

SCHOOL DISTRICT
OF

BERLIN BOROUGH



Berlin Borough Board of Education
Berlin, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

**Comprehensive Annual
Financial Report**

of the

Berlin Borough Board of Education

Berlin, New Jersey

For the Fiscal Year Ended June 30, 2015

**Prepared by
Berlin Borough Board of Education
Finance Department**

BERLIN BOROUGH SCHOOL DISTRICT

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Introductory Section



BERLIN BOROUGH SCHOOL DISTRICT
"Where Students Discover Their Potential"



Mrs. Kristen Martello
Interim Superintendent

Mr. Frank Domin
Business Administrator

November 27, 2015

Honorable President and
Members of the Board of Education
Berlin Borough School District
215 S. Franklin Ave
Berlin, New Jersey 08009

The comprehensive annual financial report of the Berlin Borough School District for the fiscal year ended June 30, 2015 is hereby submitted. This CAFR includes the District's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section included the transmittal letter, the District's organizational chart and a list of principle officials. The financial section included the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Not for Profit Organizations" and the State Treasury Circular Letter 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the auditor's report on the regulations, and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

Berlin Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by the National Council on Governmental Accounting (NCGA) Statement # 3, which defines governmental reporting entities. All funds and account groups of the District are included in this report. The Berlin Borough Board of Education and all its school buildings constitute the District's reporting entity. The school district consists of one school the Berlin Community School. The District provides a full range of educational services appropriate to grade level PSD/K through 8. These include regular as well as special education for handicapped youngsters. The District completed the 2014-2015 school year with an enrollment of 862 students as of June 30, 2015. The following details the changes in the student enrollment of the District over the last ten years.

AVERAGE DAILY ENROLLMENT

Fiscal Year	Student Enrollment	Percent Change
2014-2015	862	-1.01
2013-2014	871	- 2.3
2012-2013	891	+2.89
2011-2012	866	+1.29
2010-2011	855	+2.33
2009-2010	835	+2.45
2008-2009	815	-1.92
2007-2008	831	+2.70
2006-2007	809	- .97
2005-2006	817	+3.55

2) ECONOMIC CONDITION AND OUTLOOK

2012 - Berlin Borough had 7,606 inhabitants in a 3.6 square mile semi-rural, part farming and residential community. It had experienced a period of greatly increased housing development which is reflected in a 19% (1,457) population increase from the 2000 census. An additional 471 unit apartment complex has been approved but economic and legal issues have it stalled. It is expected that if this project comes to fruition it will encourage an increase in business activity and student enrollment. The district will need additional classroom space and is reviewing its needs for an additional building.

3) MAJOR INITIATIVES

CURRICULUM

- ELA Curriculum Aligned to Common Core Standards
 - o Purchase of additional ELA materials grades K to 8
 - o Professional development for staff in ELA curriculum
 - o Program use of Reading Eggs, LLI, Read 180, Systems 44 and Benchmark System
- Moving forward into fifth year of Professional Learning Communities
 - o Staff and administration attended Assessment for Learning Institute
 - o Schedule was created to facilitate Re-enforcement and Enrichment
- Embedding technology in the classroom - everyday
 - o Grades K-8 utilizing mini-Dell lap-top computers
 - o New work stations for all staff members
 - o Wireless educational environment
- PARCC
 - o Increase bandwidth both internally as well as externally (up/down), continue to maintain and upgrade switches and servers.
 - o New computers for students, 55 more, to be PARCC compliant
 - o All computers that are PARCC ready have dedicated Ethernet line
- Continuation of Measuring for Academic Progress(MAP) assessment program

- Articulation with Eastern Regional High School through OnCourse Curriculum Builder initiative
 - o All accessible curriculum online, which can also be analyzed
 - o Develop curriculum community with Eastern and Gibbsboro Schools
- Library resources expanded through implementation of Lexile system
- Expansion of communication to all stakeholders via website, Instant Alert and Parent Portal and Remind101
- Development of Character Education program
 - o Awarded National School of Character
 - o Minute to Win It Celebrations
 - o Service Learning
- Improve on ACHIEVENJ, teacher evaluation mandate
 - o Subscribe to Teachscape to virtual platform
 - o Provide teachers with professional development in teacher practice rubrics
 - o Provide Evaluators with professional development and certification that exceeds Proof of Mastery

TECHNOLOGY - Each year the district continues its' five year computer upgrade and replacement program and is committed to integrating technology throughout the curriculum as our students learn the skills needed to be successful as twenty-first century learners. A fully equipped computer lab supports technology instruction and every classroom is equipped with state of the art SMART board technology. Mini dell computer stations are in each kindergarten through eighth grade classrooms. The district has begun a 1:1 I-Pad initiative this school year with the purchase 120 I-Pads for one grade level.

CONSTRUCTION - A renovated media center with two classrooms and 68 additional computers was completed in September 2014. Part three of a multi-year partial roof replacement is waiting local funding. The Community School's \$7,592,995, 41,915 square foot building addition that included 12 instructional classrooms, 2 special education classrooms, 1 art room, 1 vocal music classroom, new gymnasium, expanded cafeteria, central office space and expanded parking facilities is now ten years old and is almost outgrown due to continued building in the community. The district will be minding the approval process for the 471 unit apartment complex which comes with the anticipated enrollment increase and the need for an additional building.

4) INTERNAL ACCOUNTING CONTROLS

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, by not absolute, assurance that these objectives are met. The concept of reasonable assurances recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws

and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District Management.

As a result of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriate budget approved by the voters of the municipality. Annual appropriate budget are adopted for the general fund and the special revenue fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservation of funds balance at June 30, 2015.

6) ACCOUNTING SYSTEM AND REPORTS

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note # 1.

7) CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9) OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Inverso & Stewart, LLC was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Berlin Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

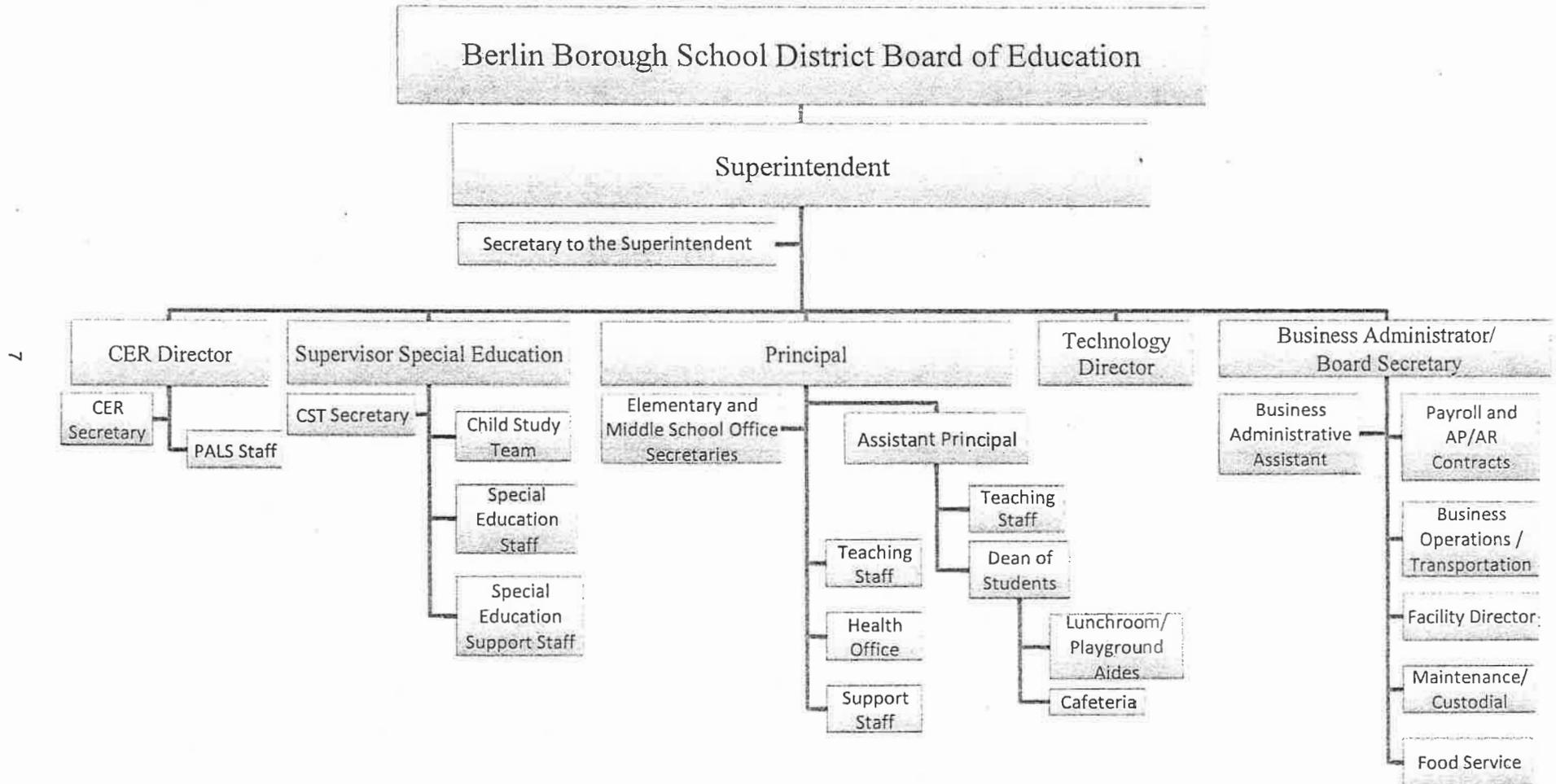


Kristen Martello
Chief School Administrator



Frank J. Domin Jr
Business Administrator

Berlin Borough Board of Education Organizational Chart (Unit Control)



*Berlin Borough Board of Education
Policy 1110: Organizational Chart
Adopted: January 20, 2011*

**BERLIN BOROUGH BOARD OF EDUCATION
BERLIN, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2015**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Nicholas C. Guerere, President	2015
Dennis Quinn, Vice-President	2016
Susan Bobb	2016
Kristin Braidwood	2015
Karen Costanzo	2017
Kristine Height	2017
Rebecca Holland	2016
Francine Viscome	2017
Linda Welte	2015

Other Officials

Anthony Trongone, Superintendent
Frank Domin, Board Secretary &
School Business Administrator
Schwartz Simon Edelstein Celso & Kessler
LLP, Solicitor

**BERLIN BOROUGH SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Inverso & Stewart, LLC
651 Route 73 North, Suite 402
Marlton, NJ 08053

Attorney

Schwartz Simon Edelstein Celso & Kessler, LLP
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Florham Park, NJ 07932

Architect

Garrison Architects
713 Creek Road
Bellmawr, NJ 08031

Bond Counsel

Parker McCay P.A.
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Mount Laurel, NJ 08054

Official Depository

TD Bank
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Berlin, NJ 08009

Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

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-Member of-
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New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
of the Board of Education
Berlin Borough School District
County of Camden
Berlin, New Jersey

Report on the Financial Statements

I 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 Berlin Borough School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit 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 in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Berlin Borough School District, in the County of Camden, State of New Jersey, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during the fiscal year ended June 30, 2015, the School District adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berlin Borough School District's basic financial statements. The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey OMB's Circular 04-04 and/or 15-08, as applicable, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying combining statements and related major fund supporting statements and schedules and Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 27, 2015 on my consideration of the Berlin Borough School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Berlin Borough School District's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
November 27, 2015

INVERSO & STEWART, LLC
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 New Jersey Society of CPAs

**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***

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
 of the Board of Education
 Berlin Borough School District
 County of Camden
 Berlin, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued my report thereon dated November 27, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Berlin Borough School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Berlin Borough School 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Berlin Borough School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
November 27, 2015

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Berlin Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

As management of the Board of Education of the Berlin Borough School District in Berlin New Jersey, we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The liabilities of the School District exceeded its assets at the close of the most recent fiscal year by \$2,235,553 (*net position*).
- Governmental activities have an unrestricted net position deficit of \$2,786,706. The accounting treatments in the governmental funds for compensated absences payable, and the last two state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net position of the School District increased by \$268,266 or a 107.14% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds decreased by \$100,287 resulting in an ending fund balance of \$1,007,414. This decrease is largely due to the results of operations in the General Fund.
- Business-type activities have an unrestricted net position of \$284,006, which may be used to meet the School District's ongoing obligations of the food service and community education and recreation operations.
- The School District's long-term obligations decreased by \$331,141 which is the result of the reduction of certificates of participation, serial bond debt, capital leases, and compensated absences.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The district-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information about all of the School District's assets and liabilities. The difference between the assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all or most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities include the Food Service Fund and the Community Education Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

Proprietary funds are used to present the same functions as the business-type activities presented in the district-wide financial statements. The School District maintains two types of proprietary funds - the Enterprise Fund and the Internal Service Fund. The fund financial statements of the enterprise and internal service funds provide the same information as the district-wide financial statements, only in more detail.

The School District's two enterprise funds (Food Service Fund and the Community Education Fund) are listed individually and are considered to be major funds. The School District's internal service fund (Shared Services Fund) is also listed individually and is considered a major fund.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the School District's program.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains other supplementary information and schedules required by the New Jersey Audit Program, issued by the New Jersey Department of Education.

District-wide Financial Analysis

The assets of the School District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the School District. The majority of the current assets are the results of the tax levy and state aid collection process.

Capital assets are used in the operations of the School District. These assets are land, buildings, improvements, equipment and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2016. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2016.

The liabilities of the primary government activities exceeded the assets by \$2,540,909 with an unrestricted deficit balance of \$2,786,706. The net position of the primary government does not include internal balances.

A deficit net investment of \$868,697 in land, improvements, buildings, equipment and vehicles provides the services to the School District's 862 public school students. A balance of \$278,637 has been restricted for future capital projects, \$444,534 has been restricted for repayment of debt, and \$391,323 has been restricted for future budget appropriation.

As mentioned earlier, deficit unrestricted net position is primarily due to the accounting treatment for compensated absences payable and the June state aid payments, and state statutes that prohibit school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

**Berlin Borough School District
Comparative Summary of Net Position
As of June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		District-Wide	
	2015	2014	2015	2014	2015	2014
Assets:						
Current assets	\$ 1,064,976	\$ 1,183,273	\$ 295,087	\$ 218,713	\$ 1,360,063	\$ 1,401,986
Capital assets	3,649,860	3,710,495	21,350	18,983	3,671,210	3,729,478
Total assets	4,714,836	4,893,768	316,437	237,696	5,031,273	5,131,464
Deferred Outflow of Resources	154,137				154,137	
Liabilities:						
Current Liabilities	791,061	729,704	11,081	13,440	802,142	743,144
Noncurrent Liabilities	6,384,521	4,761,642			6,384,521	4,761,642
Total liabilities	7,175,582	5,491,346	11,081	13,440	7,186,663	5,504,786
Deferred Inflows of Resources	234,300				234,300	
Net position	\$ (2,540,909)	\$ (597,578)	\$ 305,356	\$ 224,256	\$ (2,235,553)	\$ (373,322)
Net position consist of:						
Invested in						
Capital Assets	\$ (868,697)	\$ (1,177,849)	\$ 21,350	\$ 18,983	\$ (847,347)	\$ (1,158,866)
Restricted	1,114,494	1,212,805			1,114,494	1,212,805
Unrestricted	(2,786,706)	(632,534)	284,006	205,273	(2,502,700)	(427,261)
Net position	\$ (2,540,909)	\$ (597,578)	\$ 305,356	\$ 224,256	\$ (2,235,553)	\$ (373,322)

Berlin Borough School District
Comparative Schedule of Changes in Net Position
As of and for the Fiscal Year Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		District-Wide	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues						
Charges for services			\$ 573,515	\$ 564,252	\$ 573,515	\$ 564,252
Operating grants and Contributions	\$ 1,783,508	\$ 1,598,477	115,503	104,941	1,899,011	1,703,418
Capital grants and Contributions						
General Revenues:						
Property Taxes	7,227,069	7,053,022			7,227,069	7,053,022
Unrestricted State Aid	3,664,322	3,642,543			3,664,322	3,642,543
Other Revenues	31,947	72,525		131	31,947	72,656
Total Revenues	12,706,846	12,366,567	689,018	669,324	13,395,864	13,035,891
Expenses:						
Governmental Activities:						
Instruction	5,376,418	5,278,890			5,376,418	5,278,890
Tuition	103,224	114,569			103,224	114,569
Related Services	1,165,228	1,180,791			1,165,228	1,180,791
Administrative Services	735,460	717,789			735,460	717,789
Central Services	321,746	241,906			321,746	241,906
Operations and Maintenance	1,062,805	2,145,263			1,062,805	2,145,263
Transportation	328,177	308,691			328,177	308,691
Employee benefits	3,174,865	2,801,185			3,174,865	2,801,185
Charter School						
Interest on long-term Debt	192,129	212,732			192,129	212,732
Other	59,628	75,494			59,628	75,494
Business-Type Activities:						
Community Education			239,573	255,403	239,573	255,403
Shared Services			109,833	126,991	109,833	126,991
Food Service Operations			258,512	285,609	260,879	285,609
Total Expenses	12,519,680	13,077,310	607,918	668,003	13,127,598	13,745,313
Change in net position						
Before transfers	187,166	(710,743)	81,100	1,321	268,266	(709,422)
Transfers						
Changes in net position	187,166	(710,743)	81,100	1,321	268,266	(709,422)
Net position (restated), July 1,	(2,728,075)	113,165	224,256	222,935	(2,503,819)	336,100
Net position, June 30,	\$ (2,540,909)	\$ (597,578)	\$ 305,356	\$ 224,256	\$ (2,235,553)	\$ (373,322)

Governmental Activities

Governmental activities increased the net position of the School District by \$187,166 during the current fiscal year. Key elements of the net increase for governmental activities are as follows:

- Results of operations in the governmental funds decreased \$100,287. Depreciation expense of \$622,505. Reduction of debt in the amount of \$331,141.

Business-type Activities

Business-type activities increased the School District's net position by \$78,733. Key elements of the increase in net position for business-type activities are as follows:

- The Community Education and Recreation Fund had a net gain of \$49,291 and the Food Service Fund had a net gain of \$31,809.

Financial Analysis of the Governmental Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$1,007,414, a decrease of \$100,287 in comparison with the prior year. Most of this decrease is the results of operations in the General Fund.

The unassigned fund balance for the School District at the end of the fiscal year includes a combination of (\$107,080) in the General Fund, \$96,637 in the Capital Projects Fund, and \$1,574 in the Debt Service Fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed, 1) \$180,340 reserved for future budget appropriation in accordance with state statute, 2) \$182,000 reserved for capital projects, 3) \$50,000 reserved for maintenance, 4) \$162,560 reserved for excess surplus, and 5) \$441,383 as restricted for debt service reserve.

The general fund is the chief operating fund of the School District. As discussed earlier, the balance in the unreserved fund balance is due, primarily, to the accounting treatment of the last state aid payment as discussed in Note 14 of the notes to the basic financial statements, and state statutes that prohibit New Jersey school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance.

General Fund Budgetary Highlights

The final amended budget remained the same as the original budget.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$251,392 while total fund balance (budgetary basis) was \$824,715. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$11,546,802. Unassigned fund balance (budgetary basis) represents 2.18% of expenditures while total fund balance (budgetary basis) represents 7.14% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totaled \$3,671,210 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$58,268, or a 1.56% decrease. The decrease is due to depreciation expense.

Capital Asset (net of accumulated depreciation) June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		District-Wide	
	2015	2014	2015	2014	2015	2014
Land	\$ 400,000	\$ 400,000			\$ 400,000	\$ 400,000
Site Improvements	101,722	119,556			101,722	119,556
Buildings and Building Improvements	2,863,597	2,890,228			2,863,597	2,890,228
Equipment	284,541	300,711	\$ 21,350	\$ 18,983	305,891	319,694
Total	\$ 3,649,860	\$ 3,710,495	\$ 21,350	\$ 23,992	\$ 3,671,210	\$ 3,729,478

Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

Long-term debt – During the fiscal year ended June 30, 2015, the School District had \$3,085,000 in serial bonds payable, \$1,210,000 in certificates of participation payable, \$223,557 in capital leases payable, and \$493,293 in compensated absences.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$22,315,523. The available amount as of June 30, 2015 is \$19,230,523.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2015-16 fiscal year.

- For 2015-16 fiscal year the School District will be receiving an increase in state aid. The local tax levy in the General Fund increased by \$193,589 or 2.93%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2015-16 General Fund Budget is \$166,318 more than the previous year or a 1.56% increase. The tax rate for 2015 is 99.0 cents which is a 3.3 cent increase from the previous year.

For the Future

The Berlin Borough School District is in very good financial condition presently. However, a major concern is maintaining aging buildings of the district with an increased reliance on local property taxes as state aid has remained stagnant. Berlin Borough is primarily a residential community, with few large ratables; thus the burden is focused on homeowners to share the tax burden.

In conclusion, the Berlin Borough School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Berlin Borough School District Business Administrator, 215 S. Franklin Ave, Berlin, New Jersey 08009.

Basic Financial Statements

District-Wide Financial Statements

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 646,815	\$ 279,916	\$ 926,731
Receivables, net	236,161	6,686	242,847
Inventory		8,485	8,485
Restricted assets:			
Restricted cash and cash equivalents	182,000		182,000
Capital assets, net (Note 5)	<u>3,649,860</u>	<u>21,350</u>	<u>3,671,210</u>
Total assets	<u>4,714,836</u>	<u>316,437</u>	<u>5,031,273</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources from pensions	<u>154,137</u>		<u>154,137</u>
LIABILITIES:			
Intergovernmental payable:			
State	57,562		57,562
Unearned revenue		11,081	11,081
Accrued interest	63,984		63,984
Noncurrent liabilities:			
Due within one year	669,515		669,515
Due beyond one year	4,342,335		4,342,335
Net pension liability	<u>2,042,186</u>		<u>2,042,186</u>
Total liabilities	<u>7,175,582</u>	<u>11,081</u>	<u>7,186,663</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of resources from pensions	<u>234,300</u>		<u>234,300</u>
NET POSITION:			
Net investment in capital assets	(868,697)	21,350	(847,347)
Restricted for:			
Debt Service Fund	444,534		444,534
Capital Projects	278,637		278,637
Other Purposes	391,323		391,323
Unrestricted	<u>(2,786,706)</u>	<u>284,006</u>	<u>(2,502,700)</u>
Total net position	<u>\$ (2,540,909)</u>	<u>\$ 305,356</u>	<u>\$ (2,235,553)</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 3,875,837	\$ -	\$ 181,474	\$ -	\$ (3,694,363)	\$ -	\$ (3,694,363)
Special education	1,341,585		148,086		(1,193,499)		(1,193,499)
Other instruction	158,996				(158,996)		(158,996)
Support Services:							
Tuition	103,224				(103,224)		(103,224)
Student & instruction related services	1,165,228		159,843		(1,005,385)		(1,005,385)
General administrative services	336,984				(336,984)		(336,984)
School administrative services	398,476				(398,476)		(398,476)
Central services	321,746				(321,746)		(321,746)
Plant operations and maintenance	1,062,805				(1,062,805)		(1,062,805)
Pupil transportation	328,177				(328,177)		(328,177)
Employee benefits	3,174,865		1,145,463		(2,029,402)		(2,029,402)
Interest on long-term debt	192,129		148,642		(43,487)		(43,487)
Unallocated depreciation	59,628				(59,628)		(59,628)
Total governmental activities	<u>12,519,680</u>		<u>1,783,508</u>		<u>(10,736,172)</u>		<u>(10,736,172)</u>
Business-type activities:							
Community Education and Recreation	239,573	288,864				49,291	49,291
Food service	258,512	174,818	115,503			31,809	31,809
Shared Services	109,833	109,833					
Total business-type activities	<u>607,918</u>	<u>573,515</u>	<u>115,503</u>			<u>81,100</u>	<u>81,100</u>
Total primary government	<u>\$ 13,127,598</u>	<u>\$ 573,515</u>	<u>\$ 1,899,011</u>	<u>-</u>	<u>\$ (10,736,172)</u>	<u>\$ 81,100</u>	<u>\$ (10,655,072)</u>
General revenues:							
Taxes:							
					6,608,384		6,608,384
					618,685		618,685
					3,664,322		3,664,322
					1,574		1,574
					30,373		30,373
					<u>10,923,338</u>		<u>10,923,338</u>
					<u>187,166</u>	<u>81,100</u>	<u>268,266</u>
					<u>(2,728,075)</u>	<u>224,256</u>	<u>(2,503,819)</u>
					<u>\$ (2,540,909)</u>	<u>\$ 305,356</u>	<u>\$ (2,235,553)</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Fund Financial Statements

BERLIN BOROUGH SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

ASSETS	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 139,471	\$ 57,562	\$ 446,631	\$ 3,151	\$ 646,815
Receivables, net	24,011	3,650	204,000		231,661
Interfund receivables, net	120,761				120,761
Restricted cash and cash equivalents	182,000				182,000
Total assets	\$ 466,243	\$ 61,212	\$ 650,631	\$ 3,151	\$ 1,181,237
LIABILITIES AND FUND BALANCES					
Liabilities:					
Intergovernmental payable:					
State		57,562			57,562
Interfund payables		3,650	112,611		116,261
Total liabilities		61,212	112,611		173,823
Fund Balances:					
Restricted Fund Balance:					
Reserved excess surplus - designated for subsequent year's expenditures	177,073				177,073
Reserve for excess surplus	162,560				162,560
Maintenance reserve	50,000				50,000
Capital reserve	182,000				182,000
Debt service reserve			441,383		441,383
Assigned Fund Balance:					
Designated for subsequent year's expenditures	1,690			1,577	3,267
Unassigned Fund Balance	(107,080)		96,637	1,574	(8,869)
Total fund balances	466,243		538,020	3,151	1,007,414
Total liabilities and fund balances	\$ 466,243	\$ 61,212	\$ 650,631	\$ 3,151	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$15,765,122 and the accumulated depreciation is \$12,115,262. 3,649,860

Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds. (63,984)

The District's proportionate share of net pension assets and liabilities as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Deferred Outflows of resources from Pensions	154,137	
Net Pension Liability	(2,042,186)	
Deferred Inflows of resources from Pensions	(234,300)	(2,122,349)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (5,011,850)

Net position of governmental activities \$ (2,540,909)

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$ 6,608,384	\$ -	\$ -	\$ 618,685	\$ 7,227,069
Tuition	15,957				15,957
Miscellaneous	14,416		1,574		15,990
Total revenues-local sources	6,638,757		1,574	618,685	7,259,016
Local sources					
State sources	4,809,785	192,833		148,642	5,151,260
Federal sources		296,570			296,570
Total revenues	11,448,542	489,403	1,574	767,327	12,706,846
EXPENDITURES:					
Current expense:					
Regular instruction	3,647,460	181,474			3,828,934
Special education instruction	1,193,499	148,086			1,341,585
Other instruction	158,996				158,996
Support services and undistributed costs:					
Tuition	103,224				103,224
Student & instruction related services	1,005,385	159,843			1,165,228
General administrative services	308,124				308,124
School administrative services	398,476				398,476
Central services	321,746				321,746
Plant operations and maintenance	638,523				638,523
Pupil transportation	328,177				328,177
Unallocated employee benefits	3,183,013				3,183,013
Capital outlay	260,179				260,179
Debt service:					
Principal				570,000	570,000
Interest and other charges				200,928	200,928
Total expenditures	11,546,802	489,403		770,928	12,807,133
Excess (deficiency) of revenues over (under) expenditures	(98,260)		1,574	(3,601)	(100,287)
Other Financing Sources (Uses):					
Transfers in				1,574	1,574
Transfers out			(1,574)		(1,574)
Total other financing sources (uses)			(1,574)	1,574	
Net change in fund balance	(98,260)			(2,027)	(100,287)
Fund balances, July 1	564,503		538,020	5,178	1,107,701
Fund balances, June 30	\$ 466,243	\$ -	\$ 538,020	\$ 3,151	\$ 1,007,414

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended June 30, 2015

Total net change in fund balances - governmental funds (from B-2)		\$ (100,287)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p style="margin-left: 40px;">Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation expense	\$ (622,505)	
Capital outlay	<u>561,870</u>	(60,635)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		200,000
Repayment of certificates of participation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		370,000
Repayment of the capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is reported in the statement of activities.		89,450
The proceeds of a capital lease is an other financing source of revenue in the governmental funds but is not reported in the statement of activities.		(289,663)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		8,799
Net differences between pension system contributions recognized in the fund statement of revenues, expenditures and changes in fund balances and the statement of activities.		8,148
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>(38,646)</u>
Change in net position of governmental activities		<u>\$ 187,166</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 96,379	\$ 183,537	\$ -	\$ 279,916
Accounts receivable	6,686			6,686
Inventories	8,485			8,485
Total current assets	<u>111,550</u>	<u>183,537</u>		<u>295,087</u>
Noncurrent assets:				
Equipment	92,451			92,451
Less accumulated depreciation	<u>(71,101)</u>			<u>(71,101)</u>
Total noncurrent assets	<u>21,350</u>	---		<u>21,350</u>
Total assets	<u>\$ 132,900</u>	<u>\$ 183,537</u>	<u>\$ -</u>	<u>\$ 316,437</u>
LIABILITIES				
Current liabilities:				
Unearned revenue	<u>3,881</u>	<u>7,200</u>		<u>11,081</u>
Total liabilities	<u>3,881</u>	<u>7,200</u>		<u>11,081</u>
NET POSITION				
Net investment in capital assets	21,350			21,350
Unrestricted	<u>107,669</u>	<u>176,337</u>		<u>284,006</u>
Total net position	<u>\$ 129,019</u>	<u>\$ 176,337</u>	<u>\$ -</u>	<u>\$ 305,356</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
for the Fiscal Year Ended June 30, 2015

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
Operating revenues:				
Charges for services:				
Daily sales-reimbursable programs	\$ 111,633	\$ -	\$ -	\$ 111,633
Daily sales-non-reimbursable programs	63,185			63,185
Program Fees		288,864	109,833	398,697
Total operating revenue	174,818	288,864	109,833	573,515
Operating expenses:				
Salaries	106,699	184,685	109,833	401,217
Supplies and materials	6,034	5,053		11,087
Depreciation	5,385			5,385
Purchased services	15,550	14,260		29,810
Cost of sales	115,795			115,795
Miscellaneous	1,025	25,583		26,608
Direct expenses	6,431			6,431
Repairs and maintenance	1,593			1,593
Other		9,992		9,992
Total operating expenses	258,512	239,573	109,833	607,918
Operating income (loss)	(83,694)	49,291		(34,403)
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	3,014			3,014
Federal sources:				
National school lunch program	84,145			84,145
National school breakfast program	5,733			5,733
U.S.D.A. commodities	22,611			22,611
Local sources:				
Interest revenue				
Total nonoperating revenues (expenses)	115,503			115,503
Change in net position	31,809	49,291		81,100
Total net position - July 1	97,210	127,046		224,256
Total net position - June 30	\$ 129,019	\$ 176,337	\$ -	\$ 305,356

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2015

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
Cash flows from operating activities:				
Receipts from customers	\$ 183,247	\$ 285,364	\$ 109,833	\$ 578,444
Payments to employees	(106,699)	(184,685)	(109,833)	(401,217)
Payments to suppliers	(127,809)	(54,888)		(182,697)
Net cash used for operating activities	<u>(51,261)</u>	<u>45,791</u>		<u>(5,470)</u>
Cash flows from noncapital financing activities:				
State sources	3,661			3,661
Federal sources	102,191			102,191
Net cash provided by non-capital financing activities	<u>105,852</u>			<u>105,852</u>
Cash flows from capital activities:				
Purchases of fixed assets	(7,752)			(7,752)
	<u>(7,752)</u>			<u>(7,752)</u>
Cash flows from investing activities:				
Interest and dividends				
Net cash provided by investing activities				
Net increase in cash and cash equivalents	46,839	45,791		92,630
Balances - July 1	49,540	137,746		187,286
Balances - June 30	<u>\$ 96,379</u>	<u>\$ 183,537</u>	<u>-</u>	<u>\$ 279,916</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (83,694)	\$ 49,291		\$ (34,403)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	5,385			5,385
Federal commodities	22,611			22,611
(Increase) decrease in receivables	7,288			7,288
(Increase) decrease in inventories	(3,992)			(3,992)
Increase (decrease) in unearned revenue	1,141	(3,500)		(2,359)
Total adjustments	<u>32,433</u>	<u>(3,500)</u>		<u>28,933</u>
Net cash provided by (used for) operating activities	<u>\$ (51,261)</u>	<u>\$ 45,791</u>	<u>\$ -</u>	<u>\$ (5,470)</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Flexible Benefits Account</u>	<u>Unemployment Compensation Insurance Trust</u>	<u>Agency Fund</u>
ASSETS:			
Cash and cash equivalents	\$ 4,550	\$ 5,002	\$ 97,059
Total assets	<u>\$ 4,550</u>	<u>\$ 5,002</u>	<u>\$ 97,059</u>
LIABILITIES:			
Accounts payable			
Interfund payable	4,500		
Payroll deductions and withholdings			24,449
Due to student groups			72,610
Total liabilities	<u>4,500</u>	<u>-</u>	<u>\$ 97,059</u>
NET POSITION:			
Held in trust for unemployment claims and other purposes	<u>\$ 50</u>	<u>\$ 5,002</u>	

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	<u>Flexible Benefits Account</u>	<u>Unemployment Compensation Insurance Trust</u>
ADDITIONS:		
Contributions:		
Board contributions		
Other	\$ 804	\$ -
Total Contributions	<u>804</u>	
Investment earnings:		
Interest		
Net investment earnings	<u>-</u>	<u>-</u>
Total additions	<u>804</u>	<u>-</u>
DEDUCTIONS:		
Unemployment claims		
Payment of Flexible Benefits	961	
Transfer to General Fund		
Total deductions	<u>961</u>	<u>-</u>
Change in net POSITION	(157)	-
Net position - July 1	<u>207</u>	<u>5,002</u>
Net position - June 30	<u>\$ 50</u>	<u>\$ 5,002</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Berlin Borough School District (District) is a Type II school district located in Camden County, New Jersey and covers an area of approximately 3.7 square miles. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the District is to provide educational services for all of Berlin Borough's students in grades K through 8. Student in grades 9 through 12 are transported to the Eastern Regional High School District. The Berlin Borough School District has an approximate enrollment at June 30, 2015 of 862 students.

The primary criteria for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School district over which the Board exercises operating control.

Component Units – GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Unit*, provide guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below

The School District's basic financial statements consists of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. The policy of the School District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The general fund is the general operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

Special Revenue Fund - The special revenue fund is used to account for and report the proceeds of specific revenues sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes or serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds - Proprietary funds are used to account for the School District's ongoing activities, which are similar to those in the private sector.

Enterprise Funds - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School District is that all costs (expenses, including depreciation) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds (Continued)

The School District's enterprise funds are:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

Community Education and Recreation Fund - This fund accounts for the financial activity related to providing education and recreation services.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into investment in capital assets, net of related debt, and unrestricted, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light Trucks and Vehicles	4 Years
Heavy Trucks and Vehicles	6 Years

Internal Service Fund – The internal service fund has been established to account for financing of shared services provided by the Berlin Borough School District for the Gibbsboro School District. Services are provided on a cost-reimbursement basis.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: trust funds and agency funds. Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds (i.e. payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has four fiduciary funds; an unemployment compensation trust fund, a flexible spending account, a student activity fund, and a payroll fund.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days after fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include Ad Valorem (property) taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The School District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year since the revenue is both measurable and available. The School District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". With the exception of restricted formula aids recorded in the special revenue fund, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end; tuition, grants, fees, and rentals.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the fiscal year is reported in the operating statement as an expense. Unused donated commodities are reported as unearned revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets/Budgetary Control - Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for their approval. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23A-16.2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on Exhibit C-1, Exhibit C-2 and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the School District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the one or more June state aid payments.

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Encumbrances are a component of fund balance at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, and all eligibility and time requirements satisfied are reflected on the balance sheet as unearned grant revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

Cash, Cash Equivalents and Investments - Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - N.J.S.A. 17:9-41et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institution collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Tuition Receivable - Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2015 and 2014 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

Inventories - Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out basis.

The cost of inventories in governmental fund types is recorded as expenditures when purchased rather than when consumed, and is not recorded since any amounts are considered immaterial to the basic financial statements.

Inventories recorded in the government-wide financial statements and in the proprietary fund types are recorded as expenditures when consumed rather than when purchased.

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

In the governmental fund types, however, payments for prepaid items are fully recognized as an expenditure in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Short-Term Interfund Receivables / Payables - Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of and the proprietary fund statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land and Improvements	10-20 years	N/A
Buildings and Improvements	10-50 years	N/A
Furniture and Equipment	5-20 years	12 years
Vehicles	5-10 years	4-6 years

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

Accrued Salaries and Wages - Certain School District employees, who provide services to the School District over the ten-month academic year, have the option to have their salaries evenly disbursed during the twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2015, the amounts earned by these employees were disbursed to the employees' own individual accounts.

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Net Position - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Fund Balance - The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2015.

Restricted - This fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, which for the School District is the Board of Education. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action imposing the commitment.

Assigned - This fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the Business Administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes.

Unassigned - This fund balance classification is the residual classification for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued) - When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the School District's policy to spend restricted fund balances first. Likewise, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Operating and Non-Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for the food service program, program fees for the community education and recreation fund, and fees for the shared services fund. Non-operating revenues principally consist of interest income earned on various interest bearing accounts and federal and state subsidy reimbursements for the food service program.

Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. There are no non-operating expenses.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America 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.

Recently Issued Accounting Pronouncements - In February 2015, the GASB issued Statement 72, Fair Value Measurement and Application. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This Statement is effective for financial statements for periods beginning after June 15, 2015 and will not have any effect on the District's financial reporting.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This Statement is effective for financial statements for periods beginning after June 15, 2016 and will not have any effect on the District's financial reporting.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria. This Statement is effective for financial statements for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - In June, 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for financial statements for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the School District's financial statements.

In June 2016, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is effective for financial statements for periods beginning after June 15, 2015 and will not have any effect on the District's financial reporting.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School district in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. Of the School District's amount on deposit of \$1,569,521 as of June 30, 2015, \$691,383 was insured under FDIC and the remaining balance of \$878,138 was collateralized under GUDPA..

3. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the New Jersey Department of Education, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

3. CAPITAL RESERVE ACCOUNT (Continued)

Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Balance – July 1, 2014		\$	168,000
Increased by:			
Board resolution	<u>\$ 75,000</u>		
			<u>75,000</u>
			243,000
Decreased by:			
Budget withdrawal			<u>61,000</u>
Balance – June 30, 2015		\$	<u>182,000</u>

The June 30, 2015 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

4. RECEIVABLES

Receivables at June 30, 2015 consisted of other governmental units and governmental grants. All receivables are considered collectible in full due to the stable condition of the other governmental units, State programs and the current fiscal year guarantee of federal funds.

Receivables as of year-end for the School District’s individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
State Aid	\$ 20,306	\$ -	\$ 204,000	\$ 220	\$ 224,525
Federal Aid		3,650		6,466	10,116
Other	<u>3,705</u>				<u>3,706</u>
Total	<u>\$ 24,011</u>	<u>\$ 3,650</u>	<u>\$ 204,000</u>	<u>\$ 6,686</u>	<u>\$ 238,347</u>

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Construction in progress	_____	_____	_____	_____
Total capital assets, not being Depreciated	<u>400,000</u>	_____	_____	<u>400,000</u>
<i>Capital Assets, being depreciated:</i>				
Site Improvements	290,000			290,000
Building and Building Improvements	13,541,916	479,675		14,021,591
Equipment	1,071,170	82,230	(99,869)	1,053,531
Totals at historical cost	<u>14,903,086</u>	<u>561,905</u>	<u>(99,869)</u>	<u>15,365,122</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements	(170,444)	(17,834)		(188,278)
Building and Building Improvements	(10,651,688)	(506,306)		(11,157,994)
Equipment	(770,459)	(98,365)	99,834	(768,990)
Totals accumulated depreciation	<u>(11,592,591)</u>	<u>(622,505)</u>	<u>99,834</u>	<u>(12,115,262)</u>
Total Capital Assets, being depreciated, net	<u>3,310,495</u>	<u>(60,600)</u>	<u>(35)</u>	<u>3,249,860</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,710,495</u>	<u>\$ (60,600)</u>	<u>\$ (35)</u>	<u>\$ 3,649,860</u>
 <u>Business-Type Activities:</u>				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 89,851	\$ 7,752	\$ (5,152)	\$ 92,451
Less accumulated depreciation	<u>(70,868)</u>	<u>(5,385)</u>	<u>5,152</u>	<u>(71,101)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 18,983</u>	<u>\$ 2,367</u>	<u>\$ -</u>	<u>\$ 21,350</u>

Depreciation expense in the amount of \$622,505 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$ 8,257
Administration	28,860
Plant Operations and Maintenance	525,760
Unallocated	<u>59,628</u>
Total depreciation expense	<u>\$ 622,505</u>

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2015 consisted of the following:

		<u>Food Service</u>
Food	\$	6,383
Supplies		<u>2,102</u>
	\$	<u>8,485</u>

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2015, the following changes occurred in long-term obligations:

	<u>Principal Outstanding June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2015</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds	\$ 3,285,000	\$ -	\$ 200,000	\$ 3,085,000	\$ 200,000
Certificates of Part. Pay.	1,580,000		370,000	1,210,000	385,000
Capital Leases Payable	23,344	289,663	89,450	223,557	56,940
Compensated Absences	<u>454,647</u>	<u>38,646</u>		<u>493,293</u>	<u>22,575</u>
	<u>\$ 5,342,991</u>	<u>\$ 328,309</u>	<u>\$ 659,450</u>	<u>\$ 5,011,850</u>	<u>\$ 699,515</u>

Bonds Payable - Bonds and loans are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are as follows:

2011 School Refunding Bonds dated September 1, 2011 in the amount of \$3,085,000 due in annual installments through March 1, 2023, bearing interest rate of 2.00% -5.00%.

Bonds Payable:

Principal and interest due on bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 205,000	\$ 125,250	\$ 330,250
2017	215,000	119,100	334,100
2018	230,000	114,800	344,800
2019	485,000	109,625	594,625
2020	475,000	97,500	572,500
2021-2023	<u>1,475,000</u>	<u>148,000</u>	<u>1,623,000</u>
Total	<u>\$ 3,085,000</u>	<u>\$ 714,275</u>	<u>\$ 3,799,275</u>

As of June 30, 2015 the District had no authorized but not issued bonds.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

7. LONG-TERM OBLIGATIONS (Continued)

The following is a schedule of the future minimum rent payments for the certificates of participation as of June 30, 2015:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 385,000	\$ 53,361	\$ 438,361
2017	405,000	36,383	441,383
2018	<u>420,000</u>	<u>18,522</u>	<u>438,522</u>
	\$ <u>1,210,000</u>	\$ <u>108,266</u>	\$ <u>1,318,266</u>

Compensated Absences

Compensated absences will be paid from the fund from which the employees' salaries are paid.

Capital Leases

As of June 30, 2015, the District had the following capital lease:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Value</u>
Phone System	July 15, 2015	5.70%	\$ 74,240
Computer Equipment	October 1, 2016	6.00%	40,487
Apple, Inc.	November 18, 2016	6.91%	31,377
Apple, Inc.	June 19, 2018	3.49%	217,799

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2015:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 56,940	\$ 3,700	\$ 60,640
2017	94,046	6,536	100,582
2018	<u>72,571</u>	<u>2,533</u>	<u>75,104</u>
	\$ <u>223,557</u>	\$ <u>12,769</u>	\$ <u>236,326</u>

8. OPERATING LEASES

The District has various commitments for four copiers and a postage machine under operating leases which fully expire in 2020. Total operating lease payments made during the year ended June 30, 2015 was \$25,196. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2016	\$ 10,232
June 30, 2017	2,640
June 30, 2018	2,640
June 30, 2019	2,640
June 30, 2020	<u>220</u>
Total future minimum lease payments	<u>\$ 18,372</u>

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS

Description of Plans – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund is a cost-sharing contributory defined benefit pension plan which was established on January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114, 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92 P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. Pursuant to the provisions of Chapter 78, P.L. 2011, effective October 1, 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over the several preceding fiscal years.

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 Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. 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.

For the year ended June 30, 2015, the District recognized pension expense of \$1,476,597 and revenue \$1,476,597 for support provided by the State. Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	06/30/14	06/30/13
Collective deferred outflows of resources	\$ 2,306,623,861	\$ -
Collective deferred inflows of resources	1,763,205,593	-
Collective net pension liability (Non-Employer – State of New Jersey)	53,446,745,367	50,539,213,484
State's portion of the net pension liability that was associated with the district	27,441,258	23,799,599
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	.0513431786%	.0470913516%

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Actuarial assumptions – The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation: 2.5%
Salary Increases: Varies based on experience
Investment Rate of Return: 7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	06.00%	0.50%
Core Fixed Income	00.00%	2.19%
Core Bonds	01.00%	1.38%
Short-Term Bonds	00.00%	1.00%
Intermediate Term Bonds	11.20%	2.60%
Long-Term Bonds	00.00%	3.23%
Mortgages	02.50%	2.84%
High Yield Bonds	05.50%	4.15%
Non US Fixed Income	00.00%	1.41%
Inflation Indexed Bonds	02.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	00.00%	5.62%
Mid Cap US Equities	00.00%	6.39%
Small Cap US Equities	00.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	06.50%	8.90%
Private Equity	08.25%	9.15%
Hedge Funds/Absolute Ret	12.25%	3.85%
Real Estate (Property)	03.20%	4.43%
Real Estate (REITS)	00.00%	5.58%
Commodities	02.50%	3.60%
Long Credit Bonds	00.00%	3.74%

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

Discount rate. The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District has no proportionate share of the net pension liability, because of the special funding situation, the district would not be sensitive to any changes in the discount rate.

Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Contributory Life</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2015	\$ 14,970	\$ 69,246	\$ 5,704	\$ 89,920	\$ 89,920
2014	15,932	70,047	1,462	87,441	87,441
2013	28,055	67,080	5,662	100,797	100,797

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

For the year ended June 30, 2015, the District recognized pension expense of \$85,389. At June 30, 2015, the District reported a liability of \$2,042,186 for its proportionate share of the PERS net pension liability and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$
Changes of assumptions	64,217	
Net difference between projected and actual earnings on pension plan investments		121,703
Changes in proportion and differences between District contributions and proportionate share of contributions		112,597
District contributions subsequent to the measurement Date	89,920	
Total	\$ 154,137	\$ 234,300

\$89,920 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:	Net Deferred Inflow of Resources:
2016	\$ 34,017
2017	34,017
2018	34,017
2019	34,016
2020	34,016
Total	\$ 170,083

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Additional Information

Collective balances at June 30, 2014 and 2013 are as follows:

	6/30/2014	6/30/2013
Collective deferred outflows of resources	\$ 952,194,675	\$ (1)
Collective deferred inflows of resources	\$ 1,479,224,662	\$ (1)
Collective net pension liability	\$ 18,722,735,003	\$ 19,111,986,911
District's Proportion	.0109075174%	.0116049596%

(1) – Information not available.

Actuarial assumptions – The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate: 3.01%
Salary Increases:
 2012-2021: 2.15-4.40% based on age
 Thereafter: 3.15-5.40% based on age
Investment Rate of Return: 7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	06.00%	00.80%
Core Bonds	01.00%	02.49%
Intermediate Term Bonds	11.20%	02.26%
Mortgages	02.50%	02.17%
High Yield Bonds	05.50%	04.82%
Inflation Indexed Bonds	02.50%	03.51%
Broad US Equities	25.90%	08.22%
Developed Foreign Equities	12.70%	08.12%
Emerging Market Equities	06.50%	09.91%
Private Equity	08.25%	13.02%
Hedge Funds/Absolute Ret	12.25%	04.92%
Real Estate (Property)	03.20%	05.80%
Commodities	02.50%	05.35%

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

9. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount rate. The discount rate used to measure the State's total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining 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 District's proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5/39%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.39%) or 1 percentage point higher (6.39%) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the net pension liability	\$ 2,569,140	\$ 2,042,186	\$ 1,599,679

Pension Plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program is a cost-sharing multiple-employer defined contribution pension plan which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A.43:15C-1 et. seq), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Divisions of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The School District's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Year</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2015	\$ 5,567	\$ 5,567
2014	3,747	3,747
2013	4,253	4,253

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

10. POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program (SHBP), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established to provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State establishes the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2015 was \$463,863 which equaled the required contributions. The State's contribution to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2014, the School District has recognized as revenues and expenditures \$292,197 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$389,403 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

Property and Liability Insurance - The School District maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

Joint Insurance Pool - The School District is a member of the New Jersey School Alliance Insurance Fund, a public entity risk pool currently operating as a common risk management and insurance program. Insurance coverage as provided by the Fund can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

12. RISK MANAGEMENT (Continued)

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The School District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if any. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

A complete schedule of insurance coverage can be found in the "Statistical Section" of this report.

New Jersey Unemployment Compensation Insurance – Up to December 31, 2010 the School District had elected to fund its New Jersey Unemployment Compensation Insurance under the "Business Reimbursement Method". Under this plan, the District was required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District was billed quarterly for amounts due to the State.

The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and prior two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Miscellaneous</u>	<u>Transfer to General Fund</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$ -	\$ -	\$ -	\$ -	\$ 5,002
2013-2014	-	46	42,840	626	5,002
2012-2013	-	15,135		299	48,422

Effective January 1, 2011 the School District elected the "Contributory Method" to fund its New Jersey Unemployment Compensation Insurance, which requires the School District to annually appropriate funds to pay the projected costs of contributions at the rate determined by the Commissioner of Labor.

13. DEFERRED COMPENSATION

The School District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, available to all permanent School District employees, permit participants to defer a portion of their current salary to future years. Participation in the plans is optional. The deferred compensation is not available to the participants until termination, retirement, death, or an unforeseeable emergency occurs. The plan assets are held in trust for the benefit of the employee and are administered by a third party therefore they are not reflected on the financial statements of the School District.

14. COMPENSATED ABSENCES

The School District accounts for compensated absences (e.g. unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

School District employees are granted varying amounts of vacation and sick leave in accordance with the School District's personnel policy. Upon termination, employees are paid for accrued vacation. The School District's policy permits employees to accumulated unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the School District for the unused sick leave in accordance with the School District's agreements with the various employee unions.

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2015, the liability for compensated absences in the governmental activities fund types was \$493,293.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

15. INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2016. The following interfund receivables/payables were recorded on the various balance sheets as of June 30, 2015:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 120,761	\$ -
Special Revenue		3,650
Capital Projects		112,611
Fiduciary		4,500
	<u>\$ 120,761</u>	<u>\$ 120,761</u>

16. CONTINGENCIES

The School District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School District may be required to reimburse the grantor government.

At June 30, 2015, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District.

17. FLEXIBLE BENEFITS PROGRAM

The School District offers its employees a Flexible Benefits Program. The purpose of the program is to provide a tax incentive for plan participants incurring health premium expenses, dependent care expenses and other medical expenses not covered by other insurance. The School District, who is the plan administrator, has contracted with American Family Life Assurance Company (AFLAC) to act as its agent to furnish reimbursement services. The plan participants redirect a prescribed amount of their gross pay (tax-free) into a reimbursement account and then in-turn submit claims to AFLAC for repayment. Because of Internal Revenue Service regulations, if at the end of any plan year unexpended funds remain, these funds will be forfeited by the participants and returned to the School District.

The following is a summary of School District contributions, employee contributions, reimbursements to the plan participants for benefits paid and the ending balance of the School District's fiduciary fund for the current and prior two years.

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$ -	\$ 804	\$ 961	\$ 50
2013-2014	5			207
2012-2013	4	1,000	1,235	202

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

18. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$107,080 in the General Fund as of June 30, 2015 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District can not recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$107,080 is equal to or less than the June state aid payments.

19. DEFICIT UNRESTRICTED NET POSITION

As of June 30, 2015, a deficit of \$2,786,706 existed in the Unrestricted Net Position of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Position reported on Exhibited A-1 as follows:

Balances June 30, 2015	
Fund Balance (Deficit)	
(Exclusive of Capital Projects and Debt Service Funds):	
Fund Balance – Unassigned	\$ (107,080)
Liabilities:	
Accrued Interest Payable	(63,984)
Net Pension Difference	(2,122,349)
Compensated Absences	<u>(493,293)</u>
Unrestricted Net Position (Deficit)	<u>\$ (2,786,706)</u>

20. FUND BALANCES

RESTRICTED

As stated in Note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District’s fund balance are summarized as follows:

General Fund:

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2015 is \$162,560 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$177,073 of excess fund balance generated during the 2013-2014 fiscal year has been restricted and designated for utilization in the 2015-2016 budget.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

20. FUND BALANCES (Continued)

Capital Reserve – As of June 30, 2015, the balance in the capital reserve account is \$182,000. Of this amount \$107,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2016 and \$75,000 is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

Maintenance Reserve Account – As of June 30, 2015, the balance in the maintenance reserve account is \$50,000. Of this amount \$25,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2016. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Capital Projects Fund:

Debt Service Reserve – As of June 30, 2015, the balance in the debt service reserve is \$441,383 which is restricted for future payment of certificates of participation.

ASSIGNED

As stated in Note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2016, \$1,690 of general fund balance at June 30, 2015.

Debt Service Fund:

Designated for Subsequent Year's Expenditures – The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2016, \$1,577 of debt service fund balance at June 30, 2015

UNASSIGNED

As stated in Note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's unassigned fund balance is summarized as follows:

General Fund – As of June 30, 2014, the fund balance of the general fund was a deficit of \$107,080. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 18).

Capital Projects Fund – As of June 30, 2015, \$96,637 of capital projects fund balance was unassigned.

Debt Service Fund – As of June 30, 2015, \$1,574 of debt service fund balance was unassigned.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

21. RESTATEMENT OF BEGINNING BALANCES

Net position on the government-wide Statement of Activities as of July 1, 2014, has been restated for implementation of GASB-68.

The government-wide and fund financial statements were restated as follows:

	Government -wide Statements
	Governmental Activities
Net Position as of June 30, 2014, as previously reported	\$ (597,578)
Prior Period Adjustment - Implementation GASB 68:	
Net Pension Liability	(2,217,938)
Deferred Outflows - District's Contribution made during fiscal year 2014	87,441
Net Position as Restated, July 1, 2014	\$ (2,728,075)

Required Supplementary Information - Part II

Budgetary Comparison Schedules

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 6,608,384	\$ -	\$ 6,608,384	\$ 6,608,384	\$ -
Tuition from other LEA's within state	14,500		14,500	15,957	1,457
Other restricted miscellaneous revenue	5,000		5,000	5,000	
Unrestricted miscellaneous revenue	15,500		15,500	9,416	(6,084)
Total local sources	6,643,384		6,643,384	6,638,757	(4,627)
State sources:					
Categorical Special Education aid	488,215		488,215	488,215	
Equalization aid	2,999,343		2,999,343	2,999,343	
Categorical Security Aid	33,172		33,172	33,172	
Transportation Aid	49,114		49,114	49,114	
Under Adequacy Aid	77,184		77,184	77,184	
PARCC Readiness Aid	8,790		8,790	8,790	
Per Pupil Growth Aid	8,790		8,790	8,790	
Additional Nonpublic Transportation aid				1,392	1,392
On-behalf TPAF pension contributions (non-budgeted)				292,197	292,197
On-behalf TPAF pension post medical contributions (non-budgeted)				463,863	463,863
Reimbursed TPAF social security contributions (non-budgeted)				389,403	389,403
Total state sources	3,664,608		3,664,608	4,811,463	1,146,855
TOTAL REVENUES	10,307,992		10,307,992	11,450,220	1,142,228
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	280,325	6,925	287,250	286,710	540
Grades 1-5	1,803,051	9,732	1,812,783	1,804,504	8,279
Grades 6-8	1,203,378	37,947	1,241,325	1,241,325	
Total Instruction	3,286,754	54,604	3,341,358	3,332,539	8,819
Regular Programs - Home Instruction:					
Salaries of teachers	5,040		5,040	2,740	2,300
Purchased prof. and educational services	5,000		5,000	3,752	1,248
Total Home Instruction	10,040		10,040	6,492	3,548
Regular Programs - Undistributed Instruction:					
Other salaries for instruction					
Purchased prof. and educational services	31,669		31,669	31,170	499
Purchased technical services	5,500		5,500	5,495	5
Other purchased services	1,850		1,850	1,095	755
General supplies	268,019	(27,509)	240,510	239,203	1,307
Textbooks	32,143		32,143	31,466	677
Total Undistributed Instruction	339,181	(27,509)	311,672	308,429	3,243
Total - Regular Programs - Instruction	3,635,975	27,095	3,663,070	3,647,460	15,610

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2015

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instruction					
Tuition to CSSD & reg. day schools	\$ 50,358	\$ (11,721)	\$ 38,637	\$ 38,637	\$ -
Tuition to priv. sch. for the disabled w/i state	93,099	(45,515)	47,584	47,183	401
Tuition - other	25,695	(8,291)	17,404	17,404	
Total Undistributed Expenditures - Instruction	<u>169,152</u>	<u>(65,527)</u>	<u>103,625</u>	<u>103,224</u>	<u>401</u>
Undistributed Expenditures - Attend. and Social Work					
Salaries	31,368	-	31,368	30,922	446
Total Undistributed Expenditures - Attendance	<u>31,368</u>		<u>31,368</u>	<u>30,922</u>	<u>446</u>
Undistributed Expenditures - Health Services					
Salaries	107,813		107,813	103,996	3,817
Purchased professional & tech. services	2,250		2,250	2,250	
Supplies and materials	2,122		2,122	2,104	18
Other objects	250		250	232	18
Total Undistributed Expenditures - Health Svcs.	<u>112,435</u>		<u>112,435</u>	<u>108,582</u>	<u>3,853</u>
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	120,023	(18,447)	101,576	101,576	
Purchased prof. and educational services	1,700	41,451	43,151	39,590	3,561
Supplies and Materials	600	900	1,500	1,500	
Total Undst. Expend. - Speech, OT, PT & Related Services	<u>122,323</u>	<u>23,904</u>	<u>146,227</u>	<u>142,666</u>	<u>3,561</u>
Undist. Expend. - Other Supp. Serv. Stud. - Extra. Serv.					
Salaries	9,820	38,410	48,230	47,019	1,211
Purchased professional & educ. services	131,840	(16,943)	114,897	109,861	5,036
Supplies and Materials	1,825	(1,000)	825	114	711
Total Undst. Expend. - Other Supp. Serv. Stud. - Extra. Serv.	<u>143,485</u>	<u>20,467</u>	<u>163,952</u>	<u>156,994</u>	<u>6,958</u>
Undist. Expend. - Other Supp. Serv. Stud. - Guidance					
Salaries of other professional staff	57,090		57,090	57,090	
Purchased professional & educ. services	18,720		18,720	18,720	
Supplies and Materials	750		750	191	559
Total Undst. Expend. - Other Supp. Serv. Stud. - Guidance	<u>76,560</u>		<u>76,560</u>	<u>76,001</u>	<u>559</u>
Undist. Expend. - Other Supp. Serv. Stud. - Child Study Teams					
Salaries of other professional staff	228,537	(63,548)	164,989	163,241	1,748
Salaries of secretarial and clerical assistants	31,895		31,895	31,895	
Purchased prof. and technical services	21,645	21,213	42,858	41,772	1,086
Other purchased prof. and tech. services	2,149		2,149	1,936	213
Miscellaneous services - workshops	1,810	(500)	1,310	1,266	44
Supplies and materials	2,295	6,558	8,853	8,650	203
Other Objects	825	(825)			
Total Undst. Expend. - Other Supp. Serv. Stud. - Child Study Teams	<u>289,156</u>	<u>(37,102)</u>	<u>252,054</u>	<u>248,760</u>	<u>3,294</u>

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2015

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Improvement of Instr. Services					
Salaries of supervisor of instruction	\$ 52,769	\$ -	\$ 52,769	\$ 51,058	\$ 1,711
Salaries of other professional staff	32,556	(23,064)	9,492	9,292	200
Other salaries	23,950	(7,917)	16,033	15,602	431
Purchased prof. and educational services	19,790	(284)	19,506	18,927	579
Other purchased services	5,768	(5,490)	278	219	59
Supplies and materials	2,700	(24)	2,676	2,676	
Workshop		6,738	6,738	4,879	1,859
Other objects	2,020	(1,437)	583	583	
Total Undst. Expend. - Improvement of Instr. Services	139,553	(31,478)	108,075	103,236	4,839
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	69,835		69,835	69,835	
Purchased professional & tech. services	1,546	(1,546)			
Other purchased services (400-500)	35,198	(7,982)	27,216	27,196	20
Supplies and materials	18,539	(4,567)	13,972	13,972	
Total Undst. Expend. - Educ. Media Serv./Sch. Library	125,118	(14,095)	111,023	111,003	20
Undist. Expend. - Instructional Staff Training Services					
Salaries of other professional staff	15,167	(9,354)	5,813	5,813	
Purchased prof. and educational services	23,885		23,885	20,658	3,227
Other purchased services	1,850		1,850	750	1,100
Total Undst. Expend. - Educ. Media Serv./Sch. Library	40,902	(9,354)	31,548	27,221	4,327
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	120,337	582	120,919	114,227	6,692
Legal services	40,000	(13,662)	26,338	21,797	4,541
Audit fees	18,600	(300)	18,300	18,300	
Architectural/Engineering Fees	7,500	(7,500)			
Other purchased professional services	7,442	5,350	12,792	12,792	
Purchased technical services	3,480	(3,480)			
Communications / telephone	14,543	4,717	19,260	15,620	3,640
BOE Other purchased services	2,025		2,025	1,489	536
Other purchased services	12,737	(3,456)	9,281	8,122	1,159
General supplies	3,200		3,200	3,129	71
BOE In-House Training/Meeting Supplies	500	(99)	401	357	44
Judgements - Legal		101,034	101,034	101,034	
Miscellaneous expenditures	4,850	(2,785)	2,065	2,049	16
BOE Membership Dues and Fees	10,848	(619)	10,229	9,208	1,021
Total Undst. Expend. - Supp. Serv. General Admin.	246,062	79,782	325,844	308,124	17,720
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist principals	195,750		195,750	195,750	
Salaries of other professional staff	64,990		64,990	64,990	
Salaries of secretarial and clerical assistants	92,907	17,794	110,701	110,592	109
Purchased professional & tech. services	19,664	558	20,222	20,222	
Other purchased services	2,000		2,000	2,000	
Supplies and materials	2,750	(503)	2,247	2,227	20
Other objects	2,750	(55)	2,695	2,695	
Total Undst. Expend. - Supp. Serv. School Admin.	380,811	17,794	398,605	398,476	129

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2015

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits - Employee Benefits					
Social security contributions	\$ 149,645	\$ 19,058	\$ 168,703	\$ 130,908	\$ 37,795
Other retirement contributions - PERS	176,748	(86,828)	89,920	89,920	
Other retirement contributions - regular	8,064	(8,064)			
Other retirement contributions - DCRP		10,114	10,114	10,114	
Unemployment compensation	27,779	946	28,725	27,868	857
Workmen's compensation	102,380		102,380	98,463	3,917
Health benefits	1,537,903	58,523	1,596,426	1,587,303	9,123
Tuition reimbursement	20,000	(3,789)	16,211	16,211	
Other employee benefits	52,200	24,563	76,763	76,763	
Total Unallocated Benefits - Employee Benefits	2,074,719	14,523	2,089,242	2,037,550	51,692
On-behalf TPAF pension contributions (non-budgeted)				292,197	(292,197)
On-behalf TPAF pension Post Medical contributions (non-budgeted)				463,863	(463,863)
Reimbursed TPAF social security contributions (non-budgeted)				389,403	(389,403)
Total Undistributed Expenditures - TPAF				1,145,463	(1,145,463)
Total Undistributed Expenditures	5,359,101	(25,024)	5,334,077	6,286,668	(952,591)
Total General Current Expense	10,408,150		10,408,150	11,286,623	(878,473)
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Instruction	57,432	34,998	92,430	92,430	-
School Admin.	21,077	(21,077)			-
General administration	13,921	(13,921)			
Total Equipment	92,430		92,430	92,430	
Facilities Acquisition and Construction Services:					
Construction services	132,176		132,176	131,979	197
Assessment for debt service on SDA funding	35,770		35,770	35,770	
Total Facilities Acquisition and Construction Services	167,946		167,946	167,749	197
Total Capital Outlay	260,376		260,376	260,179	197
Total Expenditures	10,668,526		10,668,526	11,546,802	(878,276)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures:	(360,534)		(360,534)	(96,582)	263,952
Fund Balance, July 1	921,297		921,297	921,297	
Fund Balance, June 30	\$ 560,763		\$ 560,763	\$ 824,715	\$ 263,952
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 177,073	
Reserve for Excess Surplus				162,560	
Capital Reserve				182,000	
Maintenance Reserve				50,000	
Unassigned Fund Balance					
Unreserved Designated for Subsequent Year's Expenditures				1,690	
Unreserved				251,392	
				<u>824,715</u>	
Last State Aid Payments not Recognized on a GAAP Basis				(358,472)	
Fund Balance per Governmental Funds (GAAP)				\$ 466,243	

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

BERLIN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources					
State sources	\$ 250,395	\$ -	\$ 250,395	\$ 192,833	\$ (57,562)
Federal sources	296,570		296,570	296,570	
Total revenues	546,965		546,965	489,403	(57,562)
EXPENDITURES:					
Instruction:					
Salaries of teachers	29,375		29,375	29,375	
Other salaries for instruction	37,386		37,386	37,386	
Reading Specialist	28,195		28,195	28,195	
Purchased professional - tech. services	126,095		126,095	101,558	24,537
Other purchased services	110,700		110,700	110,700	
General supplies	7,808		7,808	7,808	
Textbooks	14,538		14,538	14,538	
Total instruction	354,097		354,097	329,560	24,537
Support services:					
Other salaries for instruction	1,680		1,680	1,680	
Personal services-employee benefits	6,769		6,769	6,769	
Purchased professional and technical services	155,963		155,963	122,938	33,025
Purchased prof. and educational services	6,930		6,930	6,930	
Other purchased services (400-500)	18,728		18,728	18,728	
Travel					
Supplies and materials	2,798		2,798	2,798	
Total support services	192,868		192,868	159,843	33,025
Facilities acquisition and construction services:					
Instructional equipment					
Noninstructional equipment					
Total facilities acq. and const. services					
Total expenditures	546,965		546,965	489,403	57,562
Total outflows	546,965		546,965	489,403	57,562
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

Berlin Borough School District
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2015

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures**

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 11,450,220	\$ 489,403
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	356,794	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(358,472)	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ 11,448,542	\$ 489,403
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 11,546,802	\$ 489,403
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 11,546,802	\$ 489,403

Required Supplementary Information - Part III
Schedules Related to Accounting and Reporting
For Pensions (GASB 68)

BERLIN BOROUGH SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Fiscal Year

	June 30, 2015
District's proportion of the net pension liability (asset)	0.0109075174%
District's proportionate share of the net pension liability (asset)	\$ 2,042,186
District's covered-employee payroll	773,750
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	263.93%
Plan fiduciary net position as a percentage of the total pension liability	42.74%

This schedule does not contain ten years of information as GASB 68 was implemented during this fiscal year ended June 30, 2015.

**BERLIN BOROUGH SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Contributions
Public Employees Retirement System
Last Fiscal Year**

	<u>June 30, 2015</u>
Contractually required contribution	\$ 89,920
Contributions in relation to the contractually required contributions	<u>(89,920)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 773,750
Contributions as a percentage of covered-employee payroll	11.62%

This schedule does not contain ten years of information as GASB 68 was implemented during this fiscal year ended June 30, 2015.

BERLIN BOROUGH SCHOOL DISTRICT
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
Last Fiscal Year

	June 30, 2015
District's proportion of the net pension liability (asset)	0.0513431786%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 27,441,258
Total	\$ 27,441,258
District's covered-employee payroll	\$ 5,308,697
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	33.64%

This schedule does not contain ten years of information as GASB 68 was implemented during this fiscal year ended June 30, 2015.

Berlin Borough School District
Notes to Required Supplementary Information
Pension Schedules
For the Fiscal Year Ended June 30, 2015

1. Teacher's Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Changes of assumptions: Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

2. Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

Other Supplementary Information

Special Revenue Fund

BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2015

	Brought Forward (Exh. E-1B)	Brought Forward (Exh. E-1C)	Total
REVENUES:			
Local sources			
State sources	\$ 147,344	\$ 45,489	\$ 192,833
Federal sources		296,570	296,570
Total Revenues	147,344	342,059	489,403
EXPENDITURES:			
Instruction:			
Salaries of teachers		29,375	29,375
Other salaries for instruction		37,386	37,386
Reading Specialist		28,195	28,195
Purchased professional and technical services	101,558		101,558
Other purchased services		110,700	110,700
General supplies		7,808	7,808
Textbooks		14,538	14,538
Total instruction	101,558	228,002	329,560
Support services:			
Other salaries for instruction		1,680	1,680
Personal services-employee benefits		6,769	6,769
Purchased prof. and educational services		6,930	6,930
Purchased professional and technical services	45,786	77,152	122,938
Other purchased services (400-500)		18,728	18,728
Supplies and materials		2,798	2,798
Total support services	45,786	114,057	159,843
Facilities acquisition and const. serv.:			
Instructional equipment			
Non-instructional equipment			
Total facilities acquisition and const. serv.:			
Total Expenditures	147,344	342,059	489,403
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)			

BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2015

	Chapter 192 - Auxiliary Services			Chapter 193 - Handicapped Services			Municipal Alliance	Carried Forward (Exh. E-1A)
	Comp. Education	Home Instruction	Transportation	Corrective Speech	Suppl. Instruction	Exam & Classification		
REVENUES:								
Local sources								
State sources	\$ 94,955	\$	\$ 3,958	\$ 17,582	\$ 17,028	\$ 11,176	\$ 2,645	\$ 147,344
Federal sources								
Total Revenues	94,955		3,958	17,582	17,028	11,176	2,645	147,344
EXPENDITURES:								
Instruction:								
Purchased professional and technical services	94,955		3,958				2,645	101,558
Purchased professional educational services								
Tuition								
General supplies								
Textbooks								
Total instruction	94,955		3,958				2,645	101,558
Support services:								
Purchased professional and technical services				17,582	17,028	11,176		45,786
Purchased technical services								
Supplies and materials								
Total support services				17,582	17,028	11,176		45,786
Facilities acquisition and const. serv.:								
Instructional equipment								
Non-instructional equipment								
Total facilities acquisition and const. serv.:								
Total Expenditures	94,955		3,958	17,582	17,028	11,176	2,645	147,344
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)								

**BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2015**

	No Child Left Behind (N.C.L.B.)		IDEA		Nonpublic Textbook	Nonpublic Nursing	Nonpublic Technology	Totals
	Title I Current Yr.	Title II - Part A Current Yr.	Basic Current Yr.	Preschool Current Yr.				
REVENUES:								
State sources	\$ -	\$ -	\$ -	\$ -	\$ 14,538	\$ 23,143	\$ 7,808	\$ 45,489
Federal sources	61,184	18,791	208,228	8,367				296,570
Total Revenues	61,184	18,791	208,228	8,367	14,538	23,143	7,808	342,059
EXPENDITURES:								
Instruction:								
Salaries of teachers	26,036	3,339						29,375
Other salaries for instruction			30,003	7,383				37,386
Reading Specialist	28,195							28,195
Purchased professional and technical services								-
Other purchased services			110,700					110,700
General supplies							7,808	7,808
Textbooks					14,538			14,538
Total instruction	54,231	3,339	140,703	7,383	14,538	-	7,808	228,002
Support services:								
Substitutes		1,680						1,680
Personal services-employee benefits	6,769							6,769
Purchased prof. and educational services	80	6,850						6,930
Purchased professional and technical services			53,025	984		23,143		77,152
Other purchased services (400-500)		4,228	14,500					18,728
Travel								-
Supplies and materials	104	2,694						2,798
Total support services	6,953	15,452	67,525	984	-	23,143	-	114,057
Facilities acquisition and const. serv.:								
Instructional equipment								-
Non-instructional equipment								-
Total facilities acquisition and const. serv.:	-	-	-	-	-	-	-	-
Total Expenditures	61,184	18,791	208,228	8,367	14,538	23,143	7,808	342,059
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)	-	-	-	-	-	-	-	-

Capital Projects Fund

**BERLIN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year ended June 30, 2015**

Revenues and Other Financing Sources:	
Interest earned on investments	\$ 1,574
State sources - SDA Grant	
Transfer from Capital Reserve	
Total revenues and other financing sources	1,574
 Expenditures and Other Financing (Uses):	
Purchased professional and technical services	
Construction services	
Transfer to Debt Service Fund	1,574
Transfer to General Fund	
Total expenditures and other financing (uses)	1,574
 Excess (deficiency) or revenues over (under) expenditures	
Fund Balance - July 1, 2014	96,637
Fund Balance - June 30, 2015	\$ 96,637

BERLIN BOROUGH SCHOOL DISTRICT
 Capital Projects Fund
 Statement of Project Revenues, Expenditures, Project Balance,
 and Project Status - Budgetary Basis
 Roof Replacement to Berlin Community School
 From Inception and for the Fiscal Year ended June 30, 2015

	Prior Periods	Current Year	Total	Revised Authorized Costs
Revenues and Other Financing Sources:				
State sources - SDA Grant	\$ 204,000	\$ -	\$ 204,000	\$ 204,000
Transfer from capital reserve	306,000		306,000	306,000
Total revenues	<u>510,000</u>		<u>510,000</u>	<u>510,000</u>
Expenditures and Other Financing Uses:				
Purchased professional and technical services	2,410		2,410	2,410
Construction services	410,953		410,953	410,953
	<u>413,363</u>		<u>413,363</u>	<u>413,363</u>
Excess (deficiency) or revenues over (under) expenditures	<u>\$ 96,637</u>	<u>\$ -</u>	<u>\$ 96,637</u>	<u>\$ 96,637</u>
Additional project information:				
Project Number	0330-020-10-GOAJ			
Grant Date	08/01/11			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 510,000			
Additional Authorized Cost				
Revised Authorized Cost	\$ 510,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original target completion date	06/30/12			
Revised target completion date	N/A			

Proprietary Funds

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Net Position
as of June 30, 2015

	Food Service	Community Education and Recreation	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 96,379	\$ 183,537	\$ 279,916
Accounts receivable:			
State	220		220
Federal	6,466		6,466
Inventories	8,485		8,485
Total current assets	<u>111,550</u>	<u>183,537</u>	<u>295,087</u>
Fixed assets:			
Equipment	92,451		92,451
Less Accumulated depreciation	<u>(71,101)</u>		<u>(71,101)</u>
Total fixed assets	<u>21,350</u>		<u>21,350</u>
Total assets	<u>\$ 132,900</u>	<u>\$ 183,537</u>	<u>\$ 316,437</u>
LIABILITIES:			
Current liabilities:			
Unearned revenue	<u>3,881</u>	<u>7,200</u>	<u>11,081</u>
Total current liabilities	<u>3,881</u>	<u>7,200</u>	<u>11,081</u>
NET POSITION:			
Net investment in capital assets	21,350		21,350
Unrestricted	<u>107,669</u>	<u>176,337</u>	<u>284,006</u>
Total net position	<u>\$ 129,019</u>	<u>\$ 176,337</u>	<u>\$ 305,356</u>

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Comparative Statement of Revenues, Expenses and Changes in Net Position
for the Fiscal Year ended June 30, 2015

	Food Service	Community Education and Recreation	Total
OPERATING REVENUES:			
Local sources:			
Daily sales-reimbursable programs:			
School lunch program	\$ 111,633	\$ -	\$ 111,633
Total-daily sales-reimbursable programs	111,633		111,633
Daily sales non-reimbursable programs	63,185		63,185
Program Fees		288,864	288,864
Total operating revenue	174,818	288,864	463,682
OPERATING EXPENSES:			
Salaries	106,699	184,685	291,384
Supplies and materials	6,034	5,053	11,087
Depreciation	5,385		5,385
Purchased services	15,550	14,260	29,810
Cost of Sales	115,795		115,795
Miscellaneous	1,025	25,583	26,608
Direct Expenses	6,431		6,431
Repairs and maintenance	1,593		1,593
Other		9,992	9,992
Total operating expenses	258,512	239,573	498,085
Operating income (loss)	(83,694)	49,291	(34,403)
Non-operating revenues:			
State sources:			
State school lunch program	3,014		3,014
Federal sources:			
National school lunch program	84,145		84,145
National school breakfast program	5,733		5,733
U.S.D.A. commodities	22,611		22,611
Total non-operating revenues	115,503		115,503
Net income (loss)	31,809	49,291	81,100
Net position - July 1	97,210	127,046	224,256
Net position - June 30	\$ 129,019	\$ 176,337	\$ 305,356

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Year ended June 30, 2015

	Food Service	Community Education and Recreation	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 183,247	\$ 285,364	\$ 468,611
Cash payments to employees for services	(106,699)	(184,685)	(291,384)
Cash payments to suppliers for goods and services	(127,809)	(54,888)	(182,697)
Net cash used by operating activities	(51,261)	45,791	(5,470)
Cash flows from noncapital financing activities:			
Cash received from state and federal reimbursements	105,852		105,852
Net cash provided by noncapital financing activities	105,852		105,852
Cash flows from capital financing activities:			
Purchases of fixed assets	(7,752)		(7,752)
Net cash used by capital financing activities	(7,752)		(7,752)
Cash flows from investing activities:			
Interest on investments			
Net cash provided by investing activities			
Net increase (decrease) in cash and cash equivalents	46,839	45,791	92,630
Cash and cash equivalents, July 1	49,540	137,746	187,286
Cash and cash equivalents, June 30	\$ 96,379	\$ 183,537	\$ 279,916
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (83,694)	\$ 49,291	\$ (34,403)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	5,385		5,385
Federal commodities	22,611		22,611
Change in assets and liabilities:			
(Increase)/decrease in receivables	7,288		7,288
(Increase)/decrease in inventory	(3,992)		(3,992)
Increase/(decrease) in unearned revenue	1,141	(3,500)	(2,359)
Increase/(decrease) in accounts payable			
Net cash used by operating activities	\$ (51,261)	\$ 45,791	\$ (5,470)

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services
Statement of Net Position
as of June 30, 2015

	Internal Service Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ -
Inventories	
Total current assets	-
 Total assets	\$ -
 LIABILITIES:	
Current liabilities:	
Accounts payable	\$ -
Interfund payable	
Total current liabilities	-
 Net Position:	
Unrestricted	-
 Total Net Position	\$ -

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services

Comparative Statement of Revenues, Expenses and Changes in Net Position
for the Fiscal Year ended June 30, 2015

	Internal Service Fund
OPERATING REVENUES:	
Local sources:	
Program revenues	\$ 109,833
Total operating revenue	109,833
 OPERATING EXPENSES:	
Salaries	109,833
Total operating expenses	109,833
Operating income (loss)	-
 Net income (loss)	
Net Position - July 1	-
Net Position - June 30	\$ -

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services
Statement of Cash Flows
for the Fiscal Year ended June 30, 2015

	<u>Internal Service Fund</u>
Cash flows from operating activities:	
Cash receipts from customers	\$ 109,833
Cash payments to employees for services	(109,833)
Cash payments to suppliers for goods and services	<u> </u>
Net cash used by operating activities	<u> </u>
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents, July 1	<u> </u>
Cash and cash equivalents, June 30	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Change in assets and liabilities:	
(Increase)/decrease in inventory	
Increase(decrease) in accounts payable	<u> </u>
Net cash used by operating activities	<u>\$ -</u>

Fiduciary Funds

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
 Combining Statement of Net Position
 June 30, 2015

	Agency Funds		Employee Benefits Trust Funds		Total
	Student Activity	Payroll	Flexible Spending Account	Unemployment Compensation Insurance Fund	
ASSETS:					
Cash and cash equivalents	\$ 72,610	\$ 24,449	\$ 4,550	\$ 5,002	\$ 106,611
Interfund receivable					
TOTAL ASSETS	\$ 72,610	\$ 24,449	\$ 4,550	\$ 5,002	\$ 106,611
LIABILITIES:					
LIABILITIES:					
Interfund payable	\$ -	\$ -	\$ 4,500	\$ -	\$ 4,500
Payroll deductions and withholdings		24,449			24,449
Due to student groups	72,610				72,610
Total liabilities	72,610	24,449	4,500		101,559
NET POSITION:					
Reserved for unemployment claims				5,002	5,002
Reserved for flexible benefits			50		50
Total net position	\$ -	\$ -	\$ 50	\$ 5,002	\$ 5,052

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
for the Fiscal Years ended June 30, 2015

	Employee Benefits Trust Funds		Total
	Flexible Benefits Program	Unemployment Compensation Fund	
REVENUES:			
Local sources:			
Employee Contributions	\$ 804	\$ -	\$ 804
Interest on Investments			-
Total Revenues	<u>804</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Current Expense:			
Undistributed Expenditures:			
Transfer to General Fund			-
Payment of Flexible Benefits	961		961
Unemployment claims			-
Total Expenditures	<u>961</u>	<u>-</u>	<u>961</u>
Excess (deficiency) of revenues over (under) expenditures	(157)	-	(961)
Net Position - July 1	<u>207</u>	<u>5,002</u>	<u>5,209</u>
Net Position - June 30	<u>\$ 50</u>	<u>\$ 5,002</u>	<u>\$ 4,248</u>

BERLIN BOROUGH SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Accounts Payable June 30, 2015</u>	<u>Balance June 30, 2015</u>
Elementary School	<u>\$ 79,474</u>	<u>\$ 132,906</u>	<u>\$ 139,770</u>	<u>\$ -</u>	<u>\$ 72,610</u>
Total	<u><u>\$ 79,474</u></u>	<u><u>\$ 132,906</u></u>	<u><u>\$ 139,770</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 72,610</u></u>

BERLIN BOROUGH SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2015

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
ASSETS:				
Cash and cash equivalents	\$ 17,667	\$ 9,033,031	\$ 9,026,249	\$ 24,449
Total assets	<u>\$ 17,667</u>	<u>\$ 9,033,031</u>	<u>\$ 9,026,249</u>	<u>\$ 24,449</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 17,667	\$ 4,808,224	\$ 4,801,442	\$ 24,449
Net payroll		4,224,807	4,224,807	
Total liabilities	<u>\$ 17,667</u>	<u>\$ 9,033,031</u>	<u>\$ 9,026,249</u>	<u>\$ 24,449</u>

Long-Term Debt Schedules

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Serial Bonds
 June 30, 2015

Issue	Date of Issue	Amount of Issue	Annual Maturities		Rate of Interest	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
			Date	Amount					
School Refunding Bonds	9/1/11	\$ 3,660,000	03/01/16	\$ 205,000	3.000%	\$ 3,285,000	\$ -	\$ 200,000	\$ 3,085,000
			03/01/17	215,000	2.000%				
			03/01/18	230,000	2.250%				
			03/01/19	485,000	2.500%				
			03/01/20	475,000	5.000%				
			03/01/21	485,000	5.000%				
			03/01/22	495,000	5.000%				
			03/01/23	495,000	5.000%				
Total						\$ 3,285,000	\$ -	\$ 200,000	\$ 3,085,000

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Certificates of Participation Payable
June 30, 2015

Purpose	Amount of Original Issue	Annual Maturities		Rate of Interest	Balance July 1, 2014	Issued Current Year	Retired Current Year	Balance June 30, 2015
		Date	Amount					
Various Capital Improvements	\$ 5,575,000	02/01/16	\$ 385,000	4.410%	\$ 1,580,000	\$ -	\$ 370,000	\$ 1,210,000
		02/01/17	405,000					
		02/01/18	420,000					
					\$ 1,580,000	\$ -	\$ 370,000	\$ 1,210,000

**BERLIN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2015**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 618,685	\$ -	\$ 618,685	\$ 618,685	\$ -
Total revenues - local sources	<u>618,685</u>		<u>618,685</u>	<u>618,685</u>	
State sources:					
Debt service aid type II	148,642		148,642	148,642	
Total revenues - state sources	<u>148,642</u>		<u>148,642</u>	<u>148,642</u>	
Total Revenues	<u>767,327</u>		<u>767,327</u>	<u>767,327</u>	
EXPENDITURES:					
Regular debt service:					
Princ. payments - Comm. Appr. Lease Purchase Agrm.	370,000		370,000	370,000	
Interest for Comm. Appr. Lease Purchase Agrm.	69,678		69,678	69,678	
Redemption of principal	200,000		200,000	200,000	
Interest on bonds	131,250		131,250	131,250	
Total Expenditures	<u>770,928</u>		<u>770,928</u>	<u>770,928</u>	
Excess (Deficiency) of revenues over (under) expenditures	(3,601)		(3,601)	(3,601)	
Other Financing Sources:					
Operating Transfer In - Capital Projects				1,574	1,574
Total Other Financing Sources				<u>1,574</u>	<u>1,574</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(3,601)		(3,601)	(2,027)	1,574
Fund Balances, July 1	<u>5,178</u>		<u>5,178</u>	<u>5,178</u>	
Fund Balances, June 30	<u>\$ 1,577</u>	<u>\$ -</u>	<u>\$ 1,577</u>	<u>\$ 3,151</u>	<u>\$ 1,574</u>

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Obligations Under Capital Leases
June 30, 2015

Purpose	Interest Rate Payable	Amount of Original Issue	Amount Outstanding July 1, 2014	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2015
Telephone System	5.70%	\$ 74,240	\$ 23,344	\$ -	\$ 11,349	\$ 11,995
Computer Equipment - Dell	6.00%	40,487		40,487	14,292	26,195
Apple, Inc.	6.91%	31,377		31,377	11,187	20,190
Apple, Inc.	3.49%	217,799		217,799	52,622	165,177
			<u>\$ 23,344</u>	<u>\$ 289,663</u>	<u>\$ 89,450</u>	<u>\$ 223,557</u>

Statistical Section

Berlin Borough School District
Net Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 3,185,075	\$ 630,791	\$ 208,209	\$ (210,130)	\$ (602,224)	\$ (862,909)	\$ (793,335)	\$ (832,748)	\$ (1,177,849)	\$ (868,697)
Restricted for:										
Capital projects	10,269	4,649	317	-	175,000	406,000	596,637	526,637	264,637	278,637
Special revenue	(650)	(650)	(650)	-	-	-	-	-	-	-
Debt service	326,340	333,093	327,013	320,374	343,954	356,148	466,671	469,995	446,561	444,534
Other purposes	452,512	239,043	313,623	229,932	72,212	206,532	508,977	571,684	501,607	391,323
Unrestricted	(347,798)	(446,730)	(449,681)	(566,635)	(667,888)	(449,121)	(635,002)	(622,403)	(632,534)	(2,786,706)
Total governmental activities net position	\$ 3,625,748	\$ 760,196	\$ 398,831	\$ (226,459)	\$ (678,946)	\$ (343,350)	\$ 143,948	\$ 113,165	\$ (597,578)	\$ (2,540,909)
Business-type activities:										
Net investment in capital assets	\$ 56,045	\$ 50,858	\$ 51,075	\$ 44,732	\$ 38,386	\$ 32,041	\$ 29,773	\$ 23,992	\$ 18,983	\$ 21,350
Unrestricted	132,823	130,332	142,129	145,504	165,340	167,256	167,205	198,943	205,273	284,006
Total business-type activities net position	\$ 188,868	\$ 181,190	\$ 193,204	\$ 190,236	\$ 203,726	\$ 199,297	\$ 196,978	\$ 222,935	\$ 224,256	\$ 305,356
District-wide:										
Net investment in capital assets	\$ 3,241,120	\$ 681,649	\$ 259,284	\$ (165,398)	\$ (563,838)	\$ (830,868)	\$ (763,562)	\$ (808,756)	\$ (1,158,866)	\$ (847,347)
Restricted:										
Capital projects	10,269	4,649	317	-	175,000	406,000	596,637	526,637	264,637	278,637
Special revenue	(650)	(650)	(650)	-	-	-	-	-	-	-
Debt service	326,340	333,093	327,013	320,374	343,954	356,148	466,671	469,995	446,561	444,534
Other purposes	452,512	239,043	313,623	229,932	72,212	206,532	508,977	571,684	501,607	391,323
Unrestricted	(214,975)	(316,398)	(307,552)	(421,131)	(502,548)	(281,865)	(467,797)	(423,460)	(427,261)	(2,502,700)
Total district net position	\$ 3,814,616	\$ 941,386	\$ 592,035	\$ (36,223)	\$ (475,220)	\$ (144,053)	\$ 340,926	\$ 336,100	\$ (373,322)	\$ (2,235,553)

Berlin Borough School District
 Changes in Net Position, Last Ten Fiscal Years
 (accrual basis of accounting)

Exhibit J-2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 2,843,868	\$ 5,355,894	\$ 3,704,118	\$ 3,883,630	\$ 4,241,895	\$ 3,377,214	\$ 3,487,154	\$ 3,500,106	\$ 3,549,507	\$ 3,875,837
Special education	1,120,694	1,157,041	1,289,585	1,396,905	1,550,853	1,437,144	1,496,000	1,568,940	1,543,466	1,341,585
Other instruction	70,039	91,656	116,626	145,580	169,133	140,315	148,704	174,973	185,917	158,996
Support Services:										
Tuition	329,765	344,161	240,091	460,011	450,951	229,109	137,383	104,984	114,569	103,224
Student & instruction related services	787,131	931,786	999,962	909,601	1,064,281	687,036	828,595	923,650	1,180,791	1,165,228
School administrative services	330,218	336,755	324,618	354,355	347,323	365,283	370,855	382,264	394,340	398,476
General and business administrative services	488,021	863,005	665,292	685,839	641,951	497,590	535,947	631,708	565,355	658,730
Plant operations and maintenance	693,755	827,676	783,402	1,001,043	775,308	1,378,566	1,359,315	1,400,417	2,145,263	1,062,805
Pupil transportation	454,148	516,922	432,637	446,822	448,985	287,509	261,511	281,930	308,691	328,177
Unallocated employee benefits	1,841,869	2,204,580	2,359,167	2,160,811	2,201,183	2,334,798	2,435,053	2,771,379	2,801,185	3,174,865
Charter School								7,678	-	-
Interest on long-term debt	384,415	367,506	352,435	336,328	308,282	301,275	355,765	234,381	212,732	192,129
Unallocated depreciation	19,842	169,388	52,517	53,614	53,614	49,743	105,208	70,455	75,494	59,628
Total governmental activities expenses	9,363,765	13,166,370	11,320,450	11,834,539	12,253,759	11,085,582	11,521,490	12,053,065	13,077,310	12,519,680
Business-type activities:										
Community Education	210,230	247,905	246,324	261,459	225,590	236,083	251,330	266,191	255,403	239,573
Food service	219,917	216,367	231,605	239,154	263,892	260,347	278,940	284,424	285,609	258,512
Shared Services	-	-	-	49,915	60,649	148,214	145,725	124,204	126,991	109,833
Total business-type activities expense	430,147	464,272	477,929	550,528	550,131	644,644	675,995	674,819	668,003	607,918
Total district expenses	\$ 9,793,912	\$ 13,630,642	\$ 11,798,379	\$ 12,385,067	\$ 12,803,890	\$ 11,730,226	\$ 12,197,485	\$ 12,727,884	\$ 13,745,313	\$ 13,127,598
Program Revenues:										
Governmental activities:										
Operating grants and contributions	634,864	1,820,654	1,691,736	1,339,322	1,670,910	1,319,567	1,629,606	1,614,390	1,598,477	1,783,508
Total governmental activities program revenues	634,864	1,820,654	1,691,736	1,339,322	1,670,910	1,319,567	1,629,606	1,614,390	1,598,477	1,783,508

(Continued)

Berlin Borough School District
 Changes in Net Position, Last Ten Fiscal Years
 (accrual basis of accounting)

Exhibit J-2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services:										
Community education	\$ 250,306	\$ 229,719	\$ 246,459	\$ 245,682	\$ 223,777	\$ 235,668	\$ 251,773	\$ 297,708	\$ 275,715	\$ 288,864
Food service	148,081	160,467	168,502	180,550	188,135	178,237	174,772	168,366	161,546	174,818
Shared Services				49,915	60,649	148,214	145,725	124,204	126,991	109,833
Operating grants and contributions	64,622	64,544	65,492	70,987	90,814	77,899	101,277	110,374	104,941	115,503
Capital grants and contributions										
Total business type activities program revenues	463,009	454,730	480,453	547,134	563,375	640,018	673,547	700,652	669,193	689,018
Total district program revenues	\$ 1,097,873	\$ 2,075,384	\$ 2,172,189	\$ 1,886,456	\$ 2,234,285	\$ 1,959,585	\$ 2,303,153	\$ 2,315,042	\$ 2,267,670	\$ 2,472,526
Net (Expense)/Revenue:										
Governmental activities	\$ (8,728,901)	\$ (11,545,716)	\$ (9,628,714)	\$ (10,495,217)	\$ (10,582,849)	\$ (9,766,015)	\$ (9,891,894)	\$ (10,438,675)	\$ (11,478,833)	\$ (10,736,172)
Business-type activities	32,862	(9,542)	2,524	(3,394)	13,244	(4,626)	(2,448)	25,833	1,190	81,100
Total district-wide net expense	\$ (8,696,039)	\$ (11,555,258)	\$ (9,626,190)	\$ (10,498,611)	\$ (10,569,605)	\$ (9,770,641)	\$ (9,894,332)	\$ (10,412,842)	\$ (11,477,643)	\$ (10,655,072)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 4,908,261	\$ 5,332,390	\$ 5,708,340	\$ 5,888,340	\$ 5,926,097	\$ 6,163,141	\$ 6,212,099	\$ 6,336,341	\$ 6,463,068	\$ 6,608,384
Taxes levied for debt service	560,334	551,723	555,735	575,687	596,348	629,870	620,899	615,088	589,954	618,685
Unrestricted grants and contributions	3,364,270	2,720,526	2,914,914	3,348,044	3,535,439	3,218,500	3,482,000	3,544,238	3,642,543	3,664,322
Tuition	20,113	-	6,757	13,509	20,652	46,328	13,951	509	16,988	-
Investment earnings	16,847	21,043	29,501	6,388	3,222	7,843	1,551	5,181	1,233	1,574
Miscellaneous income	48,012	54,482	52,102	37,959	48,604	35,929	48,682	14,335	54,304	30,373
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	8,917,837	8,680,164	9,267,349	9,869,927	10,130,362	10,101,611	10,379,182	10,515,692	10,768,090	10,923,338
Business-type activities:										
Investment earnings	1,572	1,864	1,378	426	246	197	129	124	131	-
Miscellaneous income	6,000	-	8,112	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	7,572	1,864	9,490	426	246	197	129	124	131	-
Total district-wide	\$ 8,925,409	\$ 8,682,028	\$ 9,276,839	\$ 9,870,353	\$ 10,130,608	\$ 10,101,808	\$ 10,379,311	\$ 10,515,816	\$ 10,768,221	\$ 10,923,338
Change in Net Position:										
Governmental activities	\$ 188,936	\$ (2,865,552)	\$ (361,365)	\$ (625,290)	\$ (452,487)	\$ 335,596	\$ 487,298	\$ 77,017	\$ (710,743)	\$ 187,166
Business-type activities	40,434	(7,678)	12,014	(2,968)	13,490	(4,429)	(2,319)	25,957	1,321	81,100
Total district-wide	\$ 229,370	\$ (2,873,230)	\$ (349,351)	\$ (628,258)	\$ (438,997)	\$ 331,167	\$ 484,979	\$ 102,974	\$ (709,422)	\$ 268,266

Berlin Borough School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-3

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	\$ 452,512	\$ 239,043	\$ 313,623	\$ 229,932	\$ 247,212	\$ 612,532	\$ 1,008,977	\$ 1,001,684	\$ 669,607	\$ 573,323
Unassigned	51,480	119,648	128,247	(67,703)	(164,618)	(40,764)	(50,213)	(84,359)	(105,104)	(107,080)
Total general fund	<u>\$ 503,992</u>	<u>\$ 358,691</u>	<u>\$ 441,870</u>	<u>\$ 162,229</u>	<u>\$ 82,594</u>	<u>\$ 571,768</u>	<u>\$ 958,764</u>	<u>\$ 917,325</u>	<u>\$ 564,503</u>	<u>\$ 466,243</u>
All Other Governmental Funds										
Reserved:										
Debt service reserve	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383
Unreserved, reported in:										
Special revenue fund	(650)	(650)	(650)							
Capital projects fund	10,269	4,649	317				96,637	96,637	96,637	96,637
Debt service fund	3,951	76		(589)	5,182		25,011	3,601	1,577	1,574
Designated for subsequent year's expenditures	20,135	24,927	12,712			10,542	277	25,011	3,601	1,577
Total all other governmental funds	<u>\$ 475,088</u>	<u>\$ 470,385</u>	<u>\$ 453,762</u>	<u>\$ 440,794</u>	<u>\$ 446,565</u>	<u>\$ 452,202</u>	<u>\$ 563,308</u>	<u>\$ 566,632</u>	<u>\$ 543,198</u>	<u>\$ 541,171</u>

Berlin Borough School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tax levy	\$ 5,468,595	\$ 5,884,113	\$ 6,264,075	\$ 6,464,027	\$ 6,522,445	\$ 6,793,011	\$ 6,832,998	\$ 6,951,429	\$ 7,053,022	\$ 7,227,069
Tuition charges	20,113	-	6,757	13,509	20,652	46,328	13,951	509	16,988	15,957
Interest earnings	16,847	21,043	29,501	7,846	3,222	7,843	1,551	5,181	1,233	1,574
Miscellaneous	48,012	54,482	54,792	39,191	51,294	38,619	51,392	14,335	54,304	14,416
State sources	3,758,701	4,053,876	4,331,034	4,398,916	4,125,502	4,237,017	4,703,581	4,860,532	4,953,235	5,151,260
Federal sources	240,433	287,304	272,926	285,760	1,078,157	298,360	405,335	298,096	287,785	296,570
Total revenue	9,552,701	10,300,818	10,959,085	11,209,249	11,801,272	11,421,178	12,008,808	12,130,082	12,366,567	12,706,846
Expenditures										
Instruction										
Regular Instruction	2,858,708	2,975,939	3,115,926	3,417,340	3,602,063	3,448,744	3,519,482	3,491,023	3,541,757	3,828,934
Special education instruction	1,120,694	1,157,041	1,289,585	1,396,905	1,550,853	1,437,144	1,496,000	1,568,940	1,543,466	1,341,585
Other special instruction	70,039	91,656	116,626	145,580	169,133	140,315	148,704	174,973	185,917	158,996
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	329,765	344,161	240,091	460,011	450,951	229,109	137,383	104,984	114,569	103,224
Student & instruction related services	787,131	931,786	999,962	909,601	1,064,281	687,036	828,595	923,850	1,180,791	1,165,228
School administrative services	330,218	336,755	324,618	354,355	347,323	365,283	370,855	382,264	394,340	398,476
General and business admin. services	469,484	545,372	581,404	599,758	555,870	494,625	507,066	603,606	537,379	629,870
Plant operations and maintenance	485,375	553,419	642,151	662,046	623,918	619,189	554,592	591,145	674,380	638,523
Pupil transportation	454,148	516,922	432,637	446,822	448,918	287,509	261,511	281,930	308,691	328,177
Employee benefits	1,841,869	2,204,580	2,359,167	2,160,811	2,244,682	2,334,798	2,435,053	2,771,379	2,801,185	3,183,013
Capital outlay	94,704	49,849	36,716	185,639	45,986	104,783	715,285	504,038	698,285	260,179
Charter School	-	-	-	-	-	-	-	7,678	-	-
Debt service:										
Principal	345,000	370,000	395,000	420,000	445,000	470,000	490,000	520,000	540,000	570,000
Interest and other charges	389,916	373,342	358,646	342,990	326,091	307,832	355,765	242,387	222,063	200,928
Total expenditures	9,577,051	10,450,822	10,892,529	11,501,858	11,875,069	10,926,367	11,820,291	12,168,197	12,742,823	12,807,133
Excess (Deficiency) of revenues										
over (under) expenditures	(24,350)	(150,004)	66,556	(292,609)	(73,797)	494,811	188,517	(38,115)	(376,256)	(100,287)
Other Financing sources (uses)										
Proceeds from borrowing	-	-	-	-	-	-	4,266,960	-	-	-
Payment to refunding escrow agent	-	-	-	-	-	-	(3,957,375)	-	-	-
Accrued interest on sale of bonds	-	-	-	-	-	-	-	-	-	-
Transfers in	-	21,043	12,635	1,775	7,232	5,637	310,588	3,601	1,577	1,574
Transfers out	-	(21,043)	(12,635)	(1,775)	(7,232)	(5,637)	(310,588)	(3,601)	(1,577)	(1,574)
Total other financing sources (uses)	-	-	-	-	-	-	309,585	-	-	-
Net change in fund balances	\$ (24,350)	\$ (150,004)	\$ 66,556	\$ (292,609)	\$ (73,797)	\$ 494,811	\$ 498,102	\$ (38,115)	\$ (376,256)	\$ (100,287)
Debt service as a percentage of										
noncapital expenditures	7.75%	7.15%	6.94%	6.74%	6.52%	7.19%	7.62%	6.54%	6.33%	6.14%

Source: District records

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Berlin Borough School District
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-5

<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Other Refunds</u>	<u>Miscellaneous</u>	<u>Total</u>
2006	\$ 39,288	\$ 20,113	\$ -	\$ 7,780	\$ -	\$ 944	\$ 68,125
2007	53,469					1,013	54,482
2008	29,501	6,757	26,614	7,194	4,310	1,349	75,725
2009	6,388	13,509	20,000	13,938	598	1,965	56,398
2010	3,222	20,652	20,000	20,595	152	625	65,246
2011	2,206	46,328	11,000	21,287	2,878	764	84,463
2012	1,551	13,951	5,000	27,653		1,174	49,329
2013	1,580	509	5,000	2,702		6,633	16,424
2014	1,233	16,988	5,000	45,850	1,247	630	70,948
2015		15,957	5,000	4,506	1,856	3,054	30,373
	<u>\$ 138,438</u>	<u>\$ 154,764</u>	<u>\$ 97,614</u>	<u>\$ 151,505</u>	<u>\$ 11,041</u>	<u>\$ 18,151</u>	<u>\$ 571,513</u>

Source: District records

**Berlin Borough School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2006	\$ 10,490,700	\$ 317,567,000	\$ 366,800	\$ 69,100	\$ 54,086,900	\$ 7,239,940	\$ 3,326,800	\$ 393,147,240	\$ 3,481,859	\$ 396,629,099	\$ 41,268,200	\$ 1.469	\$ 620,118,024
2007	11,325,600	323,181,200	244,900	69,100	56,977,400	6,539,940	3,326,800	401,664,940	3,084,552	404,749,492	48,223,700	1.535	724,618,605
2008	10,144,800	327,901,200	244,900	56,600	58,052,700	6,539,940	3,036,300	405,976,440	3,465,128	409,441,568	48,431,400	1.568	806,310,513
2009	9,629,800	330,768,700	244,900	56,600	57,059,800	6,564,940	3,036,300	407,361,040	3,814,925	411,175,965	50,110,200	1.577	848,155,052
2010	8,946,000	332,971,200	244,900	56,600	55,620,900	5,994,500	3,036,300	406,870,400	3,959,735	410,830,135	50,367,100	1.647	814,676,056
2011 d	20,000,700	607,946,600	470,800	83,000	122,002,300	10,863,500	8,120,100	769,487,000	7,207,478	776,694,478	87,228,050	0.876	790,050,848
2012	17,123,400	602,314,500	470,800	83,000	119,714,000	10,777,300	7,169,800	757,652,800	6,727,655	764,380,455	86,692,350	0.906	792,412,612
2013	14,536,000	600,269,300	470,800	83,000	116,738,200	10,465,000	7,169,800	749,732,100	5,946,121	755,678,221	86,135,450	0.929	761,691,578
2014	14,189,200	599,566,100	470,800	79,700	115,907,400	10,465,000	7,169,800	747,848,000	4,828,606	752,676,606	86,473,950	0.957	741,738,667
2015	14,145,900	597,682,700	470,800	55,100	111,420,000	10,465,000	7,925,000	742,164,500	4,433,565	746,598,065	87,251,750	0.990	620,118,024

Source: Municipal Tax Assessor

Note:

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Improvements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

c Information not available.

d Revaluation.

**Berlin Borough School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)**

Exhibit J-7

Fiscal Year Ended June 30,	Berlin Borough School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of Berlin	Eastern Regional High School	Camden County	
2006	\$ 1.329	\$ 0.140	\$ 1.469	\$ 0.698	\$ 0.760	\$ 1.265	\$ 4.192
2007	1.398	0.137	1.535	0.742	0.802	1.249	4.328
2008	1.427	0.141	1.568	0.810	0.766	1.249	4.393
2009	1.432	0.145	1.577	0.935	0.836	1.279	4.627
2010	1.634	0.013	1.647	1.059	0.834	1.298	4.838
2011	0.796	0.080	0.876	0.579	0.452	0.723	2.630
2012	0.826	0.080	0.906	0.598	0.495	0.794	2.793
2013	0.851	0.078	0.929	0.619	0.462	0.838	2.848
2014	0.875	0.082	0.957	0.638	0.489	0.838	2.922
2015	0.908	0.082	0.990	0.681	0.510	0.807	2.988

Source: Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

**Berlin Borough School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2015	
	Taxable Assessed Value	% of Total District Net Assessed Value
Berlin Reality	\$ 8,434,100	1.13%
Berlin Residences, LLC	5,570,000	0.75%
AC Berlin, LLC	5,100,000	0.68%
SINELNIK	4,810,800	0.64%
Evinos Corporation, Inc.	4,555,600	0.61%
Hassbro, LLC	3,500,000	0.47%
Berlin Center, LLC	3,200,000	0.43%
Berlin Equities, LLC	2,838,100	0.38%
Osborne Assoc % Rite Aid Corp	2,800,000	0.38%
Public Storage	2,600,000	0.35%
Total	\$ 43,408,600	5.81%

Taxpayer	2006	
	Taxable Assessed Value	% of Total District Net Assessed Value
Mark Center, Ltd.	\$ 7,183,500	1.89%
NJ Bell Telephone	6,765,403	1.78%
Berlin Reality Company	4,534,900	1.19%
Berlin Center, LLC	2,250,000	0.59%
50 Service Aveneue	1,986,900	0.52%
Evinos Corporation	1,976,900	0.52%
Public Storage Properties, Inc	1,849,700	0.49%
Forte & Companies	1,834,200	0.48%
Gregorary Sinelik	1,659,400	0.44%
Berlin Equities	1,635,000	0.43%
Total	\$ 31,675,903	8.33%

Source: Municipal Tax Assessor

**Berlin Borough School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 5,468,595	\$ 5,468,595	100.00%	
2007	5,884,113	5,884,113	100.00%	
2008	6,264,075	6,264,075	100.00%	
2009	6,464,027	6,464,027	100.00%	
2010	6,522,445	6,522,445	100.00%	
2011	6,793,011	6,793,011	100.00%	
2012	6,832,998	6,832,998	100.00%	
2013	6,951,429	6,951,429	100.00%	
2014	7,053,022	7,053,022	100.00%	
2015	7,227,069	7,227,069	100.00%	

Source: District records including the Certificate and Report of School Taxes (A4F form)

- a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Berlin Borough School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^b
	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2006	\$ 4,651,000	\$ 214,295	\$ 89,278	\$ -	\$ -	\$ 4,954,573	1.59%	627
2007	4,536,000	171,436	92,520			4,799,956	1.49%	606
2008	4,411,000	128,577	71,224			4,610,801	1.38%	582
2009	4,271,000	85,718	48,750			4,405,468	1.32%	555
2010	4,121,000	42,220	25,032			4,188,252	1.31%	552
2011	3,961,000		2,285,000			6,246,000	1.86%	821
2012	3,660,000		2,409,387			6,069,387	1.77%	797
2013	3,475,000		2,016,460			5,491,460	1.59%	724
2014	3,285,000		1,603,344			4,888,344	c	648
2015	3,085,000		1,221,995			4,306,995	c	c

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Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a Based on Per Capita Income for Camden County

b Based on School District Population as of July 1.

c Not available

Berlin Borough School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2006	\$ 4,651,000	\$ -	\$ 4,651,000	1.17%	589
2007	4,536,000		4,536,000	1.12%	573
2008	4,411,000		4,411,000	1.08%	557
2009	4,271,000		4,271,000	1.04%	538
2010	4,121,000		4,121,000	1.00%	543
2011	3,961,000		3,961,000	0.51%	521
2012	3,660,000		3,660,000	0.47%	481
2013	3,475,000		3,475,000	0.46%	458
2014	3,285,000		3,285,000	0.44%	435
2015	3,085,000		3,085,000	0.41%	c

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-6 for property tax data.

b Population data can be found in Exhibit J-14.

c Not available.

**Berlin Borough School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2014**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of Berlin	\$ 10,641,157	100.000%	\$ 10,641,157
Eastern Regional High School District	4,568,875,695	16.000%	573,085
Camden County General Obligation Debt	246,860,397	1.990%	4,912,522
			<hr/>
Subtotal, overlapping debt			16,126,764
Berlin Borough School District Direct Debt			<hr/> 4,865,000
Total direct and overlapping debt			<hr/> \$ 20,991,764 <hr/>

Sources: Assessed value data used to estimate applicable percentages provided by the Camden County Board of Taxation.

Note: Debt outstanding data provided by each governmental unit.
Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District.
This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Berlin Borough. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

**Berlin Borough School District
Legal Debt Margin Information,
Last Ten Fiscal Years
(dollars in thousands)**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2015

	Equalized valuation basis	
	2014	\$ 733,471,950
	2013	736,620,259
	2012	761,460,101
	[A]	<u>\$ 2,231,552,310</u>
Average equalized valuation of taxable property	[A/3]	\$ 743,850,770
Debt limit (3% of average equalized valuation)	[B]	22,315,523 ^a
Net bonded school debt	[C]	3,285,000
Legal debt margin	[B-C]	<u>\$ 19,030,523</u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 15,759,446	\$ 18,253,030	\$ 20,926,725	\$ 23,280,928	\$ 24,339,167	\$ 24,247,067	\$ 23,842,582	\$ 23,363,381	\$ 22,936,625	\$ 22,315,523
Total net debt applicable to limit	<u>4,651,000</u>	<u>4,536,000</u>	<u>4,411,000</u>	<u>4,271,000</u>	<u>4,121,000</u>	<u>3,961,000</u>	<u>3,660,000</u>	<u>3,475,000</u>	<u>3,285,000</u>	<u>3,085,000</u>
Legal debt margin	<u>\$ 11,108,446</u>	<u>\$ 13,717,030</u>	<u>\$ 16,515,725</u>	<u>\$ 19,009,928</u>	<u>\$ 20,218,167</u>	<u>\$ 20,286,067</u>	<u>\$ 20,182,582</u>	<u>\$ 19,888,381</u>	<u>\$ 19,651,625</u>	<u>\$ 19,230,523</u>
Total net debt applicable to the limit as a percentage of debt limit	29.51%	24.85%	21.08%	18.35%	16.93%	16.34%	15.35%	14.87%	14.32%	13.82%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

**Berlin Borough School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2006	7,902	\$ 311,133,348	\$ 39,374	4.3%
2007	7,922	323,201,756	40,798	4.0%
2008	7,926	333,335,856	42,056	5.3%
2009	7,943	333,891,948	42,036	8.3%
2010	7,591	320,567,930	42,230	8.3%
2011	7,604	336,317,316	44,229	8.6%
2012	7,611	342,974,493	45,063	8.7%
2013	7,588	345,587,872	45,544	6.2%
2014	7,546	e	e	7.0%
2015	e	e	e	e

Source:

- ^a Population information provided by the NJ Dept of Labor and Workforce Development.
- ^b Personal income for Berlin Borough.
- ^c Per Capita for Camden County.
- ^d Unemployment data provided by the NJ Dept of Labor and Workforce Development.
- ^e Not available.

**Berlin Borough School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										
Regular	58	67	66	61	52	52	52	47.5	54.0	53
Special education	15	11	10	16	19	16	16	16	17	35
Other special education					17	16	16	16	15	9
Vocational										
Other instruction										
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Student & instruction related services	6	10	12	12	9	9	9	14	8	2
School administrative services	6	7	7	7	7	7	6	9	12	9
General and business administrative services	5	4	4	4	4	4	4	4.5	4	4
Plant operations and maintenance	12	10	11	10	8	8	9	13	8	12
Pupil transportation										
Special Schools										
Food Service										
Child Care										
Total	<u>102</u>	<u>109</u>	<u>110</u>	<u>110</u>	<u>115</u>	<u>112</u>	<u>112</u>	<u>120</u>	<u>118</u>	<u>124</u>

Source: District Personnel Records

Berlin Borough School District
 Operating Statistics,
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
							Elementary				
2006	820	\$ 8,747,431	\$ 10,668	0.70%	58		1:14	817.4	778.9	6.42%	95.29%
2007	809	9,657,631	11,938	11.90%	67		1:14	808.8	774.3	10.52%	95.73%
2008	839	10,102,167	12,041	0.86%	76		1:14	831.5	797.5	10.52%	95.91%
2009	812	10,553,229	12,997	7.94%	77		1:14	814.9	781.0	-1.99%	95.84%
2010	835	11,057,992	13,243	1.89%	70		1:14	835.0	799.5	2.46%	95.75%
2011	841	10,043,752	11,943	-9.81%	68		1:12	846.0	841.0	1.32%	99.41%
2012	862	10,259,241	11,902	-0.34%	68		1:13	866.2	831.1	2.39%	95.95%
2013	906	10,901,772	12,033	1.10%	68		1:13	891.3	849.2	2.90%	95.28%
2014	865	11,282,475	13,043	8.39%	68		1:13	867.9	832.7	-2.62%	95.95%
2015	857	11,776,026	13,741	5.35%	68		1:13	861.5	823.3	-2.62%	95.57%

Sources: District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**Berlin Borough School District
School Building Information
Last Ten Years**

Exhibit J-18

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
District Building										
Elementary										
Berlin Community School (1952)										
Square Feet	118,068	118,068	118,068	118,068	118,068	118,068	118,068	118,068	118,068	118,068
Capacity (students)	950	950	950	950	950	950	950	950	950	950
Enrollment	817	809	839	812	835	841	862	891	868	862

Number of Schools at June 30, 2015
Elementary = 1

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of any additions. Enrollment is based on the annual October district count.

Berlin Borough School District
 Schedule of Required Maintenance
 Last Ten Fiscal Years

Exhibit J-19

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-xxx

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
* School Facilities											
Berlin Community School	\$ 109,835	\$ 102,449	\$ 120,137	\$ 118,154	\$ 116,707	\$ 111,806	\$ 116,437	\$ 129,736	\$ 154,794	\$ 149,682	\$ 1,229,737
Project # (s)											
Total School Facilities	<u>\$ 109,835</u>	<u>\$ 102,449</u>	<u>\$ 120,137</u>	<u>\$ 118,154</u>	<u>\$ 116,707</u>	<u>\$ 111,806</u>	<u>\$ 116,437</u>	<u>\$ 129,736</u>	<u>\$ 154,794</u>	<u>\$ 149,682</u>	<u>\$ 1,229,737</u>

* School facilities as defined under EFCFA.
 (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

**Berlin Borough School District
Insurance Schedule
June 30, 2015**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy (1)		
Building and Contents (All Locations)		
Limits of liability per occurrence	\$ 250,000,000	\$ 1,000
General liability	5,000,000	
General and Auto liability	5,000,000	1,000
Comprehensive crime coverage		
Employee Dishonesty	500,000	1,000
Forgery or Alteration	50,000	1,000
Boiler and machinery	100,000,000	
Excess Liability	5,000,000	1,000
Professional Liability	5,000,000	5,000
Workers Compensation (2)		
Bodily Injury by Accident	Statutory	
Bodily Injury by Disease	Statutory	
Errors and Omissions Liability (2)	2,000,000	5,000
Student Accident (3)		
School Time Compulsory Student Accident Coverage		
Maximun Benefit	1,000,000	
Surety Bonds (4)		
Board Secretary	250,000	

- (1) School Alliance Insurance Fund
- (2) NJ School Board Association
- (3) Berkley Life and Health Insurance Company
- (4) Selective Insurance Company

Source: District records

Single Audit Section

INVERSO & STEWART, LLC
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 American Institute of CPAs
 New Jersey Society of CPAs

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE
 AS REQUIRED BY OMB CIRCULAR A-133
 AND STATE OF NEW JERSEY OMB CIRCULAR 04-04 AND 15-08**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members
 of the Board of Education
 Berlin Borough School District
 County of Camden
 Berlin, New Jersey

Report on Compliance for Each Major State Program

I have audited Berlin Borough School District (School District), in the County of Camden, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2015. The School District's major state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the School District's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey OMB's Circular 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and State of New Jersey Circular OMB's 04-04 and 15-08 require that I 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 state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major State Program

In my opinion, the Berlin Borough School District, in the County of Camden, State of New Jersey 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 state programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Berlin Borough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state programs and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey OMB's Circular 04-04 and/or 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Berlin Borough's School 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 state 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 state 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 state 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the New Jersey OMB's Circular 04-04 and/or 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB 04-04 and/or 15-08

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. I have issued my report thereon dated November 27, 2015, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04 and/or 15-08 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditure of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

Marlton, New Jersey
November 27, 2015

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2014			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2015		
					Accounts Receivable	Deferred Revenue	Due to Grantor at				Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education													
Special Revenue Fund:													
No Child Left Behind(N.C.L.B.)													
Title I	84.010A	NCLB-0330-15	\$ 61,184	7/1/14 - 6/30/15	\$ -	\$ -	\$ -	\$ -	\$ 61,184	\$ (61,184)	\$ -	\$ -	\$ -
Title IIA	84.367A	NCLB-0330-15	18,791	7/1/14 - 6/30/15				18,791	(18,791)				
Individuals With Disabilities Act (I.D.E.A.)													
Part B - Basic - Current Year	84.027A	IDEA-0330-15	208,228	7/1/14 - 6/30/15				208,228	(208,228)				
Part B - Preschool - Current Year	84.173A	IDEA-0330-15	8,367	7/1/14 - 6/30/15				4,717	(8,367)		(3,650)		
Total Special Revenue Fund					\$ -	\$ -	\$ -	\$ -	\$ 292,920	\$ (296,570)	\$ (3,650)	\$ -	\$ -
U.S. Department of Agriculture													
Enterprise Fund:													
Food Distribution Program	10.565	N/A	22,611	9/1/14 - 6/30/15				22,611	(22,611)				
School Breakfast Program	10.553	N/A	5,733	9/1/14 - 6/30/15				5,349	(5,733)		(384)		
School Breakfast Program	10.553	N/A	3,048	9/1/13 - 6/30/14	(704)			704					
National School Lunch Program	10.555	N/A	84,145	9/1/14 - 6/30/15				78,063	(84,145)		(6,082)		
National School Lunch Program	10.555	N/A	79,947	9/1/13 - 6/30/14	(18,076)			18,076					
Total Enterprise Fund					(18,780)			124,803	(112,489)		(6,466)		
Total Federal Awards					\$ (18,780)	\$ -	\$ -	\$ -	\$ 417,723	\$ (409,059)	\$ (10,116)	\$ -	\$ -

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2015

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2014			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2015		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
General Fund:													
Special Education Categorical Aid	15-495-034-5120-089	\$ 488,215	7/1/14 - 6/30/15	\$ -	\$ -	\$ -	\$ -	\$ 440,458	\$ (488,215)	\$ -	\$ (47,757)	\$ -	\$ -
Special Education Categorical Aid	14-495-034-5120-089	488,215	7/1/13 - 6/30/14	(47,763)				47,763					
Equalization Aid	15-495-034-5120-078	2,999,343	7/1/14 - 6/30/15					2,705,947	(2,999,343)		(293,396)		
Equalization Aid	14-495-034-5120-078	2,999,343	7/1/13 - 6/30/14	(293,430)				293,430					
Transportation Aid	15-495-034-5120-014	49,114	7/1/14 - 6/30/15					44,310	(49,114)		(4,804)		
Transportation Aid	14-495-034-5120-014	49,114	7/1/13 - 6/30/14	(4,805)				4,805					
Security Aid	15-495-034-5120-084	33,172	7/1/14 - 6/30/15					29,927	(33,172)		(3,245)		
Security Aid	14-495-034-5120-084	33,172	7/1/13 - 6/30/14	(3,245)				3,245					
Under Adequacy Aid	15-495-034-5120-083	77,184	7/1/14 - 6/30/15					69,634	(77,184)		(7,550)		
Under Adequacy Aid	14-495-034-5120-083	77,184	7/1/13 - 6/30/14	(7,551)				7,551					
PARCC Readiness Aid	15-495-034-5120-098	8,790	7/1/14 - 6/30/15					7,930	(8,790)		(860)		
Per Pupil Growth Aid	15-495-034-5120-097	8,790	7/1/14 - 6/30/15					7,930	(8,790)		(860)		
Additional Nonpublic Transportation Aid	15-103190	1,392	7/1/14 - 6/30/15						(1,392)		(1,392)		
Additional Nonpublic Transportation Aid	14-103190	1,690	7/1/13 - 6/30/14	(1,690)				1,690					
On Behalf TPAF Pension	15-495-034-5094-006	292,197	7/1/14 - 6/30/15					292,197	(292,197)				
On Behalf TPAF - Post Retirement Medical	15-495-034-5094-001	463,863	7/1/14 - 6/30/15					463,863	(463,863)				
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	389,403	7/1/14 - 6/30/15					370,489	(389,403)		(18,914)		
Total General Fund				(358,484)	-	-	-	4,791,169	(4,811,463)	-	(378,778)	-	-
Special Revenue Fund													
N.J. Nonpublic Aid:													
Textbook Aid	15-100-034-5120-064	14,538	7/1/14 - 6/30/15					14,538	(14,538)				
Nursing Aid	15-100-034-5120-070	23,143	7/1/14 - 6/30/15					23,143	(23,143)				
Technology Aid	15-100-034-5120-373	7,808	7/1/14 - 6/30/15					7,808	(7,808)				
Auxiliary Services:													
Compensatory Education	15-100-034-5120-067	111,975	7/1/14 - 6/30/15					111,975	(94,955)				17,020
Compensatory Education	14-100-034-5120-067	128,397	7/1/13 - 6/30/14			37,918				37,918			
Transportation	15-100-034-5120-067	11,475	7/1/14 - 6/30/15					11,475	(3,958)				7,517
Transportation	14-100-034-5120-067	11,438	7/1/13 - 6/30/14			7,522				7,522			
Homebound Instruction	14-100-034-5120-067	2,659	7/1/13 - 6/30/14	(2,659)				2,659					
Handicapped Services:													
Examination & Classification	15-100-034-5120-066	22,883	7/1/14 - 6/30/15					22,883	(11,176)				11,707
Examination & Classification	14-100-034-5120-066	35,660	7/1/13 - 6/30/14			15,439				15,439			
Corrective Speech	15-100-034-5120-066	22,971	7/1/14 - 6/30/15					22,971	(17,582)				5,389
Corrective Speech	14-100-034-5120-066	27,342	7/1/13 - 6/30/14			11,015				11,015			
Supplemental Instruction	15-100-034-5120-066	32,957	7/1/14 - 6/30/15					32,957	(17,028)				15,929
Supplemental Instruction	14-100-034-5120-066	17,346	7/1/13 - 6/30/14			3,678				3,678			
Municipal Alliance Grant	N/A	2,645	7/1/14 - 6/30/15					2,645	(2,645)				
Total Special Revenue Fund				(2,659)	-	75,572	-	253,054	(192,833)	75,572	-	-	57,562

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2015

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2014			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2015		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
<u>Capital Projects Fund</u>													
SDA Grant	0330-020-10-GOAJ	\$ 204,000	7/1/11 - 6/30/12	<u>\$ (204,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (204,000)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Debt Service Fund</u>													
Debt Service Aid Type II	15-495-034-5120-017	148,642	7/1/14 - 6/30/15					148,642	(148,642)				
<u>State Department of Agriculture</u>													
Enterprise Fund:													
State School Lunch Program	15-100-010-3350-023	3,014	7/1/14 - 6/30/15					2,794	(3,014)		(220)		
State School Lunch Program	14-100-010-3350-023	3,430	7/1/13 - 6/30/14	(867)				867					
Total Enterprise Fund				<u>(867)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,661</u>	<u>(3,014)</u>	<u>-</u>	<u>(220)</u>	<u>-</u>	<u>-</u>
Total State Financial Assistance				<u>\$ (566,010)</u>	<u>\$ -</u>	<u>\$ 75,572</u>	<u>\$ -</u>	<u>\$ 5,196,526</u>	<u>\$ (5,155,952)</u>	<u>\$ 75,572</u>	<u>\$ (582,998)</u>	<u>\$ -</u>	<u>\$ 57,562</u>

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

**Berlin Borough School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2015**

I. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Berlin Borough School District ("School District"). The School District is defined in Note 1 to the School District's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when the expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more of the June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or two June state aid payments in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is (\$1,678) for the general fund and \$-0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 4,809,785	\$ 4,809,785
Special Revenue Fund	296,570	192,833	489,403
Debt Service Fund		148,642	148,642
Food Service Fund	<u>112,489</u>	<u>3,014</u>	<u>115,503</u>
Total Awards & Financial Assistance	<u>\$ 409,059</u>	<u>\$ 5,154,274</u>	<u>\$ 5,563,333</u>

**Berlin Borough School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2015
(Continued)**

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distribution, respectively. TPAF Pension Contributions represents the amount paid by the State on behalf of the School District for the year ended June 30, 2015. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

6. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting in a Circular A-133 audit.

No findings identified.

**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Section 3 -- Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs**

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04 and/or 15-08, as applicable

FEDERAL AWARDS:

A federal single audit was not required.

STATE AWARDS:

No findings and/or questioned costs identified.

**BERLIN BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 and NJOMB's Circular 04-04 and/or 15-08, as applicable.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

Finding #2014-1:

The student counts for resident LEP low income and resident LEP not low income did not agree to supporting documents.

Current Status:

This condition has been corrected.