

**BERWICK AREA SCHOOL DISTRICT**  
**Berwick, Pennsylvania**

**Financial and Single Audit Reports**

**For the Year Ended June 30, 2017**

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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, 2017, 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, 2017, 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, budgetary comparison information, schedule of net pension liability, and the schedule of pension contributions, 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 additional supplementary information 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 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 February 27, 2018 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  
February 27, 2018

**Berwick Area School District**  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(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, 2017. 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 position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net positions 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, 2017  
(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 17-21 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 22-23 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 24-50 of this report.

**Berwick Area School District**  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

**Financial Highlights**

Key financial highlights for the year ending June 30, 2017, are as follows:

	<b>Governmental Activities</b>		<b>Business Type Activities</b>	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
<b>Total Net Position</b>	\$ (14,708,201)	\$ (12,831,864)	\$ (1,197,197)	\$ (507,773)
<b>Change in Net Position</b>	\$ (863,130)	1,876,337	\$ 145,290	\$ 689,424

Total revenues for the general fund amounted to \$46,289,149.

- \$19,322,898 or 41.74% were Local Revenues
- \$25,685,892 or 55.49% were State Revenues
- \$1,280,359 or 2.77% were Federal Revenues

Total general fund expenditures amounted to \$52,347,807.

- \$26,389,108 for Instructional Services
- \$12,405,120 for Support Services
- \$878,011 for Non Instructional Services
- \$6,593,607 for Debt Service (Principal and Interest)
- \$6,081,967 for Capital Outlay

Total general fund other financing sources amounted to \$50.

- \$50 Proceeds from Sales of Fixed Assets

The general fund had a decrease in fund balance in the amount of \$6,058,608 resulting in an ending fund balance of \$14,131,788.

**Berwick Area School District**  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(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 6-30-17**

	<b>Governmental Activities 6/30/2016</b>	<b>Governmental Activities 6/30/2017</b>	<b>Business- Type Activities 6/30/2016</b>	<b>Business- Type Activities 6/30/2017</b>
<b>Assets:</b>				
Current Assets	\$ 28,909,237	\$ 20,393,906	\$ 235,644	\$ 290,289
Capital & Other Non Current Assets	<u>54,702,092</u>	<u>57,696,405</u>	<u>33,667</u>	<u>58,018</u>
Total Assets	<u><u>83,611,329</u></u>	<u><u>78,090,311</u></u>	<u><u>269,311</u></u>	<u><u>348,307</u></u>
Deferred Outflows of Resources	<u>5,988,973</u>	<u>14,982,598</u>	<u>163,022</u>	<u>102,638</u>
<b>Liabilities:</b>				
Current Liabilities	8,878,352	4,819,992	316,362	159,327
Long-Term Liabilities	<u>93,148,703</u>	<u>100,445,879</u>	<u>1,194,697</u>	<u>852,677</u>
Total Liabilities	<u><u>102,027,055</u></u>	<u><u>105,265,871</u></u>	<u><u>1,511,059</u></u>	<u><u>1,012,004</u></u>
Deferred Inflow of Resources	<u>2,281,448</u>	<u>638,902</u>	<u>58,087</u>	<u>7,098</u>
<b>Net Position:</b>				
Invested in Capital Assets Net of Related Debt	30,152,944	39,247,512	33,667	58,018
Restricted for capital projects	-	697,155	-	-
Unrestricted	<u>(44,891,145)</u>	<u>(52,776,531)</u>	<u>(1,230,864)</u>	<u>(565,791)</u>
Total Net Position	<u><u>\$ (14,738,201)</u></u>	<u><u>\$ (12,831,864)</u></u>	<u><u>\$ (1,197,197)</u></u>	<u><u>\$ (507,773)</u></u>

**Berwick Area School District**  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

**Table II**  
**Net (Expense) Revenue and changes in Net Position for the year ended 6-30-17**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>6/30/2016</b>	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2017</b>
<b><u>Revenue/Program</u></b>				
Charges for Services	\$ 222,668	\$ 104,978	\$ 537,700	\$ 557,630
Operating Grants and Contributions	10,623,191	12,496,844	1,009,466	1,026,960
<b><u>Revenues/General</u></b>				
Property Taxes levied for general purposes	16,127,532	16,021,928	-	-
Public utility, realty, earned income and miscellaneous taxes levied for general purposes	2,753,753	1,985,004	-	-
Grants, Subsidies, Contributions not restricted	14,798,097	15,142,655	-	-
Investment Earnings	95,455	86,401	93	238
Miscellaneous	188,222	299,203	11,350	-
Total Revenues	<u>44,808,918</u>	<u>46,137,013</u>	<u>1,558,609</u>	<u>1,584,828</u>
<b><u>Expenses</u></b>				
Instruction	30,093,710	27,224,027	-	-
Instructional Student Support	3,377,362	2,240,296	-	-
Administrative & Financial Support	3,743,859	4,655,318	-	-
Operation & Maint. off Plant Services	3,627,181	3,524,798	-	-
Pupil Transportation	1,587,985	1,588,480	-	-
Student Activities	891,006	864,727	-	-
Community Services	6,929	22,407	-	-
Capital Acquisition	-	1,311,753	-	-
Interest on Long Term Debt	561,561	497,851	-	-
Unallocated Depreciation	1,782,455	2,331,019	-	-
Food Services	-	-	1,409,950	889,756
Swimming Pool	-	-	3,369	5,648
Total Expenses	<u>45,672,048</u>	<u>44,260,676</u>	<u>1,413,319</u>	<u>895,404</u>
Change in Net Position		1,876,337		689,424
Net Position - Beginning		<u>(14,708,201)</u>		<u>(1,197,197)</u>
Net Position - Ending		\$ (12,831,864)		\$ (507,773)

**Berwick Area School District**  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

**Capital Assets and Debt Administration**

At June 30, 2017, the district had \$54,702,092 invested in the following Capital assets of the Governmental activities and \$33,667 invested in the following capital assets of Business Type activities (net of applicable depreciation):

**Table III**  
**Capital Assets-Net of Depreciation**  
**June 30, 2017**

	Governmental Activities	Business-Type Activities
Land not being depreciated	\$ 23,509,957	\$ -
Buildings (net of Accumulated Depreciation)	49,089,430	-
Building Improvements (net of Accumulated Depreciation)	4,256,337	-
Furniture and Equipment (net of Accumulated Depreciation)	1,999,681	58,018

**Debt Administration**

As of June 30, 2017, the district included in its long term liabilities of \$100,389,128, General Obligation Notes of \$18,084,549.

**Table IV**  
**Outstanding General Obligation Notes**

	As of June 30, 2016	As of June 30, 2017
2014 General Obligation Note	\$ 9,198,954	\$ 8,867,377
2015 General Obligation Note	5,517,727	-
2016 General Obligation Notes, Series A & B	<u>9,398,578</u>	<u>9,217,172</u>
Total General Obligation Notes	24,115,259	18,084,549
Deferred Interest on Advance Refunding	-	-
Total General Obligation Notes	<u>\$ 24,115,259</u>	<u>\$ 18,084,549</u>

Other long term obligations include accrued compensated absences of \$5,186,912, net pension liability \$76,753,323 and authority lease obligations for the district portion of the Columbia Montour Vocational Technical School of \$364,344.

**Berwick Area School District**  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017  
(Unaudited)

**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 tenth year in a row in the 2016-2017 school year, the district did not increase the real property taxes. Homestead/farmstead owners have continued to see rebates of approximately \$187.00 per year using gaming revenues generated within the state from casino gaming revenue.

As the economy attempts to recover, a great concern for public education funding arises. With a nearly \$3 billion state shortfall, 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 while trimming educational excess. Such cuts have come in the form of reduction in force due to attrition, discontinuing programs and practices that show no or little result, maintaining reasonable class size, increasing instructional time per teacher and being mindful of all personnel costs. However, we are nearing the end of reasonable reductions being available and moving into territory that may become harmful to the education of our students.

**Berwick Area School District**  
Statement of Net Position  
As of June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 16,584,311	\$ 193,401	\$ 16,777,712
Investments	11,881	-	11,881
Receivables, net:			
Taxes	1,021,082	-	1,021,082
Due from other governments	2,420,376	58,776	2,479,152
Other Receivables	306,256	4,275	310,531
Inventories	50,000	33,837	83,837
Total Current Assets	20,393,906	290,289	20,684,195
<b>Capital Assets:</b>			
Land not being depreciated	2,350,957	-	2,350,957
Buildings (net of Accumulated Depreciation)	49,089,430	-	49,089,430
Building Improvements (net of Accumulated Depreciation)	4,256,337	-	4,256,337
Furniture and Equipment (net of Accumulated Depreciation)	1,999,681	58,018	2,057,699
Total Capital Assets	57,696,405	58,018	57,754,423
<b>TOTAL ASSETS</b>	<b>78,090,311</b>	<b>348,307</b>	<b>78,438,618</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Interest	308,249	-	308,249
Pension Activity	14,674,349	163,022	14,837,371
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>14,982,598</b>	<b>163,022</b>	<b>15,145,620</b>
<b>LIABILITIES:</b>			
Internal Balances	(43,191)	43,191	-
Accounts payable	2,137,708	61,708	2,199,416
Accrued salaries and benefits	2,725,475	33,875	2,759,350
Unearned Income	-	20,553	20,553
Long-Term Liabilities:			
Due within one year:			
Bonds and Authority Lease	618,579	-	618,579
Accrued interest	56,751	-	56,751
Due in more than one year:			
Net Pension Liability	76,753,323	852,677	77,606,000
Compensated absences	5,186,912	-	5,186,912
Bonds and Authority Lease	17,830,314	-	17,830,314
<b>TOTAL LIABILITIES</b>	<b>105,265,871</b>	<b>1,012,004</b>	<b>106,277,875</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Activity	638,902	7,098	646,000
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	39,247,512	58,018	39,305,530
Restricted for capital projects	697,155	-	697,155
Unrestricted	(52,776,531)	(565,791)	(53,342,322)
<b>Total Net Position</b>	<b>\$ (12,831,864)</b>	<b>\$ (507,773)</b>	<b>\$ (13,339,637)</b>

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, 2017

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
<b>Governmental Activities:</b>						
Unallocated depreciation	\$ 2,331,019	\$ -	\$ -	\$ (2,331,019)	\$ -	\$ (2,331,019)
Instruction	27,224,027	35,844	8,126,244	(19,061,939)	-	(19,061,939)
Instructional student support	2,240,296	-	1,358,159	(882,137)	-	(882,137)
Administrative and financial support services	4,655,318	-	-	(4,655,318)	-	(4,655,318)
Operation and maintenance of plant services	3,524,798	-	-	(3,524,798)	-	(3,524,798)
Pupil transportation	1,588,480	-	862,453	(726,027)	-	(726,027)
Student activities	864,727	69,134	-	(795,593)	-	(795,593)
Community services	22,407	-	-	(22,407)	-	(22,407)
Capital acquisition	1,311,753	-	-	(1,311,753)	-	(1,311,753)
Interest on long-term debt	497,851	-	2,149,988	1,652,137	-	1,652,137
<b>Total Governmental Activities</b>	<b>44,260,676</b>	<b>104,978</b>	<b>12,496,844</b>	<b>(31,658,854)</b>	<b>-</b>	<b>(31,658,854)</b>
<b>Business-Type Activities:</b>						
Food Service Fund	889,756	550,439	1,026,960	-	687,643	687,643
Pool Fund	5,648	7,191	-	-	1,543	1,543
<b>Total Business-Type Activities</b>	<b>895,404</b>	<b>557,630</b>	<b>1,026,960</b>	<b>-</b>	<b>689,186</b>	<b>689,186</b>
<b>Total Primary Government</b>	<b>\$ 45,156,080</b>	<b>\$ 662,608</b>	<b>\$ 13,523,804</b>	<b>(31,658,854)</b>	<b>689,186</b>	<b>(30,969,668)</b>
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes, levied for general purposes, net				16,021,928	-	16,021,928
Public utility, relty, earned income and miscellaneous taxes levied for general purposes, net				1,985,004	-	1,985,004
Grants, subsidies, and contributions not restricted				15,142,655	-	15,142,655
Investment Earnings				86,401	238	86,639
Miscellaneous				299,203	-	299,203
<b>Total General Revenues</b>				<b>33,535,191</b>	<b>238</b>	<b>33,535,429</b>
Change in Net Position				1,876,337	689,424	2,565,761
Net Position - June 30, 2016				(14,708,201)	(1,197,197)	(15,905,398)
Net Position - June 30, 2017				<b>\$ (12,831,864)</b>	<b>\$ (507,773)</b>	<b>\$ (13,339,637)</b>

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

**Berwick Area School District**

Balance Sheet

June 30, 2017

	General Fund	Debt Service Fund	Other Capital Projects	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 15,887,156	\$ -	\$ 697,155	\$ 16,584,311
Investments	11,881	-	-	11,881
Taxes Receivable, Net	1,021,082	-	-	1,021,082
Due From Other Funds	43,191	-	-	43,191
Due From Other Governments	430,332	-	-	430,332
State Revenue Receivable	1,589,033	-	-	1,589,033
Federal Revenue Receivable	401,011	-	-	401,011
Other Receivables	306,256	-	-	306,256
Inventories	50,000	-	-	50,000
<b>TOTAL ASSETS</b>	<b>19,739,942</b>	<b>-</b>	<b>697,155</b>	<b>20,437,097</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 19,739,942</b>	<b>\$ -</b>	<b>\$ 697,155</b>	<b>\$ 20,437,097</b>
<b>LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,137,708	\$ -	\$ -	\$ 2,137,708
Accrued Salaries and Benefits	1,389,522	-	-	1,389,522
Payroll Deductions and Withholdings	1,335,953	-	-	1,335,953
<b>TOTAL LIABILITIES</b>	<b>4,863,183</b>	<b>-</b>	<b>-</b>	<b>4,863,183</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>744,971</b>	<b>-</b>	<b>-</b>	<b>744,971</b>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance	50,000	-	-	50,000
Committed Fund Balance	7,500,000	-	-	7,500,000
Assigned Fund Balance	-	-	697,155	697,155
Unassigned Fund Balance	6,581,788	-	-	6,581,788
<b>TOTAL FUND BALANCES</b>	<b>14,131,788</b>	<b>-</b>	<b>697,155</b>	<b>14,828,943</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>	<b>\$ 19,739,942</b>	<b>\$ -</b>	<b>\$ 697,155</b>	<b>\$ 20,437,097</b>

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, 2017

**TOTAL FUND BALANCES, GOVERNMENTAL FUNDS** \$ 14,828,943

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	102,345,698	
Less: accumulated depreciation	<u>(44,649,293)</u>	57,696,405

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

Deferred outflows of resources related to pensions		14,674,349
Deferred inflows of resources related to pensions		<u>(638,902)</u>

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	(76,753,323)	
Bonds and Authority Lease	(18,448,893)	
Compensated absences	<u>(5,186,912)</u>	(100,389,128)

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

(56,751)

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

308,249

Delinquent property taxes receivable are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.

744,971

**TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES**

\$ (12,831,864)

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, 2017

	General Fund	Debt Service Fund	Other Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Local Sources:				
Taxes	\$ 18,275,409	\$ -	\$ -	\$ 18,275,409
Earnings On Investments	90,109	-	-	90,109
Other Local Sources	957,380	-	120,291	1,077,671
State Sources	25,685,892	-	-	25,685,892
Federal Sources	1,280,359	-	-	1,280,359
<b>TOTAL REVENUES</b>	<b>46,289,149</b>	<b>-</b>	<b>120,291</b>	<b>46,409,440</b>
<b>EXPENDITURES</b>				
Instruction	26,389,108	-	-	26,389,108
Support Services	12,405,120	-	-	12,405,120
Non-Instructional Services	878,011	-	-	878,011
Debt Service (Principal and Interest)	6,593,607	-	-	6,593,607
Capital Outlay	6,081,961	-	-	6,081,961
<b>TOTAL EXPENDITURES</b>	<b>52,347,807</b>	<b>-</b>	<b>-</b>	<b>52,347,807</b>
<b>EXCESS (DEFICIENCY) OF REVENUES     OVER EXPENDITURES</b>	<b>(6,058,658)</b>	<b>-</b>	<b>120,291</b>	<b>(5,938,367)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds From the Sale of Capital Assets	50	-	-	50
<b>TOTAL OTHER FINANCING SOURCES     (USES)</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>50</b>
<b>SPECIAL AND EXTRAORDINARY ITEMS</b>				
Special Items - Gains	-	(4,000)	-	(4,000)
Net Change in Fund Balances	(6,058,608)	(4,000)	120,291	(5,942,317)
Fund Balance - July 1, 2016	20,190,396	4,000	576,864	20,771,260
Fund Balance - June 30, 2017	<u>\$ 14,131,788</u>	<u>\$ -</u>	<u>\$ 697,155</u>	<u>\$ 14,828,943</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, 2017

**Net changes in fund balances, total governmental funds** \$ (5,942,317)

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	(2,331,019)
Capital outlay	5,325,333

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. (268,476)

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. 6,100,254

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. (542,885)

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	(460,053)
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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 June 30, 2017 compared to the previous year end. 44,384

<b>Change in net position of governmental activities</b>	<b>\$ 1,876,337</b>
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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, 2017

	Food Service Fund	Non-Major Enterprise Fund	Total Enterprise Funds
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 188,819	\$ 4,582	\$ 193,401
Federal and State Subsidies Receivable	58,776	-	58,776
Other Receivables	4,250	25	4,275
Inventories	33,837	-	33,837
<b>TOTAL CURRENT ASSETS</b>	<b>285,682</b>	<b>4,607</b>	<b>290,289</b>
<b>NONCURRENT ASSETS</b>			
Furniture and Equipment, Net of Accum. Deprec.	58,018	-	58,018
<b>LIABILITIES &amp; NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Due to Other Funds	43,191	-	43,191
Accounts Payable	61,708	-	61,708
Accrued Salaries and Benefits	33,625	247	33,872
Payroll Deductions and Withholding	-	3	3
Unearned Revenues	20,553	-	20,553
<b>TOTAL CURRENT LIABILITIES</b>	<b>159,077</b>	<b>250</b>	<b>159,327</b>
<b>NET POSITION</b>			
Net Investment In Capital Assets	58,018	-	58,018
Unrestricted	126,605	4,357	130,962
<b>TOTAL NET POSITION</b>	<b>\$ 184,623</b>	<b>\$ 4,357</b>	<b>\$ 188,980</b>

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

**Berwick Area School District**  
Reconciliation of Proprietary Funds Statement of Net Position  
to the Statement of Net Position  
Proprietary Funds  
As of June 30, 2017

**TOTAL FUND BALANCES, PROPRIETARY FUNDS** \$ 188,980

Amounts reported for business-type activities in the statement of net position are different because:

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

Deferred outflows of resources related to pensions	163,022
Deferred inflows of resources related to pensions	(7,098)

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	<u>(852,677)</u>
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**TOTAL NET POSITION, BUSINESS-TYPE ACTIVITIES** \$ (507,773)

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, 2017

	Food Service Fund	Non-Major Enterprise Fund	Total Enterprise Funds
<b>OPERATING REVENUES</b>			
Food Service Fund	\$ 548,976	\$ -	\$ 548,976
Other Operating Revenue	1,463	7,191	8,654
<b>TOTAL OPERATING REVENUES</b>	<b>550,439</b>	<b>7,191</b>	<b>557,630</b>
<b>OPERATING EXPENSES</b>			
Salaries	216,050	4,908	220,958
Employee Benefits	132,852	740	133,592
Purchased Professional Services	350,631	-	350,631
Purchased Property Service	188	-	188
Supplies	620,343	-	620,343
Depreciation	5,903	-	5,903
Dues and Fees	100	-	100
<b>TOTAL OPERATING EXPENSES</b>	<b>1,326,067</b>	<b>5,648</b>	<b>1,331,715</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ (775,628)</b>	<b>\$ 1,543</b>	<b>\$ (774,085)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Earnings on Investments	236	2	238
State Sources	44,300	-	44,300
Federal Sources	982,660	-	982,660
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,027,196</b>	<b>2</b>	<b>1,027,198</b>
<b>CHANGE IN NET POSITION</b>	<b>251,568</b>	<b>1,545</b>	<b>253,113</b>
<b>NET POSITION - JULY 1, 2016</b>	<b>(66,945)</b>	<b>2,812</b>	<b>(64,133)</b>
<b>NET POSITION - JUNE 30, 2017</b>	<b>\$ 184,623</b>	<b>\$ 4,357</b>	<b>\$ 188,980</b>

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 Net Position to the Statement of Activities  
 Proprietary Funds  
 For the Year Ended June 30, 2017

**Net changes in net position, total proprietary funds** \$ 253,113

Amounts reported for business-type activities in the statement of activities are different because:

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 proprietary funds' fund statements. 436,311

**Change in net position, business-type activities** \$ 689,424

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, 2017

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
<i>Cash Flows from Operating Activities</i>			
Cash Received From Users	\$ 557,507	\$ 7,166	\$ 564,673
Cash Payments to Employees For Services	(431,033)	(5,398)	(436,431)
Cash Payments to Suppliers For Goods and Services	(1,090,526)	(15)	(1,090,541)
Net Cash (Used for) Operating Activities	(964,052)	1,753	(962,299)
<i>Cash Flows from Noncapital Financing Activities</i>			
State Sources	48,615	-	48,615
Federal Sources	1,053,712	-	1,053,712
Net Cash Provided by Noncapital Financing Activities	1,102,327	-	1,102,327
<i>Cash Flows from Capital Financing Activities</i>			
Acquisition of Furniture and Equipment	(24,351)	-	(24,351)
Net Cash Provided by Capital Financing Activities	(24,351)	-	(24,351)
<i>Cash Flows from Investing Activities</i>			
Earnings on Investments	236	2	238
Net Cash Provided by Investing Activities	236	2	238
Net Increase (Decrease) in Cash and Cash Equivalents	114,160	1,755	115,915
Cash and Cash Equivalents Beginning of Year	74,659	2,827	77,486
Cash and Cash Equivalents End of Year	\$ 188,819	\$ 4,582	\$ 193,401
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (775,628)	\$ 1,543	\$ (774,085)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	5,903	-	5,903
(Increase) Decrease in Accounts Receivable	3,606	(25)	3,581
(Increase) Decrease in Inventories	(23,582)	-	(23,582)
Increase (Decrease) in Accounts Payable	(83,767)	(15)	(83,782)
Increase (Decrease) in Accrued Salaries and Benefits	(82,131)	250	(81,881)
Increase (Decrease) in Advances from Other Funds	(11,915)	-	(11,915)
Increase (Decrease) in Deferred Revenues	3,462	-	3,462
Total Adjustments	(188,424)	210	(188,214)
Net Cash (Used for) Operating Activities	\$ (964,052)	\$ 1,753	\$ (962,299)

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, 2017**

	<u>Private Purpose Trust</u>	<u>Student Activities</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 337,227
Investments	<u>412,758</u>	<u><u>-</u></u>
<b>LIABILITIES</b>		
Other Current Liabilities	<u>-</u>	<u><u>\$ 337,227</u></u>
<b>FIDUCIARY NET POSITION</b>		
Reserved for scholarships and other academics	<u><u>\$ 412,758</u></u>	

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  
June 30, 2017

	Private Purpose Trust
ADDITIONS	
Gifts and Contributions	\$ 200
Other Additions	46,230
	46,430
TOTAL ADDITIONS	46,430
DEDUCTIONS	
Scholarships and Awards	17,500
Other Deductions	7,531
	25,031
TOTAL DEDUCTIONS	25,031
CHANGE IN FUND NET POSITION	21,399
FIDUCIARY NET POSITION - JULY 1, 2016	391,359
FIDUCIARY NET POSITION - JUNE 30, 2017	\$ 412,758

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

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**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, 2017**

**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, Debt Service 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, 2017**

**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, 2017**

**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 become part of the General Fund so as to comply with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Other Capital Projects - The Other 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.

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, 2017**

**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, 2017 an unassigned fund balance of \$6,581,788 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, 2017**

**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, 2017**

**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:

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

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**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 two 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 type of activity relates to the District's PSERS pension liability 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, 2017**

**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, 2017**

**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, 2017 was 44.23 mills (\$43.23 per \$1,000) and 11.44 mills (\$11.44 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	44.23 mills
Real Estate - Luzerne County	11.44 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 31<sup>st</sup>. 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, 2017**

**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	\$ 1,074,823
Less allowance for uncollectible accounts	<u>53,741</u>
Taxes receivable, net	\$ 1,021,082

**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, 2017, the District had the following deposits:

	<u>Carry Balance (Book)</u>	<u>Bank Balance</u>
Governmental Funds	\$ 16,596,192	\$ 16,899,416
Proprietary Funds	193,401.28	- 228,512.76
Fiduciary Funds	<u>749,985.08</u>	<u>789,869.78</u>
District Total	\$ 17,539,578	\$ 17,917,798

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. Of the total deposits above, \$500,000 was covered by federal depository insurance, and \$17,417,798 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository was not in the District's name.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

The District maintains its funds in various financial institutions. All deposits at June 30, 2017 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](http://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, 2017.

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, 2017.

The balance of funds held by the third party at June 30, 2017 was \$412,758.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**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.

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

Due from other governments consist of amounts due for revenues earned by the District as of June 30, 2017. The following amounts are due from other governmental units:

	General Fund	Proprietary Fund	Total
Federal Subsidies	\$ 401,011	\$ 55,957	\$ 456,968
State Subsidies	1,589,033	2,819	1,591,852
Local Governments	430,332	-	430,332
	<u>\$ 2,420,376</u>	<u>\$ 58,776</u>	<u>\$ 2,479,152</u>

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 5 – DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES**

Deferred outflows and inflows of resources as of June 30, 2017 are summarized as follows:

	Governmental Activities	Business-Type Activities	Governmental Funds	Proprietary Funds
<b>DEFERRED OUTFLOWS</b>				
Deferred Interest On Bond Refundings	\$ 308,249	\$ -	\$ -	\$ -
Pension Related	14,674,349	163,022	-	-
	<u>\$ 14,982,598</u>	<u>\$ 163,022</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 – DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES (Continued)**

	Governmental Activities	Business-Type Activities	Governmental Funds	Proprietary Funds
<b>DEFERRED INFLOWS</b>				
Deferred Taxes Receivable	\$ -	\$ -	\$ 744,971	\$ -
Pension Related	638,902	7,098	-	-
	<u>\$ 638,902</u>	<u>\$ 7,098</u>	<u>\$ 744,971</u>	<u>\$ -</u>

**NOTE 6 – CAPITAL ASSETS**

Capital assets at June 30, 2017 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.

A total depreciation expense of \$2,336,922 was charged to the Governmental Activities, unallocated depreciation function in the amount of \$2,331,019 and to the Business-Type Activities, food service function in the amount of \$5,903.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 6 – CAPITAL ASSETS (Continued)**

	Balance July 1, 2016	Additions	Reductions	Balance, June 30, 2017
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets, not being depreciated				
Construction in Progress	\$ 16,969,048	\$ 4,374,228	\$ 21,343,275	\$ -
Land	2,306,988	43,968.90	-	2,350,957
Total capital assets, undepreciated	<u>19,276,035</u>	<u>4,418,197</u>	<u>21,343,275</u>	<u>2,350,957</u>
Capital assets, being depreciated				
Buildings	56,972,337	21,353,982	-	78,326,319
Building Improvements	5,865,819	232,585	-	6,098,404
Furniture & Equipment	14,906,173	663,845	-	15,570,018
Total capital assets, being depreciated	<u>77,744,329</u>	<u>22,250,412</u>	<u>-</u>	<u>99,994,741</u>
Less: Accumulated Depreciation				
Buildings	27,653,164	1,583,725	-	29,236,889
Building Improvements	1,661,360	180,707	-	1,842,067
Furniture & Equipment	13,003,750	566,587	-	13,570,337
Total Accumulated Depreciation	<u>42,318,274</u>	<u>2,331,019</u>	<u>-</u>	<u>44,649,293</u>
Governmental activities, Capital Assets, net	<u>\$ 54,702,091</u>	<u>\$ 24,337,589</u>	<u>\$ 21,343,275</u>	<u>\$ 57,696,405</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Furniture/Equipment	\$ 662,591	\$ 30,254	\$ -	\$ 692,845
Less: Accumulated Depreciation	<u>628,924</u>	<u>5,903</u>	<u>-</u>	<u>634,827</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 33,667</u>	<u>\$ 24,351</u>	<u>\$ -</u>	<u>\$ 58,018</u>

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 7- LONG-TERM LIABILITIES**

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2017.

	Balance 07/01/16	Additions	Reductions	Balance 06/30/17	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Long-term Debt					
2014 General Obligation Note	\$ 9,198,954	\$ -	\$ 331,577	\$ 8,867,377	\$ 334,237
2015 General Obligation Note	5,517,727	-	5,517,727	-	-
2016 General Obligation Note, Series A	9,217,172	-	-	9,217,172	214,994
2016 General Obligation Note, Series B	181,406	-	181,406	-	-
2015 School Lease Revenue Note	433,889	-	69,545	364,344	69,348
Long-term Debt Subtotal	24,549,148	-	6,100,255	18,448,893	618,579
Compensated Absences	4,726,859	460,053	-	5,186,912	-
Net Pension Liability	65,554,303	11,199,020	-	76,753,323	-
<b>TOTAL GOV. ACTIVITIES</b>	<b>\$ 94,830,310</b>	<b>\$ 11,659,073</b>	<b>\$ 6,100,255</b>	<b>\$ 100,389,128</b>	<b>\$ 618,579</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Pension Liability	\$ 1,194,697	\$ -	\$ 342,020	\$ 852,677	\$ -
<b>TOTAL BUSINESS. ACTIVITIES</b>	<b>\$ 1,194,697</b>	<b>\$ -</b>	<b>\$ 342,020</b>	<b>\$ 852,677</b>	<b>\$ -</b>

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 \$8,867,377 as of June 30, 2017.

*General Obligation Note, Series of 2015*

On February 20, 2015, the District executed a General Obligation Note, Series of 2015. The net proceeds of \$8,000,210.51 were used to pay off the unpaid principal of the District's 2009 Series, including accrued interest thereon. Terms of the note include annual installments in varying amounts (\$299,581 to \$1,378,923) from 2015 through 2021 and pay interest at 1.90% for the first five years, then adjusts to 3.00% for the remainder of the Note. This note was paid in full as of June 30, 2017.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 7- LONG-TERM LIABILITIES** (Continued)

*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 \$9,217,172 and Series B was paid in full as of June 30, 2017.

*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 \$364,344 as of June 30, 2017.

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

<u>Year Ending June 30,</u>	<u>Principle</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 618,579	\$ 383,412	\$ 1,001,992
2019	720,816	455,873	1,176,689
2020	536,696	697,039	1,233,735
2021	1,548,986	649,994	2,198,981
2022	1,944,408	584,871	2,529,279
2023 - 2027	9,795,749	2,010,759	11,806,508
2028 - 2032	3,283,658	192,977	3,476,635
	<u>\$ 18,448,893</u>	<u>\$ 4,974,926</u>	<u>\$ 23,423,819</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.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 8 – COMPENSATED ABSENCES** (Continued)

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

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

The accrued benefit to be provided from unused sick days and longevity years was estimated to be \$5,186,912 as of June 30, 2017, 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, 2017.

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, 2017 are summarized as follows:

		Capital	
	General Fund	Projects Fund	Total
Nonspendable	\$ 50,000	\$ -	\$ 50,000
Committed	7,500,000	-	7,500,000
Assigned	-	697,155	697,155
Unassigned	6,581,788	-	6,581,788
Total Fund Balances	\$ 14,131,788	\$ 697,155	\$ 14,828,943

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 10 – PENSION PLAN**

**A. Summary of Significant Accounting Policies**

Plan description

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multiple-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 members 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 ("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](http://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, 2017**

**NOTE 10 – PENSION PLAN** (Continued)

**A. Summary of Significant Accounting Policies** (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 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 from 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

*Employer Contributions:*

The contribution policy is set by the Code. The Districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 29.20% 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 \$6,126,371 for the year ended June 30, 2017.

*Member Contributions:*

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 members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership 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, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 10 – PENSION PLAN** (Continued)

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

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%.

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

At June 30, 2017, the District reported a liability of \$77,606,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District’s proportion was 30.20 percent, which was an increase of 5.11 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$109,630. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 646,000
Changes in assumptions	2,801,000	-
Net difference between projected and actual investment earnings	4,325,000	-
Changes in proportion	1,585,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	6,126,371	-
	\$ 14,837,371	\$ 646,000

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 10 – PENSION PLAN** (Continued)

**B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

\$6,126,371 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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	\$	1,703,000
2019		1,703,000
2020		2,811,000
2021		1,847,000
Thereafter		-

**C. Changes in Actuarial Assumptions**

The total pension liability as of June 30, 2016 was determined by rolling forward the System’s total pension liability as of June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption 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.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 10 – PENSION PLAN** (Continued)

**C. Changes in Actuarial Assumptions** (Continued)

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative Investment	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	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, 2016.

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 pension liability.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 10 – PENSION PLAN (Continued)**

**C. Changes in Actuarial Assumptions (Continued)**

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:

	6.25%	7.25%	8.25%
District's proportionate share of the net pension liability	\$ 94,933,000	\$ 77,606,000	\$ 63,046,000

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.pa.gov](http://www.psers.pa.gov).

**NOTE 11 – 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, 2017 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 \$1,707,870 for the year ended June 30, 2017. At June 30, 2017, 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, 2017 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, 2017.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 11 – RELATED PARTY TRANSACTIONS (Continued)**

The principal balance of the note as of June 30, 2017 is \$1,854,000. The District's share of the outstanding balance on the note is \$364,345. Payments on the debt service during the year amounted to \$69,545 and are shown as part of debt service expenditures in the Statement of Activities.

**NOTE 12 – 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.

**NOTE 13 – 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 14 – 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.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 15 – INTERFUND BALANCES AND ACTIVITY**

Interfund Receivables and Payables - Interfund balances at June 30, 2017 were as follows:

	Interfund Receivables	Interfund Payables
GOVERNMENTAL FUNDS		
General Fund	\$ 43,191	\$ -
ENTERPRISE FUNDS		
Food Service Fund	-	43,191
<b>TOTAL</b>	<b>\$ 43,191</b>	<b>\$ 43,191</b>

**NOTE 16: NEW PRONOUNCEMENTS**

Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 77, *"Tax Abatement Disclosures."* This Statement provides guidance to improve the accounting and financial reporting of tax abatement agreements entered into by state and local governments. The provisions of this Statement are effective for reporting periods beginning after December 15, 2015. The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 78, *"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans."* The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 82, *"Pension Issues - An Amendment of GASB Statements No. 67, 68, and 73."* The Statement establishes accounting and financial reporting requirements provided to employees of state and local governmental employers as well as establishing financial reporting requirements for pension plans administered through trusts as defined in GASB 67. The provisions for this Statement are effective for reporting periods beginning after June 15, 2016. The adoption of this statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

In March 2016, the GASB issued Statement No. 81, *"Irrevocable Split-Interest Agreements."* The District is required to adopt Statement No. 81 for its fiscal year 2018 financial statements. Management has not yet determined the impact this Statement has on the financial statement.

In March 2016, the GASB issued Statement No. 82, *"Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73."* The District is required to adopt certain provisions of Statement No. 82 for its fiscal year 2017 and 2018 financial statements. Management has not yet determined the impact the remaining provisions of this Statement have on the financial statement.

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. Management has not yet determined the impact this Statement has on the financial statement.

**BERWICK AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 16: NEW PRONOUNCEMENTS** (Continued)

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. Management has not yet determined the impact this Statement has on the financial statement.

In March 2017, the GASB issued Statement No. 85, “*Omnibus 2017*.” The District is required to adopt the provisions of Statement No. 85 for its fiscal year 2018 financial statements. Management has not yet determined the impact this Statement has on the financial statement.

**NOTE 17 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through February 27, 2018, which is the date at which the financial statements were available to be issued.

**BERWICK AREA SCHOOL DISTRICT  
JUNE 30, 2017**

**Required  
Supplementary  
Information**

**Berwick Area School District**  
Required Supplementary Information  
June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1566%	0.1541%	0.1513%	0.0015%
District's proportionate share of the net pension liability	\$77,606,000	\$66,749,000	\$59,886,000	\$61,936,000
District's covered-employee payroll	\$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	382.61%	336.72%	310.20%	318.96%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	54.36%	57.24%

Amounts were determined as of the cost-sharing plan's June 30, 2016 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,126,371	\$ 4,974,477	\$ 3,875,101	\$ 3,057,448
Contributions in relation to the contractually required contribution	<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	\$ 20,283,194	\$ 19,823,313	\$19,305,768	\$19,418,299
Contributions as a percentage of covered-employee payroll	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  
JUNE 30, 2017**

**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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Local Revenues	\$ 19,513,520	\$ 19,513,520	\$ 19,322,898	\$ (190,622)
State Program Revenues	23,374,674	23,374,674	25,685,892	2,311,218
Federal Program Revenues	1,360,667	1,360,667	1,280,359	(80,308)
<b>TOTAL REVENUES</b>	<b>44,248,861</b>	<b>44,248,861</b>	<b>46,289,149</b>	<b>2,040,288</b>
<b>EXPENDITURES</b>				
<i>Instruction:</i>				
Regular Programs	19,105,704	19,105,704	17,688,519	1,417,185
Special Programs	6,271,207	6,271,207	6,096,657	174,550
Vocational Programs	2,449,718	2,449,718	2,573,020	(123,302)
Other Instructional Programs	28,031	28,031	30,912	(2,881)
Nonpublic School Programs	25,993	25,993	-	25,993
<i>Support Services:</i>				
Pupil Personnel Services	1,785,158	1,785,158	1,789,145	(3,987)
Instructional Staff Services	927,376	927,376	1,057,545	(130,169)
Administrative Services	1,839,769	1,839,769	1,859,646	(19,877)
Pupil Health	579,708	579,708	564,660	15,048
Business Services	601,236	601,236	533,851	67,385
Operation & Maint. of Plant Services	3,891,118	3,891,118	3,503,765	387,353
Student Transportation Services	1,560,098	1,560,098	1,649,452	(89,354)
Central and Other Support Services	1,740,156	1,740,156	1,447,056	293,100
<i>Operation of Noninstructional Services:</i>				
Student Activities	84,637	84,637	855,604	(770,967)
Community Services	22,400	22,400	22,407	(7)
Acquisition, Constr., & Improvements	6,750,000	6,750,000	6,081,961	668,039
<b>TOTAL EXPENDITURES</b>	<b>47,662,309</b>	<b>47,662,309</b>	<b>45,754,200</b>	<b>1,908,109</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES</b>	<b>(3,413,448)</b>	<b>(3,413,448)</b>	<b>534,949</b>	<b>132,179</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Contributions	6,750,000	6,750,000	50	6,749,950
Debt Service	(2,181,665)	(2,181,665)	(6,593,607)	4,411,942
Interfund Transfers (Out)	(675,000)	(675,000)	-	(675,000)
Budgetary Reserve	(553,500)	(553,500)	-	(553,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>3,339,835</b>	<b>3,339,835</b>	<b>(6,593,557)</b>	<b>9,933,392</b>
<b>Net Change in Fund Balances</b>	<b>\$ (73,613)</b>	<b>\$ (73,613)</b>	<b>(6,058,608)</b>	<b>\$ 10,065,571</b>
Fund Balance - July 1, 2016			20,190,396	
Fund Balance - July 1, 2017			<u>\$ 14,131,788</u>	

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

**Berwick Area School District**  
Schedule of General Fund Revenue  
Budget and Actual  
For the Year Ended June 30, 2017

	Final Budget Amount	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUE FROM LOCAL SOURCES</b>			
Taxes Levied/Assessed			
Current Real Estate Taxes	\$ 15,150,385	\$ 15,021,849	\$ 128,536
Interim Real Estate Taxes	40,000	56,138	(16,138)
Public Utility Realty Taxes	22,000	20,722	1,278
Payments in Lieu of Taxes	12,000	11,408	592
Current ACT 511 Taxes - Flat Rate Assessment	42,500	48,348	(5,848)
Current ACT 511 Taxes - Proportional Assessment	2,175,000	1,888,008	286,992
Delinquencies on Taxes Levied / Assessed	1,174,000	1,228,937	(54,937)
Earnings on Investments	60,000	90,109	(30,109)
Revenues from Intermediary Sources/Pass-Through	644,715	740,408	(95,693)
Rentals	60,620	75,484	(14,864)
Contributions and Donations from Private Sources	35,000	47,245	(12,245)
Tuition from Patrons	59,300	35,844	23,456
Refunds and Other Miscellaneous Revenue	38,000	58,398	(20,398)
<b>TOTAL LOCAL SOURCES</b>	<b>19,513,520</b>	<b>19,322,898</b>	<b>190,622</b>
<b>REVENUE FROM STATE SOURCES</b>			
Basic Education Funding	14,241,053	14,537,339	(296,286)
Tuition for Orphans Subsidy	42,000	55,834	(13,834)
Special Education Funds for School-Aged Pupils	2,216,651	2,203,994	12,657
Transportation	726,517	862,452	(135,935)
Rental and Sinking Fund Payments / Building	741,306	2,149,988	(1,408,682)
Health Services (Medical, Dental, Nurse, Act 125)	55,000	54,642	358
State Property Tax Reduction Allocation	1,094,786	1,094,786	-
State Accountability Grant	471,465	-	471,465
Other State Revenue Not Listed Elsewhere in the 700	132,000	549,482	(417,482)
Social Security - State Share	741,834	829,351	(87,517)
Retirement Reimbursement - State Share	2,912,062	3,348,024	(435,962)
<b>TOTAL STATE SOURCES</b>	<b>23,374,674</b>	<b>25,685,892</b>	<b>(2,311,218)</b>
<b>REVENUE FROM FEDERAL SOURCES</b>			
Title I	878,434	787,579	90,855
Title II	152,000	151,164	836
Title III	16,000	12,672	3,328
Title IV	-	120,212	(120,212)
School Based Access Medicaid Reimbursement	279,233	185,513	93,720
Medical Assistance Reimbursement for Admin. Claiming	35,000	23,219	11,781
<b>TOTAL FEDERAL SOURCES</b>	<b>1,360,667</b>	<b>1,280,359</b>	<b>80,308</b>
<b>OTHER FINANCING SOURCES</b>			
Capital Contributions	6,750,000	50	6,749,950
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$ 50,998,861</b>	<b>\$ 46,289,199</b>	<b>\$ 4,709,662</b>

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

**Berwick Area School District**  
Schedule of General Fund Expenditures  
Budget and Actual  
For the Year Ended June 30, 2017

	Final Budget Amount	Actual	Variance with Final Budget Positive (Negative)
<b>INSTRUCTION</b>			
<b>REGULAR PROGRAMS</b>			
Personnel Services - Salaries	\$ 10,582,138	\$ 10,586,273	\$ (4,135)
Personnel Services - Benefits	7,493,489	6,109,434	1,384,055
Purchased Prof. and Tech. Services	125,634	95,920	29,714
Purchased Property Services	500	-	500
Other Purchased Services	583,243	633,926	(50,683)
Supplies	301,000	261,236	39,764
Property	17,000	-	17,000
Other Objects	2,700	1,730	970
<b>TOTAL REGULAR PROGRAMS</b>	<b>19,105,704</b>	<b>17,688,519</b>	<b>1,417,185</b>
<b>SPECIAL PROGRAMS</b>			
Personnel Services - Salaries	3,434,678	3,421,390	13,288
Personnel Services - Benefits	2,105,735	1,946,832	158,903
Purchased Prof. and Tech. Services	138,700	127,622	11,078
Other Purchased Services	529,250	538,319	(9,069)
Supplies	61,844	61,524	320
Other Objects	1,000	971	29
<b>TOTAL SPECIAL PROGRAMS</b>	<b>6,271,207</b>	<b>6,096,658</b>	<b>174,549</b>
<b>VOCATIONAL EDUCATION PROGRAMS</b>			
Personnel Services - Salaries	451,141	532,066	(80,925)
Personnel Services - Benefits	260,838	295,348	(34,510)
Purchased Prof. and Tech. Services	1,700	1,225	475
Purchased Property Services	750	364	386
Other Purchased Services	1,712,489	1,711,622	867
Supplies	22,800	32,395	(9,595)
<b>TOTAL VOCATIONAL EDUCATION PROGRAMS</b>	<b>2,449,718</b>	<b>2,573,020</b>	<b>(123,302)</b>
<b>OTHER INSTRUCTIONAL PROGRAMS</b>			
Personnel Services - Salaries	18,350	8,604	9,746
Personnel Services - Benefits	7,181	3,307	3,874
Supplies	2,500	5,960	(3,460)
<b>TOTAL OTHER INSTRUCTIONAL PROGRAMS</b>	<b>28,031</b>	<b>17,871</b>	<b>10,160</b>
<b>NONPUBLIC SCHOOL PROGRAMS</b>			
Personnel Services - Salaries	18,774	-	18,774
Personnel Services - Benefits	7,219	-	7,219
Other Purchased Services	-	13,040	(13,040)
<b>TOTAL NONPUBLIC SCHOOL PROGRAMS</b>	<b>25,993</b>	<b>13,040</b>	<b>12,953</b>
<b>TOTAL INSTRUCTION</b>	<b>\$ 27,880,653</b>	<b>\$ 26,389,108</b>	<b>\$ 1,491,545</b>

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

**Berwick Area School District**  
Schedule of General Fund Expenditures  
Budget and Actual  
For the Year Ended June 30, 2017

	Final Budget Amount	Actual	Final Budget Positive (Negative)
<b>SUPPORT SERVICES</b>			
<b>SUPPORT SERVICES - STUDENTS</b>			
Personnel Services - Salaries	\$ 1,097,887	\$ 1,137,283	\$ (39,396)
Personnel Services - Benefits	664,631	641,353	23,278
Purchased Prof. and Tech. Services	6,595	1,629	4,966
Other Purchased Services	1,635	1,180	455
Supplies	12,500	7,461	5,039
Property	1,500	-	1,500
Other Objects	410	240	170
<b>TOTAL SUPPORT SERVICES - STUDENT</b>	<b>1,785,158</b>	<b>1,789,146</b>	<b>(3,988)</b>
<b>SUPPORT SERVICES - INSTRUCTIONAL STAFF</b>			
Personnel Services - Salaries	463,487	546,113	(82,626)
Personnel Services - Benefits	244,579	298,784	(54,205)
Purchased Prof. and Tech. Services	31,900	23,340	8,560
Other Purchased Services	9,950	5,721	4,229
Supplies	173,760	182,763	(9,003)
Property	2,500	-	2,500
Other Objects	1,200	825	375
<b>TOTAL SUPPORT SERVICES- INSTRUCTIONAL STAFF</b>	<b>927,376</b>	<b>1,057,546</b>	<b>(130,170)</b>
<b>SUPPORT SERVICES - ADMINISTRATION</b>			
Personnel Services - Salaries	1,054,743	1,115,189	(60,446)
Personnel Services - Benefits	628,976	592,429	36,547
Purchased Prof. and Tech. Services	95,500	73,973	21,527
Other Purchased Services	32,350	32,162	188
Supplies	18,900	22,680	(3,780)
Property	2,000	-	2,000
Other Objects	7,300	23,213	(15,913)
<b>TOTAL SUPPORT SERVICES - ADMINISTRATION</b>	<b>1,839,769</b>	<b>1,859,646</b>	<b>(19,877)</b>
<b>SUPPORT SERVICES - PUPIL HEALTH</b>			
Personnel Services - Salaries	342,279	346,477	(4,198)
Personnel Services - Benefits	235,179	203,848	31,331
Purchased Prof. and Tech. Services	1,800	6,333	(4,533)
Other Purchased Services	450	605	(155)
Supplies	-	7,397	(7,397)
<b>TOTAL SUPPORT SERVICES - PUPIL HEALTH</b>	<b>579,708</b>	<b>564,660</b>	<b>15,048</b>
<b>SUPPORT SERVICES - BUSINESS</b>			
Personnel Services - Salaries	349,910	310,561	39,349
Personnel Services - Benefits	213,376	186,970	26,406
Purchased Prof. and Tech. Services	25,000	29,787	(4,787)
Other Purchased Services	3,450	1,466	1,984
Supplies	6,500	4,534	1,966
Property	2,500	-	2,500
Other Objects	500	532	(32)
<b>TOTAL SUPPORT SERVICES - BUSINESS</b>	<b>\$ 601,236</b>	<b>\$ 533,850</b>	<b>\$ 67,386</b>

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

**Berwick Area School District**  
Schedule of General Fund Expenditures  
Budget and Actual  
For the Year Ended June 30, 2017

	Final Budget Amount	Actual	Final Budget Positive (Negative)
<b>OPERATION AND MAINTENANCE OF PLANT</b>			
Personnel Services - Salaries	\$ 1,333,475	\$ 1,255,473	\$ 78,002
Personnel Services - Benefits	958,943	835,654	123,289
Purchased Prof. and Tech. Services	122,000	109,237	12,763
Purchase Property Services	683,700	629,907	53,793
Other Purchased Services	269,250	287,388	(18,138)
Supplies	497,750	385,676	112,074
Property	25,000	-	25,000
Other Objects	1,000	430	570
<b>TOTAL OPERATION AND MAINTENANCE OF PLANT</b>	<b>3,891,118</b>	<b>3,503,765</b>	<b>387,353</b>
<b>STUDENT TRANSPORTATION</b>			
Personnel Services - Salaries	5,304	49,642	(44,338)
Personnel Services - Benefits	2,794	51,614	(48,820)
Purchased Prof. and Tech. Services	15,000	6,070	8,930
Other Purchased Services	1,535,000	1,542,050	(7,050)
Supplies	2,000	76	1,924
<b>TOTAL STUDENT TRANSPORTATION</b>	<b>1,560,098</b>	<b>1,649,452</b>	<b>(89,354)</b>
<b>CENTRAL SERVICES</b>			
Personnel Services - Salaries	234,213	247,941	(13,728)
Personnel Services - Benefits	141,513	135,392	6,121
Purchased Prof. and Tech. Services	335,150	169,755	165,395
Other Purchased Services	38,000	36,942	1,058
Supplies	434,489	857,025	(422,536)
Property	556,791	-	556,791
<b>TOTAL CENTRAL SERVICES</b>	<b>1,740,156</b>	<b>1,447,055</b>	<b>293,101</b>
<b>TOTAL SUPPORT SERVICES</b>	<b>12,924,619</b>	<b>12,405,120</b>	<b>519,499</b>
<b>OPERATION OF NON-INSTRUCTIONAL SERVICES</b>			
<b>STUDENT ACTIVITIES</b>			
Personnel Services - Salaries	4,060	332,370	(328,310)
Personnel Services - Benefits	1,530	125,825	(124,295)
Purchased Prof. and Tech. Services	47,236	175,740	(128,504)
Purchased Property Services	6,100	20,306	(14,206)
Other Purchased Services	14,300	89,012	(74,712)
Supplies	11,111	93,457	(82,346)
Other Objects	300	18,894	(18,594)
<b>TOTAL STUDENT ACTIVITIES</b>	<b>84,637</b>	<b>855,604</b>	<b>(770,967)</b>
<b>COMMUNITY SERVICES</b>			
Purchased Prof. and Tech. Services	2,500	1,560	940
Supplies	19,900	20,847	(947)
<b>TOTAL COMMUNITY SERVICES</b>	<b>22,400</b>	<b>22,407</b>	<b>(7)</b>
<b>TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES</b>	<b>\$ 107,037</b>	<b>\$ 878,011</b>	<b>\$ (770,974)</b>

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

**Berwick Area School District**  
Schedule of General Fund Expenditures  
Budget and Actual  
For the Year Ended June 30, 2017

	Final Budget Amount	Actual	Final Budget Positive (Negative)
<b>FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES</b>			
Purchased Prof. and Tech. Services	\$ 6,750,000	\$ 5,325,759	\$ 1,424,241
Purchased Property Services	-	171,450	(171,450)
Supplies	-	237,102	(237,102)
Property	-	347,650	(347,650)
<b>TOTAL FACILITIES ACQ., CONST. &amp; IMPROV.</b>	<b><u>6,750,000</u></b>	<b><u>6,081,961</u></b>	<b><u>668,039</u></b>
<b>OTHER EXPENDITURES AND FINANCING USES</b>			
<b>DEBT SERVICES / OTHER EXPENDITURES AND FINANCING USES</b>			
Other Objects	508,762	493,352	15,410
Other Uses of Funds	1,672,903	6,100,255	(4,427,352)
<b>TOTAL DEBT SERVICE/OTHER EXPENDITURES &amp; FINANCING USES</b>	<b><u>2,181,665</u></b>	<b><u>6,593,607</u></b>	<b><u>(4,411,942)</u></b>
<b>INTER FUND TRANSFERS - OUT</b>			
Other Uses of Funds	675,000	-	675,000
<b>TOTAL INTERFUND TRANSFERS OUT</b>	<b><u>675,000</u></b>	<b><u>-</u></b>	<b><u>675,000</u></b>
<b>BUDGETARY RESERVE</b>			
Other Objects	553,500	-	553,500
<b>TOTAL BUDGETARY RESERVE</b>	<b><u>553,500</u></b>	<b><u>-</u></b>	<b><u>553,500</u></b>
<b>TOTAL OTHER EXPENDITURES AND FINANCING USES</b>	<b><u>3,410,165</u></b>	<b><u>6,593,607</u></b>	<b><u>(3,183,442)</u></b>
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b><u>\$ 51,072,474</u></b>	<b><u>\$ 52,347,807</u></b>	<b><u>\$ (1,275,333)</u></b>

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

**BERWICK AREA SCHOOL DISTRICT  
JUNE 30, 2017**

**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, 2017

**ASSETS**

Cash	\$	15,887,156
Investments		11,881
Taxes Receivable, net		1,021,082
Due from Other Funds		43,191
Due from Other Governments		2,420,376
Other Receivables		306,256
Inventories		50,000
		<hr/>
TOTAL ASSETS		19,739,942

**DEFERRED OUTFLOWS OF RESOURCES**

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**TOTAL ASSETS & DEFERRED  
OUTFLOWS OF RESOURCES**

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\$ 19,739,942

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

**LIABILITIES**

Accounts Payable	\$	2,137,708
Accrued Salaries and Benefits		1,389,522
Payroll Deductions and Withholdings		1,335,953
		<hr/>
TOTAL LIABILITIES		4,863,183

**DEFERRED INFLOWS OF RESOURCES**

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744,971

**FUND BALANCE**

Nonspendable		50,000
Committed		7,500,000
Unassigned		6,581,788
		<hr/>
TOTAL FUND BALANCE		14,131,788

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

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\$ 19,739,942

**Berwick Area School District**  
Expanded Statement of Revenues, Expenditures Changes in Fund Balances  
General Fund  
For the Year Ended June 30, 2017

REVENUE	
Local Sources	\$19,322,898
State Sources	25,685,892
Federal Sources	1,280,359
TOTAL REVENUE	46,289,149
EXPENDITURES	
INSTRUCTION	
Regular Programs	17,688,519
Special Programs	6,096,657
Vocational Education Programs	2,573,020
Other Instructional Programs	30,912
TOTAL INSTRUCTION	26,389,108
SUPPORT SERVICES	
Pupil Personnel	1,789,145
Instructional Staff	1,057,545
Administration	1,859,646
Pupil Health	564,660
Business	533,851
Operation and Maintenance of Plant	3,503,765
Student Transportation	1,649,452
Central Services	1,447,056
TOTAL SUPPORT SERVICES	12,405,120
OPERATION OF NONINSTRUCTIONAL SERVICES	
Student Activities	855,604
Community Services	22,407
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	878,011
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENTS	
Site Acquisition Services	43,969
Existing Site Improvement Services	330,087
Other Purchased Professional and Technical Services	617,018
Building Acquisition and Construction Service	4,572,475
Existing Building Improvement Services	518,412
TOTAL FACILITIES ACQ., CONST. AND IMPROV.	6,081,961
TOTAL EXPENDITURES	45,754,200
EXCESS OF REVENUES OVER EXPENDITURES	534,949
OTHER FINANCING SOURCES (USES)	
Proceeds from Sales of Assets	50
Debt Service - Authority Lease Rentals	(6,593,607)
TOTAL OTHER FINANCING SOURCES (USES)	(6,593,557)
NET CHANGE IN FUND BALANCE	(6,058,608)
FUND BALANCE - July 1, 2016	20,190,396
FUND BALANCE - June 30, 2017	\$14,131,788

**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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 27, 2018.

***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. We consider deficiency 2017-001 described in the accompanying Schedule of Findings and Questioned Costs, to be a material weakness.

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 2017-002 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 findings 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.

*Klucik & Associates, P.C.*

Shamokin, Pennsylvania  
February 27, 2018

**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, 2017. 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, 2017.

## **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  
February 27, 2018

**BERWICK AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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 6/30/16	REVENUE RECOGNIZED	FEDERAL EXPENDITURES	REVENUE AT 6/30/17	
<b>U.S. DEPARTMENT OF EDUCATION</b>										
Passed through Pennsylvania Department of Education:										
Title I Grants to Local Educational Agencies	84.010	013-17-0032	795,785	7/1/16 - 9/30/18	\$ 640,015	\$ -	\$ 759,055	\$ 759,055	\$ 119,040	
Title I Grants to Local Educational Agencies	84.010	013-16-0032	823,505	7/1/15 - 9/30/17	275,404	246,880	28,524	28,524	-	
Title I Grants to Local Educational Agencies	84.010	013-15-0032	679,340	7/1/15 - 9/30/16	2,011	2,011	-	-	-	
Title I Subtotal					917,430	248,891	787,579	787,579	119,040	
Twenty-First Century Community Learning Grants	84.287	N/A	132,000	10/1/16 - 9/30/17	47,318	-	62,499	62,499	15,181	
Twenty-First Century Community Learning Grants	84.287	N/A	132,000	10/1/15 - 9/30/16	81,098	26,887	54,211	54,211	-	
Twenty-First Century Community Learning Grants Subtotal					128,416	26,887	116,710	116,710	15,181	
English Language Acquisition State Grants	84.365	010-17-0032	12,673	7/1/16 - 09/30/17	9,294	-	12,673	12,673	3,379	
English Language Acquisition State Grants	84.365	010-16-0032	14,260	7/1/15 - 09/30/16	-	4,753	-	-	4,753	
English Language Acquisition State Grants Subtotal					9,294	4,753	12,673	12,673	8,132	
Title II Improving Teacher Quality	84.367	020-17-0032	151,192	7/1/16 - 09/30/17	111,235	-	151,192	151,192	39,957	
Title II Improving Teacher Quality	84.367	020-16-0032	155,195	7/1/15 - 09/30/16	51,506	51,506	-	-	-	
Title II Improving Teacher Quality Subtotal					162,741	51,506	151,192	151,192	39,957	
Passed through Central Susquehanna Intermediate Unit:										
Special Education - Grants to States (IDEA, Part B)	84.027	062-17-0-016	663,252	7/1/16 - 6/30/17	242,916	-	663,252	663,252	420,336	
Special Education - Grants to States (IDEA, Part B)	84.027	062-16-0-016	N/A	7/1/15 - 6/30/16	396,977	396,977	-	-	-	
Special Education - (IDEA, Part B) Subtotal					639,893	396,977	663,252	663,252	420,336	
Special Education - Grants to States (IDEA, Preschool)	84.173	131-16-0-016	9,996	7/1/16 - 6/30/17	-	-	9,996	9,996	9,996	
Special Education - Grants to States (IDEA, Preschool)	84.173	N/A	N/A	7/1/15 - 6/30/16	10,538	10,538	-	-	-	
Special Education - Grants to States (IDEA, Preschool) Subtotal					10,538	10,538	9,996	9,996	9,996	
IDEA Cluster Subtotal					650,431	407,515	673,248	673,248	430,332	
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>					<b>1,868,312</b>	<b>739,552</b>	<b>1,741,402</b>	<b>1,741,402</b>	<b>612,642</b>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										
Passed through Pennsylvania Department of Human Services:										
Medical Assistance Program (ACCESS Title XIX)										
Administration Reimbursement (MAC)	93.778	N/A	N/A	7/1/16 - 6/30/17	3,654	-	23,219	23,219	19,565	
Medical Assistance Program (ACCESS Title XIX)										
Administration Reimbursement (MAC)	93.778	N/A	N/A	7/1/15 - 6/30/16	20,133	20,133	-	-	-	
Medical Assistance Program (ACCESS Title XIX) Subtotal					23,787	20,133	23,219	23,219	19,565	
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					<b>\$ 23,787</b>	<b>\$ 20,133</b>	<b>\$ 23,219</b>	<b>\$ 23,219</b>	<b>\$ 19,565</b>	

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, 2017**

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)		FEDERAL EXPENDITURES	ACCRUED OR (DEFERRED)	
						REVENUE AT 6/30/16	REVENUE RECOGNIZED		REVENUE AT 6/30/17	REVENUE AT 6/30/17
U.S. DEPARTMENT OF AGRICULTURE										
Passed through Pennsylvania Department of Education:										
Fresh Fruit and Vegetables Program	10.582	116-19-1103	63,418	10/1/16 - 6/30/17	\$ 61,947	\$ -	\$ 62,754	\$ 62,754	\$ 807	
School Breakfast Program (SBP)	10.553	365/367-0000	N/A	7/1/16 - 6/30/17	117,053	-	126,943	126,943	9,890	
School Breakfast Program (SBP)	10.553	365/367-0000	N/A	7/1/15 - 6/30/16	26,476	26,476	-	-	-	
School Breakfast Program (SBP) Subtotal					143,529	26,476	126,943	126,943	9,890	
National School Lunch Program (NSLP)	10.555	362	N/A	7/1/16 - 6/30/17	550,190	-	590,833	590,833	40,643	
National School Lunch Program (NSLP)	10.555	362	N/A	7/1/15 - 6/30/16	106,437	106,437	-	-	-	
National School Lunch Program (NSLP) Subtotal					656,627	106,437	590,833	590,833	40,643	
Passed through Pennsylvania Department of Agriculture:										
Value of USDA Commodities	10.555	2-03-40-600	N/A	7/1/16 - 6/30/17	90,054	(10,255)	79,472	79,472	(20,837)	
					<b>(A.)</b>	<b>(B.)</b>		<b>(C.)</b>	<b>(D.)</b>	
Child Nutrition Cluster Subtotal					890,210	122,658	797,248	797,248	29,696	
TOTAL U.S. DEPARTMENT OF AGRICULTURE					952,157	122,658	860,002	860,002	30,503	
TOTAL FEDERAL AWARDS					\$ 2,844,256	\$ 882,343	\$ 2,624,623	\$ 2,624,623	\$ 662,710	

**Code Legend**

- (A.) Total amount of commodities received
- (B.) Beginning inventory at July 1, 2016
- (C.) Total amount of commodities used
- (D.) Ending inventory at June 30, 2017

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, 2017

**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, 2017. 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, 2017 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 2017.

**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.	Expenditures
Title I Grants to Local Educational Agencies	84.010	\$ 787,579
Child Nutrition Cluster	10.553, 10.555	797,248
Total		\$ 1,584,827
Percentage of total federal awards expended		60.38%

**BERWICK AREA SCHOOL DISTRICT**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2017

**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?   X   yes        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
10.553, 10.555	Child Nutrition 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, 2017

**Section II – Financial Statement Findings**

A. Material Weakness in Internal Control

Finding 2017-001 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, some had not been analyzed and reconciled as adjustments and posted. 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, due to the change in Business Managers at the onset of the fiscal year, 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, 2017

**Section II – Financial Statement Findings (Continued)**

Finding 2017-001 Financial Statement Adjustments and Presentation (Continued)

**Effect:** The District’s financial position and financial activity as of and for the year ended June 30, 2017, 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 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 2016-001

**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, 2017

**Section II – Financial Statement Findings (Continued)**

A. Significant Deficiency in Internal Control

Finding 2017-002 Inventories as presented on the Financial Statements

**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. The District has not calculated the yearend inventory balance(s) for which an entry should be made to the financial statements.

**Condition:** Perpetual inventories are not maintained and physical inventories are not taken for instructional materials and supplies or maintenance materials and supplies. No population was tested; finding is based upon understanding and review of the internal control system.

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

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

**Questioned Costs:** Unknown

**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.

**Prior Year Finding:** Yes, see Finding 2016-002

**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, 2017

**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

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BERWICK, PENNA. 18603  
TELEPHONE 570-759-6400

Wayne D. Brookhart  
Superintendent

Renee Gomez  
Business Administrator

### **FINDING 2017-001**

Financial Statement Adjustments and Presentation

#### **MANAGEMENT RESPONSE:**

The Berwick Area School District agrees with the finding. The School District implemented significant changes during and after the audit engagement 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 attempt to establish 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:**

August 30, 2018

### **FINDING 2017-002**

Inventories as presented on the Financial Statements

#### **MANAGEMENT RESPONSE:**

The Berwick Area School District agrees with the finding. The School District has contracted with a firm to receive physical inspection and valuation of all buildings, structures, movable and fixed equipment and site improvements that are required to be accounted for, with the intent to update the records annually thereafter. The School District will work on improving present inventory procedures. A lack of central storage facilities and limited manpower make perpetual inventories and supervised physical inventories very difficult to accomplish.

#### **INDIVIDUALS RESPONSIBLE:**

Superintendent, Business Manager, Director of Technology, Director of Buildings & Grounds

#### **ANTICIPATED COMPLETION DATE:**

June 30, 2018

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

**Finding 2016-001            INTERNAL CONTROL DEFICIENCY OVER PREPARATION OF THE FINANCIAL STATEMENTS – MATERIAL WEAKNESS**

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

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

**Conclusion:**            Finding unresolved. See finding 2017-001.

**Finding 2016-002            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 optimum in control is to have all inventory items on a perpetual recordkeeping system and that supervised physical inventories are taken not less than yearly. The system should include use of pre-numbered withdrawal slips and written reports disclosing major differences, if any, to the business manager and the Board of School Directors when physical inventories are taken and compared to the perpetual records. We recommend that the School District investigate the feasibility of installing a controlled perpetual inventory system under the general guidelines herein noted.

**Conclusion:**            Finding unresolved. See finding 2017-002.

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

**Finding 2016-003**      **FEDERAL AWARDS PROGRAM AUDIT INTERNAL CONTROL  
DEFICIENCY OVER PREPARATION OF THE FINANCIAL  
STATEMENTS – MATERIAL WEAKNESS**

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

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

**Conclusion:**                      Federal Award Finding resolved during fiscal year ended June 30, 2017.  
Financial Statement Finding unresolved; see finding 2017-001.