

BERWICK AREA SCHOOL DISTRICT
Berwick, Pennsylvania

Financial and Single Audit Reports

For the Year Ended June 30, 2019

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JUNE 30, 2019

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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, 2019, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The other supplementary information and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 April 20, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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

April 20, 2020

**Berwick Area School District Management Discussion and Analysis for the Fiscal Year
Ended June 30, 2019
(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, 2019. The MD&A is to provide the reader friendly insight into management's analysis of the audit. This MD&A looks at the District's financial performance as a whole, although readers should review the independent Auditor's transmittal letter and notes to the financial statements to augment their understanding of the District's financial performance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The focus of these statements is long-term.

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused compensated absences).

Both of the governmental-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include all of the District's instructional programs and support services except for its food service operation and pool operation, which is considered a business-type activity. The government-wide financial statements can be found on pages 11 and 12 of this report.

**Berwick Area School District Management Discussion and Analysis for the Fiscal Year
Ended June 30, 2019
(Unaudited)**

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the District's major funds (General Fund and Capital Project Fund). The basic governmental fund financial statements can be found on pages 15-16 of this report.

Proprietary Fund

The District accounts for two proprietary funds, a food service operation fund and a pool fund which report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary Funds

The District accounts for its activity fund and private purpose trust fund as fiduciary funds. The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

**Berwick Area School District Management Discussion and Analysis for the Fiscal Year
Ended June 30, 2019
(Unaudited)**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-53 of this report.

Financial Highlights

Key financial highlights for the year ending June 30, 2019, are as follows:

	<u>June 30, 2018</u>		<u>June 30, 2019</u>		<u>June 30, 2018</u>		<u>June 30, 2019</u>
Total Net Position	\$ (31,433,175)	\$	(36,639,947)	\$	(66,614)	\$	(40,054)
Change in Net Position	\$ 18,601,311		5,206,772	\$	441,159	\$	(26,560)

Total revenues for the general fund amounted to \$45,986,884.

- \$19,545,236 or 42.50% were Local Revenues
- \$25,068,883 or 54.51% were State Revenues
- \$ 1,372,765 or 2.99% were Federal Revenues

Total general fund expenditures amounted to \$66,153,402.

- \$30,574,272 for Instructional Services
- \$13,357,595 for Support Services
- \$1,010,153 for Non Instructional Services
- \$3,100,040 for Debt Service (Principal and Interest)
- \$18,111,342 for Debt Service (Principal and Refunded Debt)

Total general fund other financing sources amounted to \$17,575,348.

- \$17,095,000 Proceeds from Bond Refundings
- (\$350) Refunds of Prior Year Expenditures
- (\$42,729) Bond Discounts
- \$523,427 Operating Transfers from Other Governmental Funds.

The general fund had a decrease in fund balance in the amount of \$1,682,548 resulting in an ending fund balance of \$11,622,625.

**Berwick Area School District Management Discussion and Analysis for the Fiscal Year
Ended June 30, 2019
(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 6-30-19**

	Governmental Activities 6/30/2018	Governmental Activities 6/30/2019	Business-Type Activities 6/30/2018	Business-Type Activities 6/30/2019
Assets:				
Current Assets	\$ 19,623,670	\$ 17,919,087	\$ 386,150	\$ 473,041
Capital & Other Non Current Assets	<u>\$ 42,412,324</u>	<u>\$ 39,735,855</u>	<u>\$ 221,762</u>	<u>\$ 206,544</u>
Total Assets	<u>\$ 62,035,994</u>	<u>\$ 57,654,942</u>	<u>\$ 607,912</u>	<u>\$ 679,585</u>
Deferred Outflows of Resources	<u>\$ 12,940,420</u>	<u>\$ 11,872,594</u>	<u>\$ 116,458</u>	<u>\$ 107,100</u>
Liabilities:				
Current Liabilities	\$ 4,232,064	\$ 5,371,312	\$ 63,575	\$ 96,892
Long-Term Liabilities	<u>\$ 97,720,327</u>	<u>\$ 97,095,485</u>	<u>\$ 691,200</u>	<u>\$ 695,130</u>
Total Liabilities	<u>\$ 101,952,391</u>	<u>\$ 102,466,797</u>	<u>\$ 754,775</u>	<u>\$ 792,022</u>
Deffered Inflow of Resources	<u>\$ 3,942,792</u>	<u>\$ 3,809,673</u>	<u>\$ 36,209</u>	<u>\$ 34,717</u>
Net Position:				
Invested in Capital Assets Net of Related Debt	\$ 24,543,844	\$ 22,462,107	\$ 221,762	\$ 206,544
Restricted for capital projects	\$ 523,206	\$ -	\$ -	\$ -
Unrestricted	<u>\$ (56,500,225)</u>	<u>\$ (59,102,055)</u>	<u>\$ (288,376)</u>	<u>\$ (246,598)</u>
Total Net Position	<u>\$ (31,433,175)</u>	<u>\$ (36,639,948)</u>	<u>\$ (66,614)</u>	<u>\$ (40,054)</u>

**Berwick Area School District Management Discussion and Analysis for the Fiscal Year
Ended June 30, 2019
(Unaudited)**

**Table II
Net (Expense) Revenue and changes in Net Position for the year ended 6-30-19**

	Governmental Activities		Business-Type Activities	
	6/30/2018	6/30/2019	6/30/2018	6/30/2019
<u>Revenue/Program</u>				
Charges for Services	\$ 128,100	\$ 147,331	\$ 493,782	\$ 231,400
Operating Grants and Contributions	\$ 11,069,091	\$ 12,232,385	\$ 935,547	\$ 1,030,055
<u>Revenues/General</u>				
Property Taxes levied for general purposes	\$ 15,655,487	\$ 15,370,591	\$ -	\$ -
Public utility, realty, earned income and miscellaneous taxes levied for general purposes	\$ 2,501,443	\$ 2,492,349	\$ -	\$ -
Grants, Subsidies, Contributions not restricted	\$ 15,350,733	\$ 14,844,561	\$ -	\$ -
Investment Earnings	\$ 195,488	\$ 322,907	\$ 812	\$ 1,578
Miscellaneous	\$ 407,377	\$ 427,571	\$ -	\$ -
Total Revenues	<u>\$ 45,307,719</u>	<u>\$ 45,837,695</u>	<u>\$ 1,430,141</u>	<u>\$ 1,263,033</u>
<u>Expenses</u>				
Instruction	\$ 30,800,641	\$ 33,558,978		
Instructional Student Support	\$ 3,263,775	\$ 3,165,935		
Administrative & Financial Support	\$ 5,077,597	\$ 5,012,312		
Operation & Maint. off Plant Services	\$ 4,026,906	\$ 4,231,331		
Pupil Transportation	\$ 1,829,783	\$ 1,938,000		
Student Activities	\$ 962,651	\$ 1,083,469		
Community Services	\$ 38,637	\$ 10,734		
Capital Acquisition	\$ 1,604,441	\$ 2,452,966		
Interest on Long Term Debt	\$ 431,088	\$ 495,364		
Unallocated Depreciation	\$ -	\$ -		
Food Services	\$ -	\$ -	\$ 1,241,696	\$ 1,457,019
Swimming Pool	\$ -	\$ -	\$ 6,395	\$ 9,587
Total Expenses	<u>\$ 48,035,519</u>	<u>\$ 51,949,089</u>	<u>\$ 1,248,091</u>	<u>\$ 1,466,606</u>
Change in Net Position	\$ (6,115,394)			\$ 26,560
Net Position-Beginning (restated)	<u>\$ (30,524,553)</u>			<u>\$ (66,614)</u>
Net Position- Ending	\$ (36,639,947)			\$ (40,054)

**Berwick Area School District Management Discussion and Analysis for the Fiscal Year
Ended June 30, 2019
(Unaudited)**

Capital Assets

At June 30, 2019, the district had \$39,735,855 invested in the following Capital assets of the Governmental activities and \$206,544 invested in the following capital assets of Business Type activities (net of applicable depreciation):

**Table III
Capital Assets-Net of Depreciation
June 30, 2019**

	Governmental Activities	Business-Type Activities
Land not being depreciated	\$ 2,306,988	\$ -
Buildings (net of Accumulated Depreciation)	\$ 30,379,181	\$ -
Building Improvements (net of Accumulated Depreciation)	\$ 4,006,654	\$ -
Furniture and Equipment	\$ 3,043,032	\$ 206,544

Long Term Liabilities

As of June 30, 2019, the District's long term liabilities totaled \$97,769,445 of Governmental Activities, \$695,130 of Business-Type Activities. The District refunded General Obligation Notes 2014 and 2016 A & B May 2019 establishing General Obligation Note 2017. The General Obligation Notes were \$17,050,000. In addition, \$223,747 of authority lease obligations for the District portion of the Columbia Montour Vocational Technical School.

**Table IV
Long Term Liabilities**

	As of June 30, 2018	As of June 30, 2019
Governmental Activities		
2014 General Obligation Note	\$ 8,571,199	
2016 General Obligation Notes, Series A & B	\$ 9,002,178	
2017 General Obligation Note	\$ -	\$ 17,050,000
2015 School Lease Revenue Note	<u>\$ 295,103</u>	<u>\$ 223,747</u>
Total General Obligation Notes	\$ 17,868,480	\$ 17,273,747
Compensated Absences	\$ 4,531,946	\$ 4,802,828
Net Pension Liability	\$ 72,283,182	\$ 72,541,808
Net OPEB Liability	<u>\$ 2,981,618</u>	<u>\$ 3,151,062</u>
Total Governmental Activities	\$ 97,665,226	\$ 97,769,445
Business-Type Activities		
Net Pension Liability	\$ 663,818	\$ 666,192
Net OPEB Liability	<u>\$ 27,382</u>	<u>\$ 28,938</u>
Total Business-Type Activities	\$ 691,200	\$ 695,130

**Berwick Area School District Management Discussion and Analysis for the Fiscal Year
Ended June 30, 2019
(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 eleventh year in a row in the 2018-2019 school year, the district did not increase the real property taxes. Homestead/farmstead owners have continued to see rebates of approximately \$195 per year using gaming revenues generated within the state from casino gaming revenue.

The Commonwealth continues to face challenges in tax collections, rising health care costs and pension obligations. For many years, the Berwick Area School District has taken appropriate measures to maintain fiscal integrity, as we have been faced with challenges similar to the Commonwealth, specifically the District's increasing pension obligation. The Berwick Area School District continues to implement appropriate measures to trim excess educational costs. Such cuts have come in the form of reduction in force due to attrition, maintaining reasonable class size, increasing instructional time per teacher and being mindful of all personnel costs. However, we are nearing the end of reasonable reductions being available and moving into territory that may become harmful to the education of our students.

Berwick Area School District
Statement of Net Position
As of June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 13,769,688	\$ 384,707	\$ 14,154,395
Investments	-	-	-
Receivables, net:			
Taxes	1,089,205	-	1,089,205
Due from other governments	2,596,535	31,785	2,628,320
Other Receivables	439,730	18,083	457,813
Inventories	23,929	38,466	62,395
Total Current Assets	17,919,087	473,041	18,392,128
Capital Assets:			
Construction in Progress		-	-
Land	2,306,988	-	2,306,988
Buildings (net of Accumulated Depreciation)	30,379,181	-	30,379,181
Building Improvements (net of Accumulated Depreciation)	4,006,654	-	4,006,654
Furniture and Equipment (net of Accumulated Depreciation)	3,043,032	206,544	3,249,576
Total Capital Assets	39,735,855	206,544	39,942,399
TOTAL ASSETS	57,654,942	679,585	58,334,527
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Interest	210,481	-	210,481
Pension Activity	11,329,244	104,043	11,433,287
OPEB Activity	332,869	3,057	335,926
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,872,594	107,100	11,979,694
LIABILITIES:			
Internal Balances	-	-	-
Accounts payable	3,468,826	68,772	3,537,598
Accrued salaries and benefits	1,881,461	5,611	1,887,072
Unearned Income	21,025	22,509	43,534
Long-Term Liabilities:			
Due within one year:			
Bonds and Authority Lease	991,937	-	991,937
Accrued interest	43,225	-	43,225
Due in more than one year:			
Net Pension Liability	72,541,808	666,192	73,208,000
Net OPEB Liability	3,151,062	28,938	3,180,000
Compensated absences	4,802,828	-	4,802,828
Bonds and Authority Lease	16,281,811	-	16,281,811
TOTAL LIABILITIES	103,183,982	792,022	103,976,004
DEFERRED INFLOWS OF RESOURCES:			
Tax Receivable	29,390	-	
Pension Activity	3,525,622	32,378	3,558,000
OPEB Activity	254,661	2,339	257,000
NET POSITION			
Invested in capital assets, net of related debt	22,462,107	206,544	22,668,651
Restricted for capital projects	-	-	-
Unrestricted	(59,102,055)	(246,598)	(59,348,653)
Total Net Position	\$ (36,639,947)	\$ (40,054)	\$ (36,680,001)

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, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction	\$ 33,558,978	\$ 62,243	\$ 9,771,558	\$ (23,725,177)	\$ -	\$ (23,725,177)
Instructional student support	3,165,935	-	1,348,036	(1,817,899)	-	(1,817,899)
Administrative and financial support services	5,012,312	-	25,000	(4,987,312)	-	(4,987,312)
Operation and maintenance of plant services	4,231,331	-	-	(4,231,331)	-	(4,231,331)
Pupil transportation	1,938,000	-	885,376	(1,052,623)	-	(1,052,623)
Student activities	1,083,469	85,088	-	(998,381)	-	(998,381)
Community services	10,734	-	-	(10,734)	-	(10,734)
Capital acquisition	2,452,966	-	-	(2,452,966)	-	(2,452,966)
Interest on long-term debt	495,364	-	202,414	(292,950)	-	(292,950)
Total Governmental Activities	<u>51,949,089</u>	<u>147,331</u>	<u>12,232,385</u>	<u>(39,569,373)</u>	<u>-</u>	<u>(39,569,373)</u>
Business-Type Activities:						
Food Service Fund	1,457,019	224,329	1,260,188	-	27,498	27,498
Pool Fund	9,587	7,071	-	-	(2,516)	(2,516)
Total Business-Type Activities	<u>1,466,606</u>	<u>231,400</u>	<u>1,260,188</u>	<u>-</u>	<u>24,982</u>	<u>24,982</u>
Total Primary Government	<u>\$ 53,415,695</u>	<u>\$ 378,731</u>	<u>\$ 13,492,573</u>	<u>(39,569,373)</u>	<u>24,982</u>	<u>(39,544,391)</u>
General Revenues:						
Taxes:						
Property taxes, levied for general purposes, net				15,370,591	-	15,370,591
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				2,492,349	-	2,492,349
Grants, subsidies, and contributions not restricted				14,844,561	-	14,844,561
Investment Earnings				322,907	1,578	324,485
Miscellaneous				423,571	-	423,571
Total General Revenues				<u>33,453,979</u>	<u>1,578</u>	<u>33,455,557</u>
Change in Net Position				(6,115,394)	26,560	(6,088,834)
Net Position - June 30, 2018				<u>(30,524,553)</u>	<u>(66,614)</u>	<u>(30,591,167)</u>
Net Position - June 30, 2019				<u>\$ (36,639,947)</u>	<u>\$ (40,054)</u>	<u>\$ (36,680,001)</u>

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

Berwick Area School District

Balance Sheet

June 30, 2019

	General Fund	Other Capital Projects	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 13,769,688	\$ -	\$ 13,769,688
Taxes Receivable, Net	1,089,205	-	1,089,205
State Revenue Receivable	1,969,627	-	1,969,627
Federal Revenue Receivable	626,908	-	626,908
Other Receivables	439,730	-	439,730
Inventories	23,929	-	23,929
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	17,919,087	-	17,919,087
DEFERRED OUTFLOW OF RESOURCES			
	<u> </u>	<u> </u>	<u> </u>
	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES			
	<u> </u>	<u> </u>	<u> </u>
	\$ 17,919,087	\$ -	\$ 17,919,087
LIABILITIES & DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 3,468,826	\$ -	\$ 3,468,826
Accrued Salaries and Benefits	1,493,699	-	1,493,699
Payroll Deductions and Withholdings	387,762	-	387,762
Unearned Revenue	21,025	-	21,025
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	5,371,312	-	5,371,312
DEFERRED INFLOWS OF RESOURCES			
	<u> </u>	<u> </u>	<u> </u>
	925,150	-	925,150
FUND BALANCES			
Nonspendable Fund Balance	23,929	-	23,929
Committed Fund Balance	9,937,871	-	9,937,871
Unassigned Fund Balance	1,660,825	-	1,660,825
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	11,622,625	-	11,622,625
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES			
	<u> </u>	<u> </u>	<u> </u>
	\$ 17,919,087	\$ -	\$ 17,919,087

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, 2019

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS \$ 11,622,625

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	74,465,907	
Less: accumulated depreciation	<u>(33,903,880)</u>	40,562,027

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		11,329,244
Deferred inflows of resources related to pensions		(3,525,622)
Deferred outflows of resources related to OPEB		332,869
Deferred inflows of resources related to OPEB		(254,661)

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

Net Pension Liability	(72,541,808)	
Net OPEB Liability	(3,151,062)	
Bonds and Authority Lease	(17,273,748)	
Compensated absences	<u>(4,802,828)</u>	(97,769,445)

Governmental funds do not report a liability for accrued interest until due and payable - such liability is accrued on the District-Wide financial statements. (43,225)

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. 210,481

Delinquent property taxes receivable are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 895,760

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES \$ (36,639,947)

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, 2019

	General Fund	Other Capital Projects	Total Governmental Funds
REVENUES			
Local Sources:			
Taxes	\$ 19,545,236	\$ -	\$ 19,545,236
Earnings On Investments	-	221	221
State Grants	25,068,883	-	25,068,883
Federal Sources	1,372,765	-	1,372,765
TOTAL REVENUES	45,986,884	221	45,987,105
EXPENDITURES			
Instruction	30,574,272	-	30,574,272
Support Services	13,357,595	-	13,357,595
Non-Instructional Services	1,010,153	-	1,010,153
Debt Service (Principal and Interest)	3,100,040	-	3,100,040
Debt Service (Principal and Refunded Debt)	18,111,342	-	18,111,342
TOTAL EXPENDITURES	66,153,402	-	66,153,402
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,166,518)	221	(20,166,297)
OTHER FINANCING SOURCES (USES)			
Proceeds From Bond Refundings	17,095,000	-	17,095,000
Refunds of Prior Year Expenditures	(350)	-	(350)
Bond Discounts	(42,729)	-	(42,729)
Operating Transfers	523,427	(523,427)	-
TOTAL OTHER FINANCING SOURCES (USES)	17,575,348	(523,427)	17,051,921
Net Change in Fund Balances	(2,591,170)	(523,206)	(3,114,376)
Fund Balance - July 1, 2018, Restated	14,213,795	523,206	14,737,001
Fund Balance - June 30, 2019	<u>\$ 11,622,625</u>	<u>\$ -</u>	<u>\$ 11,622,625</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, 2019

Net changes in fund balances, total governmental funds \$ (3,114,376)

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 of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as

Depreciation expense	(2,775,526)
Capital outlay	925,229

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.	(153,060)
--	-----------

Governmental funds report debt issuance as a revenue source; in contrast the Statement of Activities treats such activity as an increase in long term liabilities.	(17,095,000)
--	--------------

Governmental funds report long term debt discounts as an other financing source. The Statement of Activities treats such as a deferred outflow.	42,729
---	--------

Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long term liabilities.	17,689,733
---	------------

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.	(1,308,895)
--	-------------

The decrease/ (increase) in proportionate share of collective net OPEB liability does not require the use of current financial resources and is not reported in the governmental funds.	24,392
---	--------

Amortization of deferred charges on debt refundings and retirements is recognized in the governmental activities, however it is not recognized in the governmental funds.	(85,777)
---	----------

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	(276,719)
Accrued Interest	11,877

Change in net position of governmental activities \$ (6,115,394)

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, 2019

	Food Service Fund	Non-Major Enterprise Fund	Total Enterprise Funds
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 381,143	\$ 3,564	\$ 384,707
Federal and State Subsidies Receivable	31,785	-	31,785
Other Receivables	18,058	25	18,083
Inventories	38,466	-	38,466
TOTAL CURRENT ASSETS	469,452	3,589	473,041
NONCURRENT ASSETS			
Furniture and Equipment, Net of Accum. Deprec.	206,544	-	206,544
LIABILITIES & NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	68,772	-	68,772
Accrued Salaries and Benefits	5,918	(307)	5,611
Unearned Revenues	22,509	-	22,509
TOTAL CURRENT LIABILITIES	97,199	(307)	96,892
NET POSITION			
Net Investment In Capital Assets	206,544	-	206,544
Unrestricted	(250,494)	3,896	(246,598)
TOTAL NET POSITION	\$ (43,950)	\$ 3,896	\$ (40,054)

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, 2019

	Food Service Fund	Non-Major Enterprise Fund	Total Enterprise Funds
OPERATING REVENUES			
Food Service Fund	\$ 224,329	\$ -	\$ 224,329
Other Operating Revenue	-	7,071	7,071
TOTAL OPERATING REVENUES	224,329	7,071	231,400
OPERATING EXPENSES			
Salaries	153,293	8,219	161,512
Employee Benefits	141,513	1,368	142,881
Purchased Professional Services	1,047,620	-	1,047,620
Supplies	90,043	-	90,043
Depreciation	23,878	-	23,878
Dues and Fees	239	-	239
TOTAL OPERATING EXPENSES	1,456,586	9,587	1,466,173
OPERATING INCOME/(LOSS)	\$ (1,232,257)	\$ (2,516)	\$ (1,234,773)
NONOPERATING REVENUES (EXPENSES)			
Refunds of Prior Year Expenditures	(433)	-	(433)
Contributions and Donations from Private Sources	-	200	200
Earnings on Investments	1,576	2	1,578
State Sources	55,502	-	55,502
Federal Sources	1,204,486	-	1,204,486
TOTAL NONOPERATING REVENUES (EXPENSES)	1,261,131	202	1,261,333
CHANGE IN NET POSITION	28,874	(2,314)	26,560
NET POSITION - JULY 1, 2018	(72,824)	6,210	(66,614)
NET POSITION - JUNE 30, 2019	\$ (43,950)	\$ 3,896	\$ (40,054)

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, 2019

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
<i>Cash Flows from Operating Activities</i>			
Cash Received From Users	\$ 260,074	\$ 7,821	\$ 267,895
Cash Payments to Employees For Services	(287,824)	-	(287,824)
Cash Payments to Suppliers For Goods and Services	(1,114,306)	(9,568)	(1,123,874)
Net Cash (Used for) Operating Activities	(1,142,056)	(1,747)	(1,143,803)
<i>Cash Flows from Noncapital Financing Activities</i>			
State Sources	60,726	-	60,726
Federal Sources	1,305,612	-	1,305,612
Refund of Prior Year Expenditures	(436)	-	(436)
Net Cash Provided by Noncapital Financing Activities	1,365,902	-	1,365,902
<i>Cash Flows from Capital Financing Activities</i>			
Contributed Capital	-	200	200
Acquisition of Furniture and Equipment	(8,665)	-	(8,665)
Net Cash Provided by Capital Financing Activities	(8,665)	200	(8,465)
<i>Cash Flows from Investing Activities</i>			
Earnings on Investments	1,576	2	1,578
Net Cash Provided by Investing Activities	1,576	2	1,578
Net Increase (Decrease) in Cash and Cash Equivalents	216,757	(1,545)	215,212
Cash and Cash Equivalents Beginning of Year	164,386	5,109	169,495
Cash and Cash Equivalents End of Year	\$ 381,143	\$ 3,564	\$ 384,707
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (1,232,257)	\$ (2,516)	\$ (1,234,773)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	23,878	-	23,878
Other Adjustments	3	38	41
(Increase) Decrease in Accounts Receivable	23,866	750	24,616
(Increase) Decrease in Inventories	(11,521)	-	(11,521)
Increase (Decrease) in Accounts Payable	35,116	-	35,116
Increase (Decrease) in Accrued Salaries and Benefits	(4,815)	(19)	(4,834)
Increase (Decrease) in Deferred Revenues	11,877	-	11,877
Increase (Decrease) in Pension Related	12,020	-	12,020
Increase (Decrease) in OPEB Related	(223)	-	(223)
Total Adjustments	90,201	769	90,970
Net Cash (Used for) Operating Activities	\$ (1,142,056)	\$ (1,747)	\$ (1,143,803)

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, 2019

	Private Purpose Trust	Student Activities
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 449,959
Investments	441,500	-
LIABILITIES		
Accounts Payable	-	26,422
Other Current Liabilities	-	423,537
TOTAL LIABILITIES	-	\$ 449,959
 FIDUCIARY NET POSITION		
Reserved for scholarships and other academics	\$ 441,500	

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

Berwick Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	<u>Private Purpose Trust</u>
ADDITIONS	
Gifts and Contributions	\$ 16,911
Other Additions	<u>25,328</u>
TOTAL ADDITIONS	42,239
DEDUCTIONS	
Scholarships and Awards	17,200
Other Deductions	<u>7,452</u>
TOTAL DEDUCTIONS	24,652
CHANGE IN FUND NET POSITION	17,587
FIDUCIARY NET POSITION - JULY 1, 2018	<u>423,913</u>
FIDUCIARY NET POSITION - JUNE 30, 2019	<u><u>\$ 441,500</u></u>

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. FINANCIAL REPORTING ENTITY (Continued)

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

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

B. BASIS OF PRESENTATION

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District as a whole. Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided are not eliminated as doing so would distort the direct costs and program revenues reported by the departments concerned.

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

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

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

The District reports the following types of fiduciary funds:

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

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

C. FUND ACCOUNTING

Effective July 1, 2010, the School District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

Established classifications are as follows:

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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, 2019 an unassigned fund balance of \$1,660,825 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, 2019

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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. TAXES RECEIVABLE AND INTERGOVERNMENTAL RECEIVABLES

Taxes receivable are reported net an allowance for uncollectible balances.

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

H. INVENTORY

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

Inventories of the proprietary funds are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the financial statements, commodities received are recorded as deferred revenue until consumed.

I. CAPITAL ASSETS

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

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

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

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

In June 2011, the GASB issued Statement 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* GASB 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

This change was incorporated in the District's financial statements for the year ended June 30, 2013; however, there was no effect on beginning net position/fund balance.

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

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The District has deferred outflows of resources in its government wide statement of net position relating to three types of activity. One type is a deferred charge in the governmental activities on bond refunding which results from the difference in the carrying value of the refunded debt and its reacquisition price. This deferred charge is amortized over the shorter of the life of the refunded bonds, or the new debt. The second and third types of activity relate to the District's PSERS pension and OPEB liabilities, respectively, in both the governmental activities and business-type activities. The District had no deferred outflows of resources in its governmental funds balance sheet.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources in its government wide statement of net position relating to the District's PSERS pension liability in both the governmental activities and business-type activities.

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

K. COMPENSATED ABSENCES

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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, 2019

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, 2019 was 43.20 mills (\$43.20 per \$1,000) and 10.85 mills (\$10.85 per \$1,000) of assessed valuation as levied by the board. Assessed valuations of property are determined by Columbia and Luzerne Counties, and the elected tax collectors are responsible for the collection. The following is a listing of the taxes assessed.

Real Estate - Columbia County	43.20 mills
Real Estate - Luzerne County	10.85 mills
Real Estate Transfer Tax (Act 511)	0.5%
Local Services Tax (Act 511) \$5.00	per person
Occupational Assessment Tax (Act 511)	\$10.00 per person

The year for the assessment and collection of the District's taxes runs from July 1 through December 31st. Taxes are levied each July 1 with the following collection schedule employed.

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

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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		\$ 1,144,985
Less allowance for uncollectible accounts		55,780
Taxes receivable, net		\$ 1,089,205

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, 2019, the District had the following deposits:

	Carry Balance (Book)		Bank Balance
Governmental Funds	\$ 13,769,687	\$	14,064,753
Proprietary Funds	384,708		494,638
Fiduciary Funds	449,958		457,298
District Total	\$ 14,604,353	\$	15,016,689

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits.

All deposits at June 30, 2019 are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

The District maintains its funds in various financial institutions. All deposits at June 30, 2019 are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000. Deposits over this amount are collateralized by a pool of eligible securities established under Act 72 of the 1971 Session of the Pennsylvania General Assembly for the protection of public depositors. The pledged securities in the pool are safe kept at correspondent banks in accounts specifically segregated for this purpose. Act 72 specifies that it is the bank's responsibility to maintain sufficient assets in the pool to collateralize adequately all public deposits greater than the \$250,000 per type of account per entity which is FDIC insured.

Other Risks

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

Investments

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

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

Fair Value Measurements

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

Valuation of Investments

Third party investments whose values are based on quoted market prices in active markets consisted of active listed equities, certain U.S. government and sovereign obligations, certain money market securities, certain mutual funds, and certificates of deposit at June 30, 2019.

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, 2019.

The balance of funds held by the third party at June 30, 2019 was \$441,500.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

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

Interest Rate Risk

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

Credit Risk

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

Concentration Risk

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

As of June 30, 2019, the District's investment balance by type and maturity was as follows:

Investment Type	Fair Value	Maturities		
		Less than 1 year	1-5 years	6-10 years
Private Purpose Trust Investments	\$ 441,500	\$ 441,500	\$ -	\$ -
	\$ 441,500	\$ 441,500	\$ -	\$ -
	Fair Value Measurement Using 06/30/19	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Private Purpose Trust Investments	\$ 441,500	\$ 423,913	\$ -	\$ -
Total Investments by fair value level	\$ 441,500	\$ 423,913	\$ -	\$ -

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Due from other governments consist of amounts due for revenues earned by the District as of June 30, 2019. The following amounts are due from other governmental units:

	General Fund	Proprietary Fund	Total
Federal Subsidies	\$ 626,908	\$ 30,269	\$ 657,177
State Subsidies	1,969,627	1,516	1,971,143
	<u>\$ 2,596,535</u>	<u>\$ 31,785</u>	<u>\$ 2,628,320</u>

NOTE 5 – DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

Deferred outflows and inflows of resources as of June 30, 2019 are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
DEFERRED OUTFLOWS				
Deferred Interest On Bond Refundings	\$ 210,481	\$ -	\$ -	\$ -
Pension Related	11,329,244	104,043		
OPEB Related	332,869	3,057	-	-
	<u>\$ 11,872,594</u>	<u>\$ 107,100</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
DEFERRED INFLOWS				
Deferred Taxes Receivable	\$ -	\$ -	\$ 895,760	\$ -
Pension Related	3,525,622	32,378	-	-
OPEB Related	254,661	2,339	-	-
	<u>\$ 3,780,283</u>	<u>\$ 34,717</u>	<u>\$ 895,760</u>	<u>\$ -</u>

NOTE 6 – CAPITAL ASSETS

Capital assets at June 30, 2019 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.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 6 – CAPITAL ASSETS (Continued)

	<u>BALANCE</u> <u>06/30/2018</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/2019</u>
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated				
Land	\$ 2,306,988	\$ -	\$ -	\$ 2,306,988
	2,306,988	-	-	2,306,988
Capital assets, being depreciated				
Buildings	52,056,544	14,813	-	52,071,357
Building Improvements	7,340,314	-	-	7,340,314
Furniture & Equipment	11,836,832	84,244	-	11,921,076
Total capital assets, being depreciated	71,233,690	99,057	-	71,332,747
Less: Accumulated Depreciation				
Buildings	20,589,988	1,102,188	-	21,692,176
Building Improvements	2,990,308	343,352	-	3,333,660
Furniture & Equipment	7,548,058	1,329,986	-	8,878,044
Total Accumulated Depreciation	31,128,354	2,775,526	-	33,903,880
Governmental activities - Capital Assets, net	<u>\$ 42,412,324</u>	<u>\$ (2,676,469)</u>	<u>\$ -</u>	<u>\$ 39,735,855</u>
Business Type Activities:				
Furniture/Equipment	\$ 641,706	\$ 9,180	\$ 10,390	\$ 640,496
Less: Accumulated Depreciation	419,944	23,878	9,870	433,952
Business Type Activities- Capital Assets, Net	<u>\$ 221,762</u>	<u>\$ (14,698)</u>	<u>\$ 520</u>	<u>\$ 206,544</u>

A total depreciation expense of \$2,775,526 was charged to the Governmental Activities and \$23,878 to the Business-Type Activities, in the food service function.

Instruction	\$ 1,766,362
Instructional Student Support	167,889
Administrative & Financial Support Services	271,746
Operation & Maintenance of Plant Services	226,222
Pupil Transportation	105,849
Student Activities	57,773
Community Services	586
Capital Acquisition	179,098
Governmental Activities Total	<u>\$ 2,775,526</u>
Business Type Activities Total	<u>\$ 23,878</u>

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 7- LONG-TERM LIABILITIES

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2019.

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
2014 General Obligation Note	\$ 8,571,199	\$ -	\$ 8,571,199	\$ -	\$ -
2016 General Obligation Note, Series A	9,002,178	-	9,002,178	-	-
2015 School Lease Revenue Note	295,103	-	71,355	223,748	71,937
2019 General Obligation Note	-	17,095,000	45,000	17,050,000	920,000
Bonds and Notes Payable Subtotal	17,868,480	17,095,000	17,689,732	17,273,748	991,937
Compensated Absences	4,526,109	276,719	-	4,802,828	-
Net Pension Liability	72,283,182	258,625	-	72,541,807	-
Net OPEB Liability	2,981,618	169,444	-	3,151,062	-
TOTAL GOV. ACTIVITIES	\$ 97,659,389	\$ 17,799,788	\$ 17,689,732	\$ 97,769,445	\$ 991,937
BUSINESS-TYPE ACTIVITIES					
Net Pension Liability	\$ 663,818	\$ 2,375	\$ -	\$ 666,193	\$ -
Net OPEB Liability	27,382	1,556	-	28,938	-
TOTAL BUSINESS. ACTIVITIES	\$ 691,200	\$ 3,931	\$ -	\$ 695,131	\$ -

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 paid in full as of June 30, 2019.

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 paid in full as of June 30, 2019 and Series B was paid in full during fiscal year 2017.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 7- LONG-TERM LIABILITIES (Continued)

School Lease Revenue Note, Series of 2015

The District is obligated to pay its pro rata share of lease payments for the Columbia-Montour Area Technical School addition/alteration project of 2001. The total amount of future payments is reflected as a liability in the government-wide statement of net position. The Columbia-Montour Area Technical School refinanced its 2001 obligation with the Series of 2007 obligations, and subsequently refinanced its 2007 obligation with the School Lease Revenue Note Series of 2015 obligations. The District's 19% portion of the total principle balance of the Note was \$223,748 as of June 30, 2019.

General Obligation Note, Series of 2019

On May 14, 2019, the District executed \$17,095,000 General Obligation Note, Series of 2019. The net proceeds were used to pay off the unpaid principal of the District's *General Obligation Note, Series of 2014* and *General Obligation Note, Series A of 2016*. The new note matures in 2034 and pays interest at 2.97%. The principal balance of the Note was \$17,050,000 as of June 30, 2019.

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

	2020	\$ 991,937	\$ 510,490	\$ 1,502,427
	2021	1,017,519	481,820	1,499,339
	2022	1,054,292	452,398	1,506,690
	2023	1,005,000	422,037	1,427,037
	2024	1,030,000	392,189	1,422,189
	2025-2029	5,640,000	1,482,624	7,122,624
	2030-2034	6,535,000	593,703	7,128,703
	\$ 17,273,748	\$ 4,335,261	\$ 21,609,009	

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, 2019

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 \$4,802,828 as of June 30, 2019, 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, 2019.

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, 2019 are summarized as follows:

	General Fund	Capital Projects Fund	Total
Nonspendable	\$ 23,929	\$ -	\$ 23,929
Committed	9,937,871	-	9,937,871
Assigned	-	-	-
Unassigned	1,660,825	-	1,660,825
Total Fund Balances	\$ 11,622,625	\$ -	\$ 11,622,625

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSION PLAN

Pensions

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

1. General Information about the Pension Plan

Plan description

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 member of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSION PLAN (Continued)

Act 120 created two new membership classes, Membership Class T- E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions:

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.

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

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSION PLAN (Continued)

Employer Contributions:

The District contractually required contribution rate for the fiscal year ended June 30, 2019 was 32.60% 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 \$6,767,208 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$73,208,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the District’s proportion was 0.1525 percent, which was a decrease of .0048 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$1,320,219. As of June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 589,000	\$ 1,133,000
Changes in assumptions	1,364,000	-
Net difference between projected and actual investment earnings	359,000	-
Changes in proportion	2,354,000	2,425,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	6,767,287	-
	<u>\$ 11,433,287</u>	<u>\$ 3,558,000</u>

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSION PLAN (Continued)

\$11,433,287 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2019. 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:

2019	\$	1,694,000
2020		749,000
2021		(1,055,000)
2022		(280,000)
Thereafter		-

3. Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment Return 7.25%, includes inflation at 2.75%.
- Salary growth – 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 the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSION PLAN (Continued)

Asset Class	Target Allocation	Real Rate of Return
Global Public Equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute Return	10.0%	3.5%
Risk Parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real Estate	10.0%	4.2%
Alternative Investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20%	0.9%
	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, 2018.

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.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 90,746,000	\$ 73,208,000	\$ 58,378,000

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.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS

1. Summary of Significant Accounting Policies

Other Postemployment Benefits

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

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan description

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. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

Benefits Provided:

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions:

The school District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$172,926 for the year ended June 30, 2019.

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

As of June 30, 2019, the District reported a liability of \$3,180,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.1525 percent, which was an increase of 0.0048 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$24,615. As of June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,000	\$ -
Changes in assumptions	50,000	120,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportion	88,000	137,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	172,926	-
	\$ 335,926	\$ 257,000

\$172,926 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ 24,000
2020	24,000
2021	24,000
2022	25,000
2023	25,000
Thereafter	26,000

3. Actuarial Assumptions

Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment Return - 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on 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.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate.

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

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

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

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

The below 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, 2018.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.20%
Non-US Developed Fixed	1.3%	0.40%
Total	100.0%	

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 3.13% which represents the S&P 20 Year Municipal Bond Rate as of June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,179,000	\$ 3,180,000	\$ 3,180,000

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 11 - POSTEMPLOYMENT BENEFITS PLAN (Continued)

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98 %) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	\$ 3,616,000	\$ 3,180,000	\$ 2,817,000

OPEB plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

NOTE 12 – RELATED PARTY TRANSACTIONS

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

The most recent CMATS financial information for the year ended June 30, 2019 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 \$1,809,894 for the year ended June 30, 2019. At June 30, 2019, 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, 2019 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, 2019.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 12 – RELATED PARTY TRANSACTIONS (Continued)

The principal balance of the note as of June 30, 2019 is \$1,132,000. The District's share of the outstanding balance on the note is \$223,747. Payments on the debt service during the year amounted to \$71,355 and are shown as part of debt service expenditures in the Statement of Activities.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

NOTE 14 – RISK MANAGEMENT

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

NOTE 15 – PRIVATE PURPOSE TRUST FUNDS

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

NOTE 16 – RESTATEMENT

For the fiscal year ended June 30, 2019, the District identified a carrying error in its employer liability which resulted in the restatement of the prior employer benefits liability on the statement of net position by removing the duplicated balance. The liability decreased and net position increased by \$908,622 at July 1, 2018.

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 16 – RESTATEMENT (Continued)

Fund Level Financial Statements

	General Fund	Other Capital Projects Fund	Total Governmental Funds
Beginning Fund Balance, June 30, 2018	\$ 13,305,173	\$ 523,206	\$ 13,828,379
Restatement due to Employer Benefits Liability	908,622	-	908,622
Restated Beginning Fund Balance, June 30, 2019	\$ 14,213,795	\$ 523,206	\$ 14,737,001

District-Wide Financial Statements

	Governmental Activities	Business-Type Activities	Total
Beginning Net Position, June 30, 2018	\$ (31,433,175)	\$ (66,614)	\$ (31,499,789)
Restatement due to Employer Benefits Liability	908,622	-	908,622
Restated Beginning Net Position, June 30, 2019	\$ (30,524,553)	\$ (66,614)	\$ (30,591,167)

NOTE 17: NEW PRONOUNCEMENTS

Adopted Statements

In November 2016, the GASB issued Statement No. 83, “Certain Asset Retirement Obligations.” The District adopted the provisions of statement No. 83 for its fiscal year 2019 financial statements.

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

Pending Changes in Accounting Principles

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

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

BERWICK AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 17: NEW PRONOUNCEMENTS (Continued)

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

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

In May 2019, the GASB issued Statement No. 91, “Conduit Debt Obligations.” The District is required to adopt the provisions of Statement No. 91 for its fiscal year 2022 financial statements.

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

NOTE 18 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 20, 2020, which is the date at which the financial statements were available to be issued.

**BERWICK AREA SCHOOL DISTRICT
JUNE 30, 2019**

**Required
Supplementary
Information**

Berwick Area School District
Required Supplementary Information
June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1525%	0.1477%	0.1566%	0.1541%	0.1513%	0.0015%
District's proportionate share of the net pension liability	\$73,208,000	\$72,947,000	\$77,606,000	\$66,749,000	\$59,886,000	\$61,936,000
District's covered-employee payroll	\$20,538,336	\$19,661,887	\$20,283,194	\$19,823,313	\$19,305,768	\$19,418,299
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	356.45%	371.01%	382.61%	336.72%	310.20%	318.96%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	51.84%	54.36%	54.36%	57.24%	57.24%

Amounts were determined as of the cost-sharing plan's June 30, 2018 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,767,287	\$ 7,048,203	\$ 6,126,371	\$ 4,974,477	\$ 3,875,101	\$ 3,057,448
Contributions in relation to the contractually required contribution	<u>(6,767,287)</u>	<u>(7,048,203)</u>	<u>(6,126,371)</u>	<u>(4,974,477)</u>	<u>(3,875,101)</u>	<u>(3,057,448)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 20,538,336	\$ 19,661,887	\$ 20,283,194	\$19,823,313	\$19,305,768	\$19,418,299
Contributions as a percentage of covered-employee payroll	32.95%	35.85%	30.20%	25.09%	20.07%	15.75%

Amounts are based on actual contributions during the fiscal year.

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

Berwick Area School District
Required Supplementary Information
June 30, 2019

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

	2019	2018
District's proportion of the net OPEB liability	0.1525%	0.1477%
District's proportionate share of the OPEB liability	\$3,180,000	\$3,009,000
District's covered-employee payroll	\$20,538,336	\$19,661,887
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.48%	15.30%
Plan fiduciary net position as a percentage of the total pension liability	5.56%	5.73%

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

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

	2019	2018
Contractually required contribution	\$ 172,926	\$ 184,310
Contributions in relation to the contractually required contribution	(172,926)	(184,310)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 20,538,336	\$ 19,661,887
Contributions as a percentage of covered-employee payroll	0.84%	0.94%

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

**BERWICK AREA SCHOOL DISTRICT
JUNE 30, 2019**

**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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Local Revenues	\$ 19,767,028	\$ 19,767,028	\$ 19,545,236	\$ (221,792)
State Program Revenues	24,329,073	24,329,073	25,068,883	739,810
Federal Program Revenues	1,390,891	1,390,891	1,372,765	(18,126)
TOTAL REVENUES	45,486,992	45,486,992	45,986,884	499,892
EXPENDITURES				
<i>Instruction:</i>				
Regular Programs	19,832,478	19,832,478	20,060,474	(227,996)
Special Programs	7,173,104	7,173,104	7,387,963	(214,859)
Vocational Programs	2,802,235	2,802,235	2,815,997	(13,762)
Other Instructional Programs	280,103	280,103	236,365	43,738
Nonpublic School Programs	18,212	18,212	15,788	2,424
Higher Education Programs for Secondary Students	38,000	38,000	57,684	(19,684)
<i>Support Services:</i>				
Pupil Personnel Services	1,893,347	1,893,347	1,866,033	27,314
Instructional Staff Services	1,143,747	1,143,747	1,039,982	103,765
Administrative Services	2,027,304	2,027,304	2,217,530	(190,226)
Pupil Health	618,686	618,686	635,107	(16,421)
Business Services	564,291	564,291	544,338	19,953
Operation & Maint. of Plant Services	3,834,298	3,834,298	3,915,723	(81,425)
Student Transportation Services	1,619,585	1,619,585	1,832,151	(212,566)
Central and Other Support Services	1,936,590	1,936,590	1,306,731	629,859
<i>Operation of Noninstructional Services:</i>				
Student Activities	1,022,808	1,022,808	1,000,006	22,802
Community Services	26,464	26,464	10,148	16,316
Acquisition, Constr., & Improvements	585,094	585,094	3,100,040	(2,514,946)
TOTAL EXPENDITURES	45,416,346	45,416,346	48,042,060	(2,625,714)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	70,646	70,646	(2,055,176)	(2,125,822)
OTHER FINANCING SOURCES (USES)				
Debt Service	(1,173,776)	(1,173,776)	(18,111,342)	(16,937,566)
Face Value of Bonds Issued	-	-	17,095,000	17,095,000
Refund of Prior Year Revenues	-	-	(350)	(350)
Interfund Transfers In	-	1,167,300	523,427	(643,873)
Bond Discounts	-	-	(42,729)	(42,729)
Budgetary Reserve	(64,170)	(64,170)	-	64,170
TOTAL OTHER FINANCING SOURCES (USES)	(1,237,946)	(70,646)	(535,994)	(465,348)
Net Change in Fund Balances	\$ (1,167,300)	\$ -	\$ (2,591,170)	\$ (2,591,170)

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

Berwick Area School District
Other Supplementary Information
Schedule of General Fund Revenue
Budget and Actual
For the Year Ended June 30, 2019

	Final Budget Amount	Actual	Variance with Final Budget Positive (Negative)
REVENUE FROM LOCAL SOURCES			
Taxes Levied/Assessed			
Current Real Estate Taxes	\$ 15,017,052	\$ 14,293,182	\$ (723,870)
Interim Real Estate Taxes	56,231	326,439	270,208
Public Utility Realty Taxes	20,722	18,650	(2,072)
Payments in Lieu of Taxes	11,408	5,536	(5,872)
Current ACT 511 Flat Rate Assessments	48,347	44,876	(3,471)
Current ACT 511 Proportional Assessments	2,406,920	2,418,467	11,547
Delinquencies on Taxes Levied / Assessed	1,215,418	908,848	(306,570)
Earnings on Investments	90,093	322,686	232,593
Revenues from Intermediary Sources/Pass-Through	641,094	780,386	139,292
Rentals	20,000	13,282	(6,718)
Contributions and Donations from Private Sources	73,805	90,088	16,283
Tuitions from Patrons	56,293	18,566	(37,727)
Services Provided Other Local Government Units / LEAs	93,845	43,677	(50,168)
Refunds and Other Miscellaneous Revenue	15,800	260,551	244,751
TOTAL LOCAL SOURCES	19,767,028	19,545,236	(221,792)
REVENUE FROM STATE SOURCES			
Basic Education Funding	14,760,958	14,794,424	33,466
Tuition for Orphans Subsidy	55,835	50,137	(5,698)
Vocational Education	-	8,227	8,227
Special Education Funds for School-Aged Pupils	2,245,373	2,275,935	30,562
Other Program Revenues	-	3,025	3,025
Transportation	863,870	885,376	21,506
Rental and Sinking Fund Payments / Building	200,000	202,414	2,414
Health Services (Medical, Dental, Nurse, Act 125)	54,650	53,350	(1,300)
State Property Tax Reduction Allocation	1,096,556	1,096,660	104
School Safety and Security Grants	-	25,000	25,000
Ready to Learn Block Grant	549,482	549,482	-
PASmart Grants	-	26,773	26,773
State Share of Social Security and Medicare Taxes	894,346	908,698	14,352
State Share of Retirement Contributions	3,608,003	4,189,381	581,378
TOTAL STATE SOURCES	24,329,073	25,068,883	739,810
REVENUE FROM FEDERAL SOURCES			
Title I	875,000	898,514	23,514
Title II	140,947	132,321	(8,626)
Title III	11,211	11,556	345
Title IV	151,962	132,348	(19,614)
School Based Access Medicaid Reimbursement	188,552	179,204	(9,348)
Medical Assistance Reimbursement for Admin. Claiming	23,219	18,823	(4,396)
TOTAL FEDERAL SOURCES	1,390,891	1,372,765	(18,126)
OTHER FINANCING SOURCES			
Face Value of Bonds Issued	-	17,095,000	17,095,000
Special Revenue Fund Transfers	1,167,300	-	(1,167,300)
Capital Projects Fund Transfers	-	523,427	523,427
TOTAL GENERAL FUND REVENUE	\$ 46,654,292	\$ 63,605,311	\$ 16,951,019

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

Berwick Area School District
Other Supplementary Information
Schedule of General Fund Expenditures
Budget and Actual
For the Year Ended June 30, 2019

	Final Budget Amount	Actual	Variance with Final Budget Positive (Negative)
INSTRUCTION			
REGULAR PROGRAMS			
Personnel Services - Salaries	\$ 11,151,741	\$ 11,222,044	\$ (70,303)
Personnel Services - Benefits	7,881,540	7,722,443	159,097
Purchased Prof. and Tech. Services	108,000	106,852	1,148
Purchased Property Services	500	-	500
Other Purchased Services	446,023	796,965	(350,942)
Supplies	241,974	210,035	31,939
Property	2,700	-	2,700
Other Objects	-	2,135	(2,135)
TOTAL REGULAR PROGRAMS	19,832,478	20,060,474	(227,996)
SPECIAL PROGRAMS			
Personnel Services - Salaries	3,922,902	3,676,943	245,959
Personnel Services - Benefits	2,695,130	2,599,209	95,921
Purchased Prof. and Tech. Services	140,700	249,690	(108,990)
Other Purchased Services	372,505	805,561	(433,056)
Supplies	39,697	55,189	(15,492)
Other Objects	2,170	1,370	800
TOTAL SPECIAL PROGRAMS	7,173,104	7,387,963	(214,859)
VOCATIONAL EDUCATION PROGRAMS			
Personnel Services - Salaries	566,016	568,940	(2,924)
Personnel Services - Benefits	396,327	408,972	(12,645)
Purchased Prof. and Tech. Services	500	20	480
Purchased Property Services	750	595	155
Other Purchased Services	1,814,592	1,824,383	(9,791)
Supplies	24,050	13,087	10,963
TOTAL VOCATIONAL EDUCATION PROGRAMS	2,802,235	2,815,997	(13,762)
OTHER INSTRUCTIONAL PROGRAMS			
Personal Services - Salaries	179,005	144,687	34,318
Personal Services - Benefits	73,726	65,301	8,425
Purchased Prof. and Tech Services	1,200	-	1,200
Purchased Property Services	22,904	-	22,904
Other Purchased Services	-	26,350	(26,350)
Supplies	3,268	27	3,241
TOTAL OTHER INSTRUCTIONAL PROGRAMS	280,103	236,365	43,738
NONPUBLIC SCHOOL PROGRAMS			
Purchased Prof. and Tech. Services	18,212	15,788	2,424
TOTAL NONPUBLIC SCHOOL PROGRAMS	18,212	15,788	2,424
HIGHER EDUCATION PROGRAMS FOR SECONDARY STUDENTS			
Other Purchased Services	34,000	52,023	(18,023)
Supplies	4,000	5,662	(1,662)
TOTAL HIGHER EDUCATION PROGRAMS FOR SECONDARY STUDENTS	38,000	57,684	(19,684)
TOTAL INSTRUCTION	\$ 30,144,132	\$ 30,574,272	\$ (430,140)

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

Berwick Area School District
Other Supplementary Information
Schedule of General Fund Expenditures
Budget and Actual
For the Year Ended June 30, 2019

	Final Budget Amount	Actual	Final Budget Positive (Negative)
SUPPORT SERVICES			
SUPPORT SERVICES - STUDENTS			
Personnel Services - Salaries	\$ 1,117,603	\$ 1,095,755	\$ 21,848
Personnel Services - Benefits	717,674	735,039	(17,365)
Purchased Prof. and Tech. Services	41,245	26,410	14,835
Other Purchased Services	3,450	1,269	2,181
Supplies	12,875	7,360	5,515
Other Objects	500	200	300
TOTAL SUPPORT SERVICES - STUDENT	1,893,347	1,866,033	27,314
SUPPORT SERVICES - INSTRUCTIONAL STAFF			
Personnel Services - Salaries	552,101	524,002	28,099
Personnel Services - Benefits	370,370	347,667	22,703
Purchased Prof. and Tech. Services	32,700	6,565	26,135
Other Purchased Services	12,191	9,732	2,459
Supplies	174,620	151,426	23,194
Other Objects	1,765	590	1,175
TOTAL SUPPORT SERVICES- INSTRUCTIONAL STAFF	1,143,747	1,039,982	103,765
SUPPORT SERVICES - ADMINISTRATION			
Personnel Services - Salaries	1,140,361	1,169,026	(28,665)
Personnel Services - Benefits	727,703	754,211	(26,508)
Purchased Prof. and Tech. Services	98,400	150,028	(51,628)
Other Purchased Services	24,900	24,460	440
Supplies	15,900	5,788	10,112
Other Objects	20,040	114,018	(93,978)
TOTAL SUPPORT SERVICES - ADMINISTRATION	2,027,304	2,217,530	(190,226)
SUPPORT SERVICES - PUPIL HEALTH			
Personnel Services - Salaries	328,589	326,003	2,586
Personnel Services - Benefits	274,622	290,895	(16,273)
Purchased Prof. and Tech. Services	5,000	5,662	(662)
Other Purchased Services	1,750	675	1,075
Supplies	8,725	11,872	(3,147)
TOTAL SUPPORT SERVICES - PUPIL HEALTH	618,686	635,107	(16,421)
SUPPORT SERVICES - BUSINESS			
Personnel Services - Salaries	326,285	327,817	(1,532)
Personnel Services - Benefits	197,549	202,043	(4,494)
Purchased Prof. and Tech. Services	30,007	9,805	20,202
Other Purchased Services	3,450	1,476	1,974
Supplies	6,500	2,479	4,021
Other Objects	500	718	(218)
TOTAL SUPPORT SERVICES - BUSINESS	564,291	544,338	19,953

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

Berwick Area School District
 Other Supplementary Information
 Schedule of General Fund Expenditures
 Budget and Actual
 For the Year Ended June 30, 2019

	Final Budget Amount	Actual	Final Budget Positive (Negative)
OPERATION AND MAINTENANCE OF PLANT			
Personnel Services - Salaries	\$ 1,397,469	\$ 1,398,343	\$ (874)
Personnel Services - Benefits	999,739	1,010,547	(10,808)
Purchased Prof. and Tech. Services	93,500	132,131	(38,631)
Purchase Property Services	291,200	275,305	15,895
Other Purchased Services	266,140	377,599	(111,459)
Supplies	770,000	721,723	48,277
Property	15,000	-	15,000
Other Objects	1,250	75	1,175
TOTAL OPERATION AND MAINTENANCE OF PLANT	3,834,298	3,915,723	(81,425)
STUDENT TRANSPORTATION			
Personnel Services - Salaries	29,229	29,229	(0)
Personnel Services - Benefits	14,396	14,395	1
Purchased Prof. and Tech. Services	15,000	5,828	9,172
Purchased Property Services	-	8,270	(8,270)
Other Purchased Services	1,535,400	1,754,258	(218,858)
Supplies	500	500	-
Property	25,000	19,670	5,330
Other Objects	60	-	60
TOTAL STUDENT TRANSPORTATION	1,619,585	1,832,151	(212,566)
CENTRAL SERVICES			
Personnel Services - Salaries	265,834	264,056	1,778
Personnel Services - Benefits	155,721	165,450	(9,729)
Purchased Prof. and Tech. Services	255,150	194,711	60,439
Other Purchased Services	102,500	84,216	18,284
Supplies	1,157,385	598,299	559,086
TOTAL CENTRAL SERVICES	1,936,590	1,306,731	629,859
TOTAL SUPPORT SERVICES	\$ 13,637,848	\$ 13,357,595	\$ 280,253
OPERATION OF NON-INSTRUCTIONAL SERVICES			
STUDENT ACTIVITIES			
Personnel Services - Salaries	\$ 426,205	\$ 416,512	\$ 9,693
Personnel Services - Benefits	177,180	168,597	8,583
Purchased Prof. and Tech. Services	178,603	206,177	(27,574)
Purchased Property Services	28,875	10,481	18,394
Other Purchased Services	97,200	97,877	(677)
Supplies	98,239	88,133	10,106
Other Objects	16,506	12,227	4,279
TOTAL STUDENT ACTIVITIES	1,022,808	1,000,006	22,802
COMMUNITY SERVICES			
Personnel Services - Salaries	9,840	-	9,840
Personnel Services - Employee Benefits	4,041	-	4,041
Purchased Prof. and Tech. Services	3,700	1,361	2,339
Supplies	8,883	8,787	96
TOTAL COMMUNITY SERVICES	26,464	10,148	16,316
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	\$ 1,049,272	\$ 1,010,153	\$ 39,119

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

Berwick Area School District
 Other Supplementary Information
 Schedule of General Fund Expenditures
 Budget and Actual
 For the Year Ended June 30, 2019

	Final Budget Amount	Actual	Final Budget Positive (Negative)
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES			
Purchased Prof. and Tech. Services	\$ 585,094	\$ 2,914,154	\$ (2,329,060)
Purchased Property Services	-	80,903	(80,903)
Supplies	-	10,257	(10,257)
Property	-	94,726	(94,726)
TOTAL FACILITIES ACQ., CONST. & IMPROV.	\$ 585,094	\$ 3,100,040	\$ (2,514,946)
OTHER EXPENDITURES AND FINANCING USES			
DEBT SERVICES / OTHER EXPENDITURES AND FINANCING USES			
Other Objects	\$ 422,501	\$ 418,225	\$ 4,276
Other Uses of Funds	751,275	17,736,196	(16,984,921)
TOTAL DEBT SERVICE/OTHER EXPENDITURES & FINANCING USES	1,173,776	18,154,422	(16,980,646)
BUDGETARY RESERVE			
Other Objects	64,170	-	64,170
TOTAL BUDGETARY RESERVE	64,170	-	64,170
TOTAL OTHER EXPENDITURES AND FINANCING USES	\$ 1,237,946	\$ 18,154,422	\$ (16,916,476)
TOTAL GENERAL FUND EXPENDITURES	\$ 46,654,292	\$ 66,196,482	\$ (19,542,190)

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

**BERWICK AREA SCHOOL DISTRICT
JUNE 30, 2019**

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, 2019

ASSETS

Cash	\$	13,769,688
Investments		-
Taxes Receivable, net		1,089,205
Due from Other Funds		2,596,535
Due from Other Governments		-
Other Receivables		439,730
Inventories		23,929
		<hr/>
TOTAL ASSETS		17,919,087

DEFERRED OUTFLOWS OF RESOURCES

-

**TOTAL ASSETS & DEFERRED
OUTFLOWS OF RESOURCES**

\$ 17,919,087

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

LIABILITIES

Accounts Payable	\$	3,468,826
Accrued Salaries and Benefits		1,493,699
Payroll Deductions and Withholdings		387,762
Unearned Revenues		21,025
		<hr/>
TOTAL LIABILITIES		5,371,312

DEFERRED INFLOWS OF RESOURCES

925,150

FUND BALANCE

Nonspendable		23,929
Committed		9,937,871
Unassigned		1,660,825
		<hr/>
TOTAL FUND BALANCE		11,622,625

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

\$ 17,919,087

Berwick Area School District
Expanded Statement of Revenues, Expenditures Changes in Fund Balances
General Fund
For the Year Ended June 30, 2019

REVENUE	
Local Sources	\$ 19,545,236
State Sources	25,068,883
Federal Sources	<u>1,372,765</u>
TOTAL REVENUE	45,986,884
EXPENDITURES	
INSTRUCTION	
Regular Programs	20,060,474
Special Programs	7,387,963
Vocational Education Programs	2,815,997
Other Instructional Programs	236,365
Nonpublic School Programs	15,788
Higher Education Programs for Secondary Students	<u>57,684</u>
TOTAL INSTRUCTION	30,574,272
SUPPORT SERVICES	
Pupil Personnel	1,866,033
Instructional Staff	1,039,982
Administration	2,217,530
Pupil Health	635,107
Business	544,338
Operation and Maintenance of Plant	3,915,723
Student Transportation	1,832,151
Central Services	<u>1,306,731</u>
TOTAL SUPPORT SERVICES	13,357,595
OPERATION OF NONINSTRUCTIONAL SERVICES	
Student Activities	1,000,006
Community Services	10,148
Scholarships and Awards	-
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	<u>1,010,153</u>
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENTS	
Site Acquisition Services	9,571
Existing Site Improvement Services	488,396
Other Purchased Professional and Technical Services	1,731,710
Building Acquisition and Construction Service	43,500
Existing Building Improvement Services	<u>826,864</u>
TOTAL FACILITIES ACQ., CONST. AND IMPROV.	3,100,040
TOTAL EXPENDITURES	<u>48,042,060</u>
EXCESS OF REVENUES OVER EXPENDITURES	(2,055,176)
OTHER FINANCING SOURCES (USES)	
Interfund Transfers in	523,427
Refund of Prior Year Revenues / Receipts	(350)
Face Value of Bonds Issued	17,052,271
Debt Service	<u>(18,111,342)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(535,994)
NET CHANGE IN FUND BALANCE	(2,591,170)
FUND BALANCE - July 1, 2018, Restated	14,213,795
FUND BALANCE - June 30, 2019	<u><u>\$ 11,622,625</u></u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berwick Area School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 20, 2020.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying Schedule and Finding and Questions Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

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

The Berwick Area School District's Response to Findings

The District's Response to the deficiency identified in our audit is described in the accompanying Management's Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Klacik & Associates, P.C.

Shamokin, Pennsylvania
April 20, 2020

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 the Berwick Area School District's (the District) compliance with the types of compliance requirements described in the *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, 2019. 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, 2019.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 have not been 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.

Klavick & Associates, P.C.

Shamokin, Pennsylvania

April 20, 2020

BERWICK AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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 6/30/18	REVENUE RECOGNIZED	FEDERAL EXPENDITURES	REVENUE AT 6/30/19
U.S. DEPARTMENT OF EDUCATION									
Passed through Pennsylvania Department of Education:									
Title I Grants to Local Educational Agencies	84.010	013-19-0032	\$ 892,630	7/1/18 - 9/30/20	\$ 700,110	\$ -	\$ 858,740	\$ 858,740	\$ 158,630
Title I Grants to Local Educational Agencies	84.010	013-18-0032	810,604	7/1/17 - 9/30/19	118,496	86,432	32,064	32,064	-
Title I Subtotal					818,606	86,432	890,804	890,804	158,630
Twenty-First Century Community Learning Grants	84.287	N/A		10/1/18 - 9/30/19	57,472	-	68,621	68,621	11,149
Twenty-First Century Community Learning Grants	84.287	N/A	132,000	10/1/17 - 9/30/18	17,439	17,439	-	-	-
Twenty-First Century Community Learning Grants Subtotal					74,911	17,439	68,621	68,621	11,149
English Language Acquisition State Grants	84.365	010-19-0032	11,556	7/1/18 - 09/30/19	8,254	-	11,556	11,556	3,302
English Language Acquisition State Grants	84.365	010-18-0032	11,211	7/1/17 - 09/30/18	1,600	1,600	-	-	-
English Language Acquisition State Grants Subtotal					9,854	1,600	11,556	11,556	3,302
Title II Improving Teacher Quality	84.367	020-19-0032	137,046	7/1/18 - 09/30/19	127,174	-	137,046	137,046	9,872
Title II Improving Teacher Quality	84.367	020-18-0032	140,947	7/1/17 - 09/30/18	15,562	13,778	1,784	1,784	-
Title II Improving Teacher Quality Subtotal					142,736	13,778	138,830	138,830	9,872
Title IV Student Support and Academic Enrichment	84.424	144-19-0032	63,728	8/15/18 - 9/30/19	54,624	-	63,728	63,728	9,104
Title IV Student Support and Academic Enrichment	84.424	144-18-0032	19,962	8/15/17 - 9/30/18	4,278	4,278	-	-	-
Title IV Student Support and Academic Enrichment Subtotal					58,902	4,278	63,728	63,728	9,104
Passed through Central Susquehanna Intermediate Unit:									
Special Education - Grants to States (IDEA, Part B)	84.027	062-19-0-016	628,124	7/1/18 - 6/30/19	276,198	-	628,124	628,124	351,925
Special Education - Grants to States (IDEA, Part B)	84.027	062-18-0-016	657,707	7/1/17 - 6/30/18	380,247	380,247	-	-	0
Special Education - (IDEA, Part B) Subtotal					656,445	380,247	628,124	628,124	351,926
Special Education - Grants to States (IDEA, Preschool)	84.173	131-19-0016	7,280	7/1/18 - 6/30/19	-	-	7,174	7,174	7,174
Special Education - Grants to States (IDEA, Preschool)	84.173	131-18-0016	10,710	7/1/17 - 6/30/18	10,631	10,631	-	-	0
Special Education - Grants to States (IDEA, Preschool) Subtotal					10,631	10,631	7,174	7,174	7,174
IDEA Cluster Subtotal					667,076	390,878	635,298	635,298	359,100
TOTAL U.S. DEPARTMENT OF EDUCATION					1,772,085	514,405	1,808,836	1,808,836	551,157
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed through Pennsylvania Department of Human Services:									
Medical Assistance Program (ACCESS Title XIX)									
Administration Reimbursement (MAC)	93.778	N/A	N/A	10-01-18/09-30-19	3,333	-	18,823	18,823	15,489
Medical Assistance Program (ACCESS Title XIX)									
Administration Reimbursement (MAC)	93.778	N/A	N/A	10-01-17/09-30-18	18,538	18,538	-	-	-
Medical Assistance Program (ACCESS Title XIX) Subtotal					21,871	18,538	18,823	18,823	15,489
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					\$ 21,871	\$ 18,538	\$ 18,823	\$ 18,823	\$ 15,489

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, 2019

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 6/30/18	REVENUE RECOGNIZED	FEDERAL EXPENDITURES	REVENUE AT 6/30/19
U.S. DEPARTMENT OF AGRICULTURE									
Passed through Pennsylvania Department of Education:									
Fresh Fruit and Vegetables Program	10.582	116-19-1103	\$ 63,418	10/1/17 - 6/30/18	\$ 1,068	\$ 1,068	\$ -	\$ -	\$ -
Fresh Fruit and Vegetables Program Subtotal					1,068	1,068	-	-	-
School Breakfast Program (SBP)	10.553	365/367-0000	N/A	7/1/18 - 6/30/19	188,964	-	194,763	194,763	5,800
School Breakfast Program (SBP)	10.553	365/367-0000	N/A	7/1/17 - 6/30/18	25,147	25,147	-	-	-
School Breakfast Program (SBP) Subtotal					214,110	25,147	194,763	194,763	5,800
National School Lunch Program (NSLP)	10.555	362	N/A	7/1/18 - 6/30/19	895,870	-	920,339	920,339	24,469
National School Lunch Program (NSLP)	10.555	362	N/A	7/1/17 - 6/30/18	105,181	105,181	-	-	-
National School Lunch Program (NSLP) Subtotal					1,001,051	105,181	920,339	920,339	24,469
Passed through Pennsylvania Department of Agriculture:									
Value of USDA Commodities	10.555	2-03-40-600	N/A	7/1/18 - 6/30/19	85,306 (D.)	(29,713) (D.)	89,384	89,384 (C.)	(25,636) (D.)
Child Nutrition Cluster Subtotal					1,300,468	100,615	1,204,486	1,204,486	4,633
TOTAL U.S. DEPARTMENT OF AGRICULTURE					1,301,536	101,683	1,204,486	1,204,486	4,633
TOTAL FEDERAL AWARDS					\$ 3,095,492	\$ 634,625	\$ 3,032,145	\$ 3,032,145	\$ 571,279

Code Legend

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

Footnote 1: IDEA Cluster per the advisement of PDE to management has been included in local sources of revenue in the amount \$635,298.

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, 2019

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, 2019. 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, 2019 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 August 2019.

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 Type A program audited as major for coverage was the Child Nutrition Cluster. The amount expended under the program audited as a major federal program for the year ended June 30, 2019, totaled \$1,204,487 or 40% of total federal awards expended.

5. MEDICAL ASSISTANCE

Access reimbursement received under CFDA #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.

BERWICK AREA SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019

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)? yes X 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>
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? X yes no

BERWICK AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II – Financial Statement Findings

A. Material Weakness in Internal Control

Finding 2019-001 Financial Statement Adjustments and Presentation

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

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

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

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

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

Effect: The District’s financial position and financial activity as of and for the year ended June 30, 2019, were not properly stated until the adjustments were posted to the general ledger.

BERWICK AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II – Financial Statement Findings (Continued)

Finding 2019-001 Financial Statement Adjustments and Presentation (Continued)

Questioned Costs: Unknown

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

Prior Year Finding: Yes, see Finding 2018-001

**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, 2019

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 2019-001

Financial Statement Adjustments and Presentation

MANAGEMENT RESPONSE:

The Berwick Area School District agrees with the finding. During the audit period, upon discovery of improper automatic posting and mapping of accounts in the District's financial accounting system, resulting in a duplicated liability balance, the District immediately made the corrections. The corrections made to the liability accounts in question resulted in the restatement of the District's financials. The District's liability for future years will be properly reflected as a result of the changes made and it is anticipated this will not occur again.

During the last three audit engagements, The School District implemented significant changes, to its internal processes and financial accounting system to ensure compliance in accordance with GAAP and Pennsylvania Department of Education's standards. The Business Office will continue to 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.

INDIVIDUAL RESPONSIBLE:

Superintendent, Business Manager

ANTICIPATED COMPLETION DATE:

October 31, 2019

BERWICK AREA SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

**Finding 2018-001 INTERNAL CONTROL DEFICIENCY OVER PREPARATION OF THE
FINANCIAL STATEMENTS – SIGNIFICANT DEFICIENCY**

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

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

Conclusion: Finding unresolved; finding increased to a material weakness.
See finding 2019-001.