770,570	(182,143)
Purchased Prof. and Tech. Services	126,067	84,451	41,616
Purchased Property Services	500	-	500
Other Purchased Services	445,095	653,824	(208,729)
Supplies	277,211	231,824	45,387
Property	13,550	-	13,550
Other Objects	2,700	2,150	550
TOTAL REGULAR PROGRAMS	19,490,950	19,617,450	(126,500)
SPECIAL PROGRAMS			
Personnel Services - Salaries	3,578,868	3,632,601	(53,733)
Personnel Services - Benefits	2,403,156	2,496,101	(92,945)
Purchased Prof. and Tech. Services	141,200	136,082	5,118
Other Purchased Services	365,250	735,769	(370,519)
Supplies	58,677	57,013	1,664
Other Objects	1,365	1,270	95
TOTAL SPECIAL PROGRAMS	6,548,516	7,058,836	(510,320)
VOCATIONAL EDUCATION PROGRAMS			
Personnel Services - Salaries	541,794	544,692	(2,898)
Personnel Services - Benefits	385,960	391,234	(5,274)
Purchased Prof. and Tech. Services	500	1,592	(1,092)
Purchased Property Services	750	415	335
Other Purchased Services	1,712,619	1,770,191	(57,572)
Supplies	22,900	20,409	2,491
TOTAL VOCATIONAL EDUCATION PROGRAMS	2,664,523	2,728,532	(64,009)
OTHER INSTRUCTIONAL PROGRAMS			
Personal Services - Salaries	-	2,419	(2,419)
Personal Services - Benefits	-	990	(990)
Purchased Prof. and Tech Services	-	-	-
Purchased Property Services	-	-	-
Other Purchased Services	-	6,706	(6,706)
Supplies	2,500	-	2,500
TOTAL OTHER INSTRUCTIONAL PROGRAMS	2,500	10,116	(7,616)
NONPUBLIC SCHOOL PROGRAMS			
Purchased Prof. and Tech. Services	-	8,952	(8,952)
TOTAL NONPUBLIC SCHOOL PROGRAMS	-	8,952	(8,952)
HIGHER EDUCATION PROGRAMS FOR SECONDARY STUDENTS			
Other Purchased Services	-	47,259	(47,259)
Supplies	-	4,715	(4,715)
TOTAL HIGHER EDUCATION PROGRAMS FOR SECONDARY STUDENTS	-	51,973	(51,973)
TOTAL INSTRUCTION	\$ 28,706,489	\$ 29,475,859	\$ (769,370)

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
Other Supplementary Information
Schedule of General Fund Expenditures
Budget and Actual
For the Year Ended June 30, 2018

	Final Budget Amount	Actual	Final Budget Positive (Negative)
SUPPORT SERVICES			
SUPPORT SERVICES - STUDENTS			
Personnel Services - Salaries	\$ 1,231,563	\$ 1,100,328	\$ 131,235
Personnel Services - Benefits	787,877	737,046	50,831
Purchased Prof. and Tech. Services	3,750	33,037	(29,287)
Other Purchased Services	3,450	1,570	1,880
Supplies	11,475	9,125	2,350
Property	1,500	-	1,500
Other Objects	510	212	298
TOTAL SUPPORT SERVICES - STUDENT	2,040,125	1,881,318	158,807
SUPPORT SERVICES - INSTRUCTIONAL STAFF			
Personnel Services - Salaries	583,793	572,587	11,206
Personnel Services - Benefits	357,197	399,716	(42,519)
Purchased Prof. and Tech. Services	38,070	26,211	11,859
Other Purchased Services	14,753	4,878	9,875
Supplies	175,610	133,300	42,310
Property	2,500	-	2,500
Other Objects	1,470	590	880
TOTAL SUPPORT SERVICES- INSTRUCTIONAL STAFF	1,173,393	1,137,282	36,111
SUPPORT SERVICES - ADMINISTRATION			
Personnel Services - Salaries	1,119,074	1,119,604	(530)
Personnel Services - Benefits	660,268	664,436	(4,168)
Purchased Prof. and Tech. Services	95,900	72,082	23,818
Other Purchased Services	38,200	28,838	9,362
Supplies	17,800	9,043	8,757
Property	2,000	-	2,000
Other Objects	7,515	20,972	(13,457)
TOTAL SUPPORT SERVICES - ADMINISTRATION	1,940,757	1,914,975	25,782
SUPPORT SERVICES - PUPIL HEALTH			
Personnel Services - Salaries	336,729	314,100	22,629
Personnel Services - Benefits	258,226	267,613	(9,387)
Purchased Prof. and Tech. Services	6,600	5,689	911
Other Purchased Services	750	1,054	(304)
Supplies	8,725	8,469	256
TOTAL SUPPORT SERVICES - PUPIL HEALTH	611,030	596,925	14,105
SUPPORT SERVICES - BUSINESS			
Personnel Services - Salaries	308,899	317,902	(9,003)
Personnel Services - Benefits	173,953	193,257	(19,304)
Purchased Prof. and Tech. Services	30,000	16,213	13,787
Other Purchased Services	3,450	1,200	2,250
Supplies	6,500	5,234	1,266
Other Objects	500	150	350
TOTAL SUPPORT SERVICES - BUSINESS	523,302	533,955	(10,653)

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
Other Supplementary Information
Schedule of General Fund Expenditures
Budget and Actual
For the Year Ended June 30, 2018

	Final Budget Amount	Actual	Final Budget Positive (Negative)
OPERATION AND MAINTENANCE OF PLANT			
Personnel Services - Salaries	1,294,933	1,295,799	(866)
Personnel Services - Benefits	949,464	943,651	5,813
Purchased Prof. and Tech. Services	115,000	167,718	(52,718)
Purchase Property Services	629,500	292,879	336,621
Other Purchased Services	343,450	286,629	56,821
Supplies	510,000	755,327	(245,327)
Property	30,000	15,165	14,835
Other Objects	1,250	331	920
TOTAL OPERATION AND MAINTENANCE OF PLANT	3,873,597	3,757,500	116,097
STUDENT TRANSPORTATION			
Personnel Services - Salaries	56,698	28,774	27,924
Personnel Services - Benefits	87,932	66,208	21,724
Purchased Prof. and Tech. Services	15,000	5,685	9,315
Other Purchased Services	1,535,360	1,596,091	(60,731)
Supplies	2,000	468	1,532
Property	35,000	25,400	9,600
TOTAL STUDENT TRANSPORTATION	1,731,990	1,722,627	9,363
CENTRAL SERVICES			
Personnel Services - Salaries	251,487	255,572	(4,085)
Personnel Services - Benefits	160,922	167,414	(6,492)
Purchased Prof. and Tech. Services	306,000	192,507	113,493
Other Purchased Services	57,500	54,500	3,000
Supplies	505,485	914,860	(409,375)
Property	487,200	-	487,200
TOTAL CENTRAL SERVICES	1,768,594	1,584,852	183,742
OTHER SUPPORT SERVICES			
Supplies	-	10,011	(10,011)
TOTAL OTHER SUPPORT SERVICES	-	10,011	(10,011)
TOTAL SUPPORT SERVICES	\$ 13,662,788	\$ 13,139,445	\$ 523,343
OPERATION OF NON-INSTRUCTIONAL SERVICES			
STUDENT ACTIVITIES			
Personnel Services - Salaries	\$ -	\$ 339,530	\$ (339,530)
Personnel Services - Benefits	-	144,965	(144,965)
Purchased Prof. and Tech. Services	46,000	172,329	(126,329)
Purchased Property Services	5,600	21,029	(15,429)
Other Purchased Services	14,550	94,208	(79,658)
Supplies	10,918	113,148	(102,230)
Other Objects	300	12,287	(11,987)
TOTAL STUDENT ACTIVITIES	77,368	897,495	(820,127)
COMMUNITY SERVICES			
Purchased Prof. and Tech. Services	3,700	2,521	1,179
Supplies	7,915	8,853	(938)
TOTAL COMMUNITY SERVICES	11,615	11,374	241
SCHOLARSHIPS AND AWARDS			
Other Objects	-	25,000	(25,000)
TOTAL SCHOLARSHIPS AND AWARDS	-	25,000	(25,000)
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	\$ 88,983	\$ 933,869	\$ (844,886)

See notes to financial statements
which are an integral part of this statement.

Berwick Area School District
 Other Supplementary Information
 Schedule of General Fund Expenditures
 Budget and Actual
 For the Year Ended June 30, 2018

	Final Budget Amount	Actual	Final Budget Positive (Negative)
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES			
Purchased Prof. and Tech. Services	\$ 240,000	\$ 743,335	\$ (503,335)
Purchased Property Services	-	722,117	(722,117)
Property	-	45,029	(45,029)
TOTAL FACILITIES ACQ., CONST. & IMPROV.	\$ 240,000	\$ 1,510,481	\$ (1,270,481)
OTHER EXPENDITURES AND FINANCING USES			
DEBT SERVICES / OTHER EXPENDITURES AND FINANCING USES			
Other Objects	\$ 381,923	\$ 383,853	\$ (1,930)
Other Uses of Funds	579,931	580,414	(483)
TOTAL DEBT SERVICE/OTHER EXPENDITURES & FINANCING USES	961,854	964,267	(2,413)
INTER FUND TRANSFERS - OUT			
Other Uses of Funds	600,000	187,685	412,315
TOTAL INTERFUND TRANSFERS OUT	600,000	187,685	412,315
BUDGETARY RESERVE			
Other Objects	240,000	-	240,000
TOTAL BUDGETARY RESERVE	240,000	-	240,000
TOTAL OTHER EXPENDITURES AND FINANCING USES	\$ 1,801,854	\$ 1,151,952	\$ 649,902
TOTAL GENERAL FUND EXPENDITURES	\$ 44,500,114	\$ 46,211,606	\$ (1,711,492)

See notes to financial statements
 which are an integral part of this statement.

**BERWICK AREA SCHOOL DISTRICT
JUNE 30, 2018**

General Fund

**Expanded
Balance Sheet**

and

**Statement of Revenues, Expenditures and
Changes in Fund Balance**

Berwick Area School District

Expanded Balance Sheet

General Fund

June 30, 2018

ASSETS

Cash	\$	15,073,717
Investments		11,975
Taxes Receivable, net		1,314,624
Due from Other Funds		-
Due from Other Governments		2,264,309
Other Receivables		396,703
Inventories		39,136
		<hr/>
TOTAL ASSETS		19,100,464

DEFERRED OUTFLOWS OF RESOURCES

-

**TOTAL ASSETS & DEFERRED
OUTFLOWS OF RESOURCES**

\$ 19,100,464

**LIABILITIES & DEFERRED INFLOWS OF
RESOURCES AND FUND BALANCES**

LIABILITIES

Accounts Payable	\$	3,297,704
Accrued Salaries and Benefits		1,243,954
Payroll Deductions and Withholdings		183,787
Unearned Revenues		21,025
		<hr/>
TOTAL LIABILITIES		4,746,470

DEFERRED INFLOWS OF RESOURCES

1,048,821

FUND BALANCE

Nonspendable		39,136
Committed		10,500,000
Unassigned		2,766,037
		<hr/>
TOTAL FUND BALANCE		13,305,173

**TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND FUND BALANCES**

\$ 19,100,464

Berwick Area School District
Expanded Statement of Revenues, Expenditures Changes in Fund Balances
General Fund
For the Year Ended June 30, 2018

REVENUE	
Local Sources	\$19,109,118
State Sources	24,472,919
Federal Sources	1,278,570
TOTAL REVENUE	<u>44,860,607</u>
EXPENDITURES	
INSTRUCTION	
Regular Programs	19,617,450
Special Programs	7,058,836
Vocational Education Programs	2,728,532
Other Instructional Programs	10,116
Nonpublic School Programs	8,952
Higher Education Programs for Secondary Students	51,973
TOTAL INSTRUCTION	<u>29,475,859</u>
SUPPORT SERVICES	
Pupil Personnel	1,881,318
Instructional Staff	1,137,282
Administration	1,914,975
Pupil Health	596,925
Business	533,955
Operation and Maintenance of Plant	3,757,500
Student Transportation	1,722,627
Central Services	1,594,863
TOTAL SUPPORT SERVICES	<u>13,139,445</u>
OPERATION OF NONINSTRUCTIONAL SERVICES	
Student Activities	897,495
Community Services	11,374
Scholarships and Awards	25,000
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	<u>933,869</u>
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENTS	
Site Acquisition Services	35,753
Existing Site Improvement Services	271,096
Other Purchased Professional and Technical Services	113,481
Building Acquisition and Construction Service	475,618
Existing Building Improvement Services	614,533
TOTAL FACILITIES ACQ., CONST. AND IMPROV.	<u>1,510,481</u>
TOTAL EXPENDITURES	<u>45,059,654</u>
EXCESS OF REVENUES OVER EXPENDITURES	(199,047)
OTHER FINANCING SOURCES (USES)	
Interfund Transfers out	187,684
Proceeds from Sales of Assets	149,014
Debt Service - Authority Lease Rentals	(964,267)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(627,569)</u>
NET CHANGE IN FUND BALANCE	(826,615)
FUND BALANCE - July 1, 2017	14,131,788
FUND BALANCE - June 30, 2018	<u><u>\$13,305,173</u></u>

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

Members of the School Board
Berwick Area School District
Berwick, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berwick Area School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 and 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2018-001 described in the accompanying Schedule of Findings and Questioned Costs, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 District's response to the deficiency identified in our audit is described in the accompanying Management's Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Klacik & Associates, P.C.

Shamokin, Pennsylvania
March 29, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Members of the School Board
Berwick Area School District
Berwick, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Berwick Area School District's (the District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the Uniform Guidance, 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 District's internal control over compliance.

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. *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.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Klacik & Associates, P.C.

Shamokin, Pennsylvania
March 29, 2019

BERWICK AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

GRANT/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD BEGINNING/ ENDING DATES	TOTAL RECEIVED	ACCRUED OR (DEFERRED)		ACCRUED OR (DEFERRED)	
						REVENUE AT 6/30/17	REVENUE RECOGNIZED	FEDERAL EXPENDITURES	REVENUE AT 6/30/18
U.S. DEPARTMENT OF EDUCATION									
Passed through Pennsylvania Department of Education:									
Title I Grants to Local Educational Agencies	84.010	013-18-0032	810,604	7/1/17 - 9/30/19	\$ 757,238	\$ -	\$ 843,670	\$ 843,670	\$ 86,432
Title I Grants to Local Educational Agencies	84.010	013-17-0032	795,785	7/1/16 - 9/30/17	155,770	119,040	36,730	36,730	-
Title I Grants to Local Educational Agencies	84.010	013-16-0032	823,505	7/1/15 - 9/30/17	-	-	-	-	-
Title I Grants to Local Educational Agencies	84.010	013-15-0032	679,340	7/1/15 - 9/30/16	-	-	-	-	-
Title I Subtotal					913,008	119,040	880,400	880,400	86,432
Twenty-First Century Community Learning Grants	84.287	N/A	132,000	10/1/17 - 9/30/18	60,048	-	77,487	77,487	17,439
Twenty-First Century Community Learning Grants	84.287	N/A	132,000	10/1/16 - 9/30/17	33,679	15,181	18,498	18,498	-
Twenty-First Century Community Learning Grants Subtotal					93,727	15,181	95,985	95,985	17,439
English Language Acquisition State Grants	84.365	010-18-0032	11,211	7/1/17 - 9/30/18	9,611	-	11,211	11,211	1,600
English Language Acquisition State Grants	84.365	010-17-0032	12,673	7/1/16 - 9/30/17	3,379	3,379	-	-	-
English Language Acquisition State Grants	84.365	010-16-0032	14,260	7/1/15 - 9/30/16	4,753	4,753	-	-	-
English Language Acquisition State Grants Subtotal					17,743	8,132	11,211	11,211	1,600
Title II Improving Teacher Quality	84.367	020-18-0032	140,947	7/1/17 - 9/30/18	121,720	-	135,498	135,498	13,778
Title II Improving Teacher Quality	84.367	020-17-0032	151,192	7/1/16 - 9/30/17	39,957	39,957	-	-	-
Title II Improving Teacher Quality	84.367	020-16-0032	155,195	7/1/15 - 9/30/16	-	-	-	-	-
Title II Improving Teacher Quality Subtotal					161,677	39,957	135,498	135,498	13,778
Title IV Student Support and Academic Enrichment	84.424	144-18-0032	19,962	8/15/17 - 9/30/18	15,684	-	19,962	19,962	4,278
Passed through Central Susquehanna Intermediate Unit:									
Special Education - Grants to States (IDEA, Part B)	84.027	062-18-0-016	657,707	7/1/17 - 6/30/18	277,460	-	657,707	657,707	380,247
Special Education - Grants to States (IDEA, Part B)	84.027	062-17-0-016	663,252	7/1/16 - 6/30/17	420,336	420,336	-	-	-
Special Education - (IDEA, Part B) Subtotal					697,796	420,336	657,707	657,707	380,247
Special Education - Grants to States (IDEA, Preschool)	84.173	131-18-0016	10,710	7/1/17 - 6/30/18	-	-	10,631	10,631	10,631
Special Education - Grants to States (IDEA, Preschool)	84.173	131-17-0016	9,996	7/1/16 - 6/30/17	9,996	9,996	-	-	-
Special Education - Grants to States (IDEA, Preschool) Subtotal					9,996	9,996	10,631	10,631	10,631
IDEA Cluster Subtotal					707,792	430,332	668,338	668,338	390,878
TOTAL U.S. DEPARTMENT OF EDUCATION					1,909,631	612,642	1,811,394	1,811,394	514,405
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed through Pennsylvania Department of Human Services:									
Medical Assistance Program (ACCESS Title XIX) Administration Reimbursement (MAC)	93.778	N/A	N/A	10/1/17 - 9/30/18	3,387	-	21,924	21,924	18,538
Medical Assistance Program (ACCESS Title XIX) Administration Reimbursement (MAC)	93.778	N/A	N/A	10/1/16 - 9/30/17	19,565	19,565	-	-	-
Medical Assistance Program (ACCESS Title XIX) Subtotal					22,952	19,565	21,924	21,924	18,538
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					\$ 22,952	\$ 19,565	\$ 21,924	\$ 21,924	\$ 18,538

See notes to Schedule of Expenditures of Federal Awards
which are an integral part of this statement.

BERWICK AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

GRANT/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD BEGINNING/ ENDING DATES	TOTAL RECEIVED	ACCRUED OR (DEFERRED)		ACCRUED OR (DEFERRED)	
						REVENUE AT 6/30/17	REVENUE RECOGNIZED	FEDERAL EXPENDITURES	REVENUE AT 6/30/18
U.S. DEPARTMENT OF AGRICULTURE									
Passed through Pennsylvania Department of Education:									
Fresh Fruit and Vegetables Program	10.582	116-19-1103	63,418	10/1/17 - 6/30/18	\$ 26,704	\$ -	\$ 27,772	\$ 27,772	\$ 1,068
Fresh Fruit and Vegetables Program	10.582	116-19-1103	63,418	10/1/16 - 6/30/17	807	807	-	-	-
Fresh Fruit and Vegetables Program Subtotal					27,511	807	27,772	27,772	1,068
School Breakfast Program (SBP)	10.553	365/367-0000	N/A	7/1/17 - 6/30/18	129,799	-	154,946	154,946	25,147
School Breakfast Program (SBP)	10.553	365/367-0000	N/A	7/1/16 - 6/30/17	9,890	9,890	-	-	-
School Breakfast Program (SBP) Subtotal					139,689	9,890	154,946	154,946	25,147
National School Lunch Program (NSLP)	10.555	362	N/A	7/1/17 - 6/30/18	603,050	-	708,231	708,231	105,181
National School Lunch Program (NSLP)	10.555	362	N/A	7/1/16 - 6/30/17	40,643	40,643	-	-	-
National School Lunch Program (NSLP) Subtotal					643,693	40,643	708,231	708,231	105,181
Passed through Pennsylvania Department of Agriculture:									
Value of USDA Commodities	10.555	2-03-40-600	N/A	7/1/17 - 6/30/18	103,384	(20,837)	94,508	94,508	(29,713)
					(A.)	(B.)		(C.)	(D.)
Child Nutrition Cluster Subtotal					886,766	29,696	957,685	957,685	100,615
TOTAL U.S. DEPARTMENT OF AGRICULTURE					914,277	30,503	985,457	985,457	101,683
TOTAL FEDERAL AWARDS					\$ 2,846,860	\$ 662,710	\$ 2,818,775	\$ 2,818,775	\$ 634,626

Code Legend

- (A.) Total amount of commodities received
- (B.) Beginning inventory at July 1, 2017
- (C.) Total amount of commodities used
- (D.) Ending inventory at June 30, 2018

Footnote 1: Medical Assistance Reimbursement for Administrative Claiming Program, in the amount of \$113,590, is included in federal sources on the face of the financial statements, however it is not required to be reported on the Schedule of Expenditures of Federal Awards.

Footnote 2: IDEA Cluster per the advisement of PDE to management has been included in local sources of revenue in the amount \$668,338.

See notes to Schedule of Expenditures of Federal Awards
which are an integral part of this statement.

BERWICK AREA SCHOOL DISTRICT
 Berwick, Pennsylvania
 Notes to the Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

1. BASIS OF PRESENTATION AND ACCOUNTING

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Berwick Area School District (the "District") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

The accompanying Schedule has been presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid.

The District has received noncash assistance during the year ended June 30, 2018 which is included in the Schedule of Expenditures of Federal Awards.

2. CATEGORIZATION OF EXPENDITURES

The accompanying Schedule reflects Federal expenditures for all programs which were active during the year. The categorization of expenditures included in the accompanying Schedule is based on the Catalog of Federal Domestic Assistance (CFDA). The accompanying Schedule of Expenditures of Federal Awards reflects CFDA changes issued through June 2018.

3. ADDITIONAL INFORMATION

The School District did not have any sub-recipients or pass through and funds to sub-recipients. The School District elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. IDENTIFICATION OF MAJOR PROGRAMS

As shown on the accompanying *Schedule of Findings and Questioned Costs*, the dollar threshold used to distinguish between type A and type B programs were seven hundred and fifty thousand (\$750,000) dollars. The District had the following major programs which were audited:

Major Program	CFDA No.	Federal Expenditures
Title I Grants to Local Educational Agencies	84.010	\$ 880,400
IDEA Cluster	84.027, 84.173	668,338
Total		\$ 1,548,738
Percentage of total federal awards expended		55%

BERWICK AREA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified? _____ yes _____X_____ no

Significant deficiency(ies)? _____X_____ yes _____ no

Noncompliance material to financial statements noted? _____ yes _____X_____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes _____X_____ no

Significant deficiency(ies)? _____ yes _____X_____ none reported

Type of auditor’s report issued on compliance for the major programs: UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ yes _____X_____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education – Grants to States (IDEA Cluster)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes _____X_____ no

BERWICK AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II – Financial Statement Findings

A. Significant Deficiency in Internal Control

Finding 2018-001 Financial Statement Adjustments and Presentation

Criteria: An integral component of an entity’s internal control over financial reporting is to reconcile and prepare all the standard and non-standard entries as part of the year-end closing process.

AU-C Section 265 entitled Communicating Internal Control Related Matters in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without assistance, the potential exists of the District’s financial statements not conforming to generally accepted accounting principles (GAAP).

Condition: Audit adjustments were required to be posted to the District’s general ledger to properly reflect its financial position and financial activity for the year under audit. Although much of the information for the adjustments was provided by the District, the fact that these adjustments were required to be posted in order for the financial statements to be properly stated constitutes a deficiency in the District’s financial reporting processes.

The District was unable to provide final financial statements for PDE’s Annual Financial Report (AFR) and entity wide statements without guidance from the auditor. In connection with the audit of the District’s financial statements, management has requested that we assist in the drafting of the financial statements, required supplementary information, and related footnote disclosures. No population was tested; finding is based upon understanding and review of the internal control system.

Cause: Although the District’s internal accounting personnel have the ability to interpret and understand its financial statements, both fund and entity wide, there were a number of entries that needed clarification by the auditor at year end to prepare those financials in accordance with GAAP.

BERWICK AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-001 Financial Statement Adjustments and Presentation (Continued)

Effect: The District’s financial position and financial activity as of and for the year ended June 30, 2018, were not properly stated until the adjustments were posted to the general ledger. There is a greater opportunity for error in financial reporting as the District’s management has determined 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.

Questioned Costs: Unknown

Recommendation: The District has made significant progress in implementing all entries and processes suggested by the auditors prior to and during the engagement. The District should continue to evaluate its year end procedures to reconcile and post the additional entries required as part of the year-end closing process and not as audit adjustments. Year-end closing procedures should be adopted by the District to ensure all activity and entries are recorded prior to the audit engagement.

Prior Year Finding: Yes, see Finding 2017-001

**Auditee Response
and Corrective**

Action Plan: See attached response.

BERWICK AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

B. Compliance Findings

There were no compliance findings related to the financial statement audit required to be reported.

Section III – Federal Award Findings and Questioned Costs

A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance.

B. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance.



BERWICK AREA SCHOOL DISTRICT

500 LINE STREET
BERWICK, PENNA. 18603

TELEPHONE 570-759-6400

Wayne D. Brookhart
Superintendent

Renee Gomez
Business Administrator

FINDING 2018-001

Financial Statement Adjustments and Presentation

MANAGEMENT RESPONSE:

The Berwick Area School District agrees with the finding. During the last two audit engagements, The School District implemented significant changes, to its internal processes and financial accounting system to ensure compliance in accordance with GAAP and Pennsylvania Department of Education's standards. The Business Office will continue to develop and adopt year-end closing procedures with the intent of accurately capturing the District's financial position and activity for the fiscal year end prior to the audit engagement. 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.

INDIVIDUAL RESPONSIBLE:

Superintendent, Business Manager

ANTICIPATED COMPLETION DATE:

March 31, 2020

BERWICK AREA SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

**Finding 2017-001 INTERNAL CONTROL DEFICIENCY OVER PREPARATION OF THE
FINANCIAL STATEMENTS – MATERIAL WEAKNESS**

Condition: In connection with the audit of the School District's financial statements, audit adjustments were required to be posted to the District's general ledger to properly reflect its financial position and financial activity for the year under audit. Similar to most governments, management has requested that we assist in the drafting of the financial statements and related footnote disclosures.

Recommendation: The District has made significant progress in implementing all entries and processes suggested by the auditors during the engagement. The District should continue to evaluate its year end procedures to reconcile and post the additional entries required as part of the year-end closing process and not as audit adjustments. Year-end closing procedures should be adopted by the District to ensure all activity and entries are recorded prior to the audit engagement.

Conclusion: Finding unresolved; lessened to significant deficiency. See finding 2018-001.

**Finding 2017-002 INTERNAL CONTROL OVER INVENTORIES – SIGNIFICANT
DEFICIENCY**

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

Recommendation: The inventory count should be performed at year end, at a minimum. The calculated yearend balance of inventory should be compared to the most recent purchase orders to determine reasonableness by management.

Conclusion: Finding resolved.