

**Berlin Brothersvalley School District  
1025 Main Street  
Berlin, Pennsylvania**

**Single Audit as required by  
the Uniform Guidance**

**For the Year Ended  
June 30, 2023**

## Table of Contents

List of Report Distribution.....	2
Independent Auditors' Report .....	3
Management's Discussion and Analysis .....	6
Basic Financial Statements	
Statement of Net Position .....	18
Statement of Activities .....	20
Balance Sheet – Governmental Funds .....	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	24
Statement of Net Position – Proprietary Fund .....	26
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund .....	27
Statement of Cash Flows – Proprietary Fund .....	28
Statement of Fiduciary Net Position – Fiduciary Funds .....	29
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	30
Notes to Financial Statements .....	31
Required Supplementary Information:	
Pension Schedules .....	61
OPEB Schedules – PSERS Health Insurance Premium Assistance Program .....	63
OPEB Schedules – District Specific Plan.....	64
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	65
Schedule of Expenditures of Federal Awards and Certain State Grants.....	66
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	71
Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance .....	73
Schedule of Findings and Questioned Costs.....	76



**List of Report Distribution**

December 15, 2023

To the Members of the Board  
Berlin Brothersvalley School District  
1025 Main Street  
Berlin, Pennsylvania 15530

Board Members:

Not later than thirty days after the receipt of the audit report, Berlin Brothersvalley School District must distribute the audit report as follows:

One (1) copy to: Commonwealth of Pennsylvania  
Bureau of Audits  
(Submitted electronically)

One (1) copy to: Single Audit Clearinghouse  
(Submitted electronically)

Sincerely,

Kotzan CPA & Associates, P.C.

## **Independent Auditors' Report**

To the Members of the Board  
Berlin Brothersvalley School District  
1025 Main Street  
Berlin, Pennsylvania 15530

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Brothersvalley School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Brothersvalley School District, as of June 30, 2023, 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.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Berlin Brothersvalley School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter – GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***

As discussed in Note 20 to the financial statements, Berlin Brothersvalley School District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. This statement requires recognition of certain right-to-use subscription assets and corresponding subscription liabilities for arrangements that were previously recognized as outflows of resources based on the payment provisions of the arrangement. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Berlin Brothersvalley School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Berlin Brothersvalley School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Berlin Brothersvalley School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

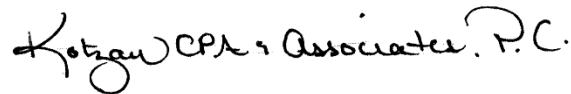
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension and OPEB information, and budgetary comparison information on pages 6-16, pages 61-64, and page 65, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berlin Brothersvalley School District's basic financial statements. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of Berlin Brothersvalley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Berlin Brothersvalley School District's 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 Berlin Brothersvalley School District's internal control over financial reporting and compliance.



Kotzan CPA & Associates, P.C.  
Johnstown, Pennsylvania  
December 15, 2023

---

# Management's Discussion and Analysis

## *Berlin Brothersvalley School District*

2022-2023

---

The discussion and analysis of Berlin Brothersvalley School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Berlin Brothersvalley School District's financial statements are required to meet the GASB 34 Accounting Standards. Whereas previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital assets depreciation and no reports of combined net assets, GASB 34 requires full accrual accounting, including fixed asset accounting, proper combination of multiple funds, and the realization of depreciation expense as part of the Statement of Net Position and Statements of Activities.

### FINANCIAL HIGHLIGHTS

During the fiscal year 2022-2023, the Berlin Brothersvalley School District, with the help of Federal grants, continued/added numerous summer programs for students and upgraded technology/software. The District experienced another year of elevated costs for benefits due to increased pension and healthcare costs. Revenues exceeded budget expectation in every account category. In the budgeting process, the Board of School Directors balanced the budget by using money from the unassigned fund balance. The actual results of operation showed that the increase in expenditures did not increase as far as was anticipated and revenues exceeded expectation. Accordingly, the district realized a decrease of \$216,876 in the General Fund.

### USING THE ANNUAL FINANCIAL REPORT

The annual financial report consists of the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Berlin Brothersvalley School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Condensed comparative analysis of financial statements to the previous year are required and included.

Statements required under GASB 34 include the following:

- Statement of Net Position
- Statement of Activities
- Balance Sheet of Governmental Funds
- Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
- Statement of Revenues, Expenditures, and Changes in Fund Balances
- Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
- Statement of Revenues, Expenditures and Changes in Fund Balance – Budget vs. Actual – General Fund

**Berlin Brothersvalley School District**  
***Management's Discussion and Analysis (MD&A)***

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, deferred outflows of resources, current and non-current liabilities, deferred inflows of resources, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those business activities run by the District.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, and then allocates them to particular expense categories where appropriate.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the fund balance per the fund financial statements to the net position per the government-wide financial statements by outlining the accounting changes necessary to convert from modified accrual to the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the change in fund balances of the governmental funds to the change in net position of all governmental activities.

Funds analyzed in this audit include:

- Major governmental activities including:
  - General Fund
- Major business-type activities:
  - Food Service (Cafeteria) Fund
- Fiduciary funds:
  - Custodial Fund – Student Activity Accounts

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or custodian for the benefit of others, to whom the resources in question belong.

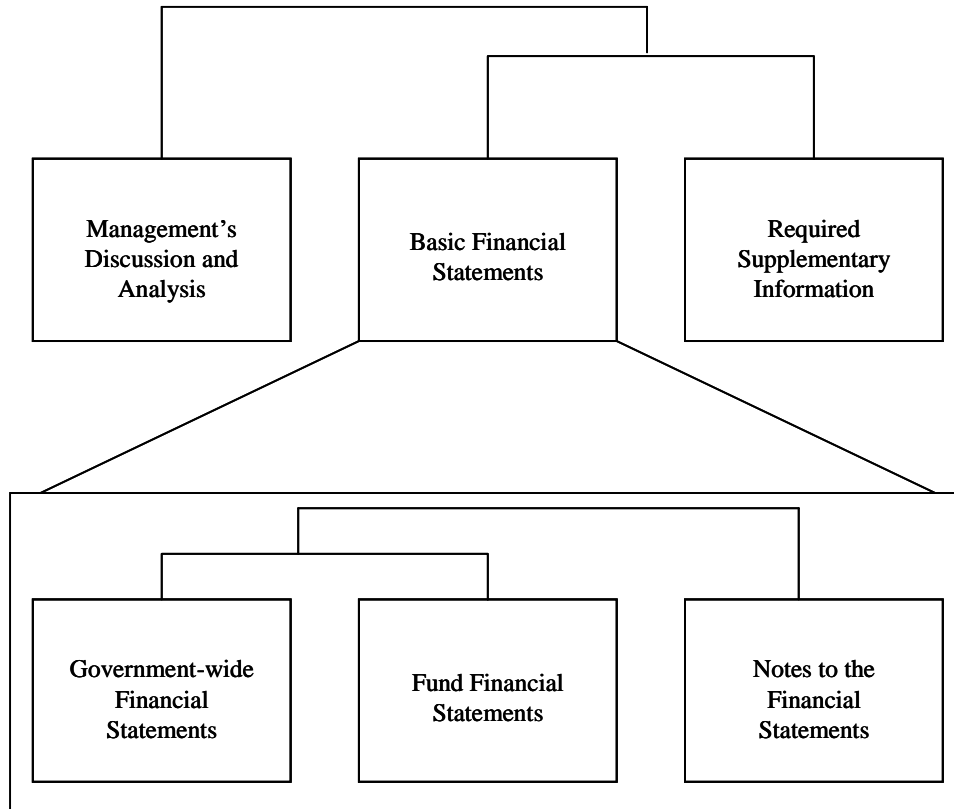
The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.



**Berlin Brothersvalley School District**  
***Management's Discussion and Analysis (MD&A)***

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1  
Required components of  
Berlin Brothersvalley School District's  
Financial Report



## OVERVIEW OF FINANCIAL STATEMENTS

### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, are one way to measure the District's financial health or financial position.

Long term increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

**Berlin Brothersvalley School District**  
***Management's Discussion and Analysis (MD&A)***

There are additional factors that weight the overall health of the District. Specifically, changes to the property tax base as well as student performance can have a dramatic effect on the overall health of the district. The government-wide financial statements of the District are divided into three categories:

1. Governmental activities – All of the District's basic services are included here, such as instruction, administration, transportation and community services. Local property and income taxes and state and federal subsidies finance most of these activities. The Capital Projects fund is also included in governmental activities.
2. Business type activities – The District operates a stand-alone food service operation. Charges to staff, students and visitors as well as state and federal subsidies help to cover the costs of the food service operation.
3. Fiduciary Funds – Instances in which the District is the trustee or agent to someone else's resources – Student Activity funds.

**FUND FINANCIAL STATEMENTS**

The District's fund financial statements provide detailed information about the most significant funds, not the District as a whole.

Governmental funds – The majority of the District's activities are reported in governmental funds, which focus on determining the financial position and the net change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship between governmental activities and governmental funds is reconciled in the financial statements.

Government Funds include:

General Fund – The general fund is the 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.

Capital Projects Fund – This represents funds set aside from the general fund to be used solely for capital improvements within the District. The district has not transferred any additional monies from the general fund into the Capital Projects fund. The revenues reported reflect only interest income for the fiscal year.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail, including cash flows.

Fiduciary funds – The District is the trustee, or fiduciary, for student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

**Berlin Brothersvalley School District**  
**Management's Discussion and Analysis (MD&A)**

Table A-1 summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District at June 30, 2023, as compared to June 30, 2022. The District's total net position was \$(2,717,260) at June 30, 2023.

Table A-1  
Condensed Schedule of Net Position  
June 30, 2023

	Governmental Activities		Business-type Activities		Total School District		Change to
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
Current and other assets	\$ 5,384,757	\$ 5,408,895	\$ 312,490	\$ 335,495	\$ 5,697,247	\$ 5,744,390	\$ (47,143)
Non-current assets	11,923,538	12,145,379	47,697	1,404	11,971,235	12,146,783	(175,548)
Total assets	<u>\$ 17,308,295</u>	<u>\$ 17,554,274</u>	<u>\$ 360,187</u>	<u>\$ 336,899</u>	<u>\$ 17,668,482</u>	<u>\$ 17,891,173</u>	<u>\$ (222,691)</u>
Deferred Outflows of Resources	<u>\$ 3,484,921</u>	<u>\$ 3,717,715</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,484,921</u>	<u>\$ 3,717,715</u>	<u>\$ (232,794)</u>
Current and other liabilities	\$ 3,028,682	\$ 2,890,676	\$ 36,953	\$ 35,682	\$ 3,065,635	\$ 2,926,358	\$ 139,277
Long-term liabilities	20,074,028	19,805,278	0	0	20,074,028	19,805,278	268,750
Total liabilities	<u>\$ 23,102,710</u>	<u>\$ 22,695,954</u>	<u>\$ 36,953</u>	<u>\$ 35,682</u>	<u>\$ 23,139,663</u>	<u>\$ 22,731,636</u>	<u>\$ 408,027</u>
Deferred Inflows of Resources	<u>\$ 731,000</u>	<u>\$ 2,772,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 731,000</u>	<u>\$ 2,772,000</u>	<u>\$ (2,041,000)</u>
Net Position							
Invested in capital assets, net of related debt	\$ 9,505,453	\$ 8,617,524	\$ 47,697	\$ 1,404	\$ 9,553,150	\$ 8,618,928	\$ 934,222
Restricted for capital projects	54,040	52,193	0	0	54,040	52,193	1,847
Unrestricted	<u>(12,599,987)</u>	<u>(12,865,682)</u>	<u>275,537</u>	<u>299,813</u>	<u>(12,324,450)</u>	<u>(12,565,869)</u>	<u>241,419</u>
Total net position	<u>\$ (3,040,494)</u>	<u>\$ (4,195,965)</u>	<u>\$ 323,234</u>	<u>\$ 301,217</u>	<u>\$ (2,717,260)</u>	<u>\$ (3,894,748)</u>	<u>\$ 1,177,488</u>

Analysis of Condensed Schedule of Net Position (Table A-1)

Non-Current Assets decreased from 2021-22 to 2022-23. Non-current assets represented 67.75% of the total assets during the 2022-23 fiscal year and was comprised mainly of building and building improvements. The current and other assets remained consistent.

The total liability amount of \$23,139,663 consists primarily of long-term pension liability of \$16,361,000 (70.71 %) and long-term bonds payable of \$1,227,109 (5.30%). Other liabilities include current portion of long-term debt of \$1,206,472 (5.21%) and accrued salaries and benefits of \$1,383,797 (5.98%). Long-term portion of compensated absences of \$356,445 (1.54%) and other post-employment benefits of \$2,070,000 (8.95%) are also recognized in the long-term liabilities.

The resulting \$(2,717,260) in net position includes \$9,553,150 invested in capital assets net of related debt, \$54,040 restricted for capital projects and \$(12,324,450) in unrestricted net position.

The government-wide financial statements also reflect deferred inflows and outflows of resources relating to the pension plan and other post-employment benefits.

**Berlin Brothersvalley School District**  
**Management's Discussion and Analysis (MD&A)**

Table A-2, takes information from the Statement of Activities, and shows total revenues and total expenses for the year.

Table A-2  
Fiscal Year ended June 30, 2023  
Net (Expense) Revenue and Changes in Net Position

	Governmental Activities		Business-type Activities		Total School District		Favorable
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	(Unfavorable)
<b><u>Revenues</u></b>							
Program Revenues							
Charges for Services	\$ 40,371	\$ 48,329	\$ 137,385	\$ 51,142	\$ 177,756	\$ 99,471	\$ 78,285
Operating Grants and Contributions	3,862,499	3,487,198	332,697	518,542	4,195,196	4,005,740	189,456
Capital Grants and Contributions	559,414	300,899	0	0	559,414	300,899	258,515
General Revenues							
Property and Other Taxes Levied	3,794,021	3,666,151	0	0	3,794,021	3,666,151	127,870
Grants, Subsidies and Contributions	5,758,806	5,522,982	0	0	5,758,806	5,522,982	235,824
Investment Earnings	145,907	16,524	11,010	501	156,917	17,025	139,892
Miscellaneous Income	20,196	12,504	0	0	20,196	12,504	7,692
<b>Total Revenues</b>	<b>\$ 14,181,214</b>	<b>\$ 13,054,587</b>	<b>\$ 481,092</b>	<b>\$ 570,185</b>	<b>\$ 14,662,306</b>	<b>\$ 13,624,772</b>	<b>\$ 1,037,534</b>
<b><u>Expenses</u></b>							
Instruction	\$ 8,382,335	\$ 7,771,081	\$ 0	\$ 0	\$ 8,382,335	\$ 7,771,081	\$ (611,254)
Instructional Student Support	1,108,695	1,021,522	0	0	1,108,695	1,021,522	(87,173)
Administrative and Financial Support	1,207,888	1,155,835	0	0	1,207,888	1,155,835	(52,053)
Operation and Maintenance of Plant	1,102,441	854,368	0	0	1,102,441	854,368	(248,073)
Pupil Transportation	657,297	613,057	0	0	657,297	613,057	(44,240)
Student Activities	495,350	414,026	0	0	495,350	414,026	(81,324)
Community Services	9,050	13,601	0	0	9,050	13,601	4,551
Interest on Long-term Debt	62,687	87,887	0	0	62,687	87,887	25,200
Food Services	0	0	459,075	424,003	459,075	424,003	(35,072)
<b>Total Expenses</b>	<b>\$ 13,025,743</b>	<b>\$ 11,931,377</b>	<b>\$ 459,075</b>	<b>\$ 424,003</b>	<b>\$ 13,484,818</b>	<b>\$ 12,355,380</b>	<b>\$ (1,129,438)</b>
<b>Increase (decrease) in net position</b>	<b>\$ 1,155,471</b>	<b>\$ 1,123,210</b>	<b>\$ 22,017</b>	<b>\$ 146,182</b>	<b>\$ 1,177,488</b>	<b>\$ 1,269,392</b>	<b>\$ (91,904)</b>

**Berlin Brothersvalley School District**  
**Management's Discussion and Analysis (MD&A)**  
**COMPARISON ANALYSIS**

Table A-3 analyzes the budget to actual variances for the 2022-23 school year and the 2022-23 actual to 2021-22 actual.

Table A-3  
Summary of Budgeted Revenues and Expenditures to Actual - General Fund  
Year Ended June 30, 2023

	2022-23 Actual	2021-22 Actual	Actual Favorable/(Unfavorable) From P/Y	2022-23 Budget	Amount Favorable/(Unfavorable) 2022-23
<b>Revenues</b>					
Local sources	\$ 4,145,078	\$ 3,936,667	\$ 208,411	\$ 3,661,474	\$ 483,604
State sources	8,745,964	8,307,886	438,078	7,994,226	751,738
Federal sources	1,245,905	786,765	459,140	1,034,607	211,298
Other financing sources	<u>74,343</u>	<u>36,349</u>	<u>37,994</u>	<u>0</u>	<u>74,343</u>
<b>Total</b>	<b><u>14,211,290</u></b>	<b><u>13,067,667</u></b>	<b><u>1,143,623</u></b>	<b><u>12,690,307</u></b>	<b><u>1,520,983</u></b>
<b>Expenses</b>					
Instructional	8,367,651	7,875,131	(492,520)	8,102,185	(265,466)
Support services	4,054,329	3,720,657	(333,672)	4,346,651	292,322
Operation of non-instructional services	483,972	417,456	(66,516)	439,146	(44,826)
Capital outlay	244,457	7,606	(236,851)	0	(244,457)
Debt service	1,259,992	1,282,820	22,828	1,261,219	1,227
Leases	<u>17,765</u>	<u>19,380</u>	<u>1,615</u>	<u>0</u>	<u>(17,765)</u>
<b>Total</b>	<b><u>14,428,166</u></b>	<b><u>13,323,050</u></b>	<b><u>(1,105,116)</u></b>	<b><u>14,149,201</u></b>	<b><u>(278,965)</u></b>
<b>Increase (decrease) in net fund balance</b>	<b><u>\$ (216,876)</u></b>	<b><u>\$ (255,383)</u></b>	<b><u>\$ 38,507</u></b>	<b><u>\$ (1,458,894)</u></b>	<b><u>\$ 1,242,018</u></b>

**Berlin Brothersvalley School District**  
***Management's Discussion and Analysis (MD&A)***

**FUND FINANCIAL STATEMENT ANALYSIS**

**General Fund**

The District under-funded the 2022-23 budget by \$1,458,894. The District historically understates revenues and overstates expenditures in the annual General Fund Budget. This provides for a worst case scenario in presenting the budget. Even though the fund balance decreased each of the most recent three years, the fund balance for the General Fund has decreased \$398,078 over the past four years. The Board raised taxes 1.25 mils and used fund balance to cover the increased expenses in the budget.

The District showed an increase of \$1,520,983 over budgeted revenues and an increase from budget in expenditures of \$278,965. Actual local revenues were \$483,604 (13%) and state revenues were \$751,738 (9%) over budget. Federal revenue increased by 20% due to an increase in the use of ESSER II & ESSER III funding. The District is using the ESSER funds for additional supplies, equipment, and services. Some of the extra services provided with grant funding include: additional IU Psychologist services, the school social worker, a K-2 Life Skills Teacher was added and the school police officer was hired as an employee paid by the new PCCD grant (state funded). An additional personal care aide was hired for the K-2 Life Skills classroom paid by local funds. These items will be continuing costs to the district after the grant funding expires.

The District has made a rotation schedule for the one-to-one technology for all students and replacement of staff computers to use grant funding as long as available and to alleviate a greater impact during any single year after grant funding is no longer available.

The learning loss summer school programs were continued (\$117,224) and the District also provided ESSER funded after-school tutoring (\$9219).

The District completed these additional major projects during this fiscal year using grant funding: upgraded interactive TVs and mounts, software, iPads, Chromebooks, connectivity, the purchase of cafeteria tables, desks/furniture for classrooms and the replacement of the domestic hot water system. In addition, using local funding the District replaced two basketball systems (\$20,445).

The cost of students attending the BBSD Cyber Academy, a program through Waterfront/IU08, rather than in-person, has increased more than \$21,000. The temporary long-term instructional position for alternative education and to monitor these BBSD Academy students' progress in the BBSD cyber programs was continued for the 2022-23 year (\$81,850).

The cost of educating outside cyber/charter school students decreased 15% (\$30,523) during this fiscal year. The District had an 8.1% increase in tuition to the Career and Technology Center (\$38,855). Student transportation costs increased \$44,240 (7.2%) due to a new transportation contract. Further, health care insurance costs increased approximately \$94,634 (6.7%) and the employer's share of retirement contributions increased \$59,652 (3.2%). These two items continue to remain a large portion of the District's benefit costs. The PSERS rate increased from 34.94% for 2021-22 to 35.26% for 2022-23. The increase in revenues, including the ESSER funding, were offset by the additional staffing, healthcare costs, technology, transportation and tuition to outside facilities (cyber schools, alternative placements). The fund balance of the District's General Fund decreased \$216,876 at year end.

Comparing the 2021-22 and 2022-23 school years reveals the following significant changes:

- Total Local Revenues increased \$208,411, (5%) from 2021-22 to 2022-23. The real estate tax rate increased to 30.5 mils. The Local Revenues were again offset by the State Property Tax Reduction Allocation. The allocation moves approximately 8.3% of the calculated Real Estate Taxes from Local Revenues to State Revenues. The State Property Tax Reduction Allocation totaled \$270,076. Collected Real Estate Tax, Interim Real Estate and PURTA increased \$83,021. Real Estate Transfer Taxes and Delinquent Real Estate Taxes increased by \$1,000. Per capita and delinquent per capita taxes increased \$4,012. Federal Pass-Through Revenue decreased as the additional ARP supplemental money was only for 2021-22. Earned Income Tax collections increased 3.8% (\$23,378). Interest Income increased greatly \$127,591 (774.8%). Contributions/Donations, and Revenue from LEA activities decreased \$4,147.

**Berlin Brothersvalley School District**  
***Management's Discussion and Analysis (MD&A)***

- State Revenues increased \$438,078 from 2021-22 to 2022-23. Basic Ed and Special Ed subsidies increased a total of \$206,666. Vocational ed and drivers ed showed an increase in reimbursement of approximately \$1,644. Transportation showed a decrease in reimbursement of \$2,614. The Supplemental Equipment grant decreased \$150 from last year when it started. The Ready to Learn Grant remained consistent at \$151,047. Health services showed a decrease of \$594. An increase was seen in Rental & Sinking Fund Payments of \$14,058. The state share of Social Security \$11,894 and Retirement \$55,885; both increased due to the increase in expenditures.
- Federal Revenues increased \$459,141 from 2021-22 to 2022-23. Title I decreased by \$6,744, Title II decreased by \$3,487 while Title IV increased by \$799. The District received an increase of \$286,233 in ESSER II, an increase of \$274,146 in ESSER III, and a decrease of \$86,260 in ESSER Set-aside Funding during this fiscal year.
- Instructional Expenses increased \$501,897 (6.3%) from 2021-22 to 2022-23. Salaries increased \$85,665 (2.2%) and benefits increased \$80,485 (3.0%). The purchased services increased (41.5%) due to an increase in the number of BBSD cyber students, early intervention costs, and IU08 therapy. The supplies purchases increased by \$257,493 due to the replacement of desks/furniture in classrooms and technology and software upgrade. The equipment purchases increased by \$37,638. Special Education costs increased \$192,080 (14.7%) due to the increase in salaries and benefits. Career and Technology Center Tuition increased \$101,385 (12.4%). PSERS showed an increase of \$29,153 increase (2.1%). Outside charter school tuition decreased \$30,523.
- Support Service Expenses increased \$333,672 in 2022-23. Increases were recorded in: salaries \$81,104 and benefits \$87,933. There was a PSERS increase of \$30,035 and a health insurance increase of \$53,594 (14.6%). Purchased property services costs increased \$52,130 due mainly to the domestic hot water system replacement. Transportation costs increased \$44,240 due to students in alternative placements and charter schools and new transportation contract. Supply costs increased mostly due to the purchase of new cafeteria tables.
- Operation of Non-Instructional Services Expense increased \$66,519 (15.9%) from 2021-22 to 2022-23. Transportation costs increased \$35,283 due to the new contract, increased participation and state playoff costs. The supplies increased \$13,109 due to additional student participation and uniform purchases. The equipment increased \$15,092 mainly due to the purchase of the basketball system in the gym.
- Debt Service Interest and principal payments had a slight decrease this fiscal year. Debt Service and Interest payments remained approximately 9% of the entire budget. The principal payment was almost steady, but the interest decreased by more than \$24,000. The Bond Issue (2005) was to finance the Building and Renovation program started in the spring of 2005 and completed in the summer of 2008 as approved by the Dept. of Education through the PlanCon process. The Bond was restructured in 2012 with an anticipated end date of September 2024. The District has an additional Bond for a Guaranteed Energy Savings/Roof Replacement. The annual cost of the Bond for this Guaranteed Energy Savings/Roof Replacement Project is to be offset by the savings on electricity costs. The Guaranteed Energy Project payments are complete in July 2022. The 2012 Bond payments are to be complete in September 2024.

**Capital Projects Fund**

At the end of fiscal year 2021-22, the District reported no capital projects. There were no capital projects completed during the 2022-23 fiscal year. Interest revenue of \$1,847 was added leaving a fund balance of \$54,040.

**Business-type Activities**

The District's Cafeteria Fund reports Income before Contributions and Transfers of \$22,017 during the 2022-23 school year. The Cafeteria Fund is self-supporting and again raised the rates for breakfast and lunch for students and adults during the 2022-23 school year. Governor Shapiro enacted funding for free breakfast and it was provided for all students during this school year. The Cafeteria Fund Operating Expenses increased \$35,072 and Operating revenues increased \$86,243. Interest revenue increased \$10,509. Revenue from State Sources increased 24,550 (61.4%) but revenue from Federal Sources decreased \$210,395 (-44%). The total non-operating revenue decreased by \$175,336. The Cafeteria Fund net position has increased \$168,199 (108%) from June 2021 to June 2023.

**SIGNIFICANT CAPITAL ACTIVITY**

No significant capital activity was completed during this fiscal year.

**Berlin Brothersvalley School District**  
**Management's Discussion and Analysis (MD&A)**

DEBT SERVICE

As of July 1, 2022, the District had total outstanding bond principal of \$3,460,000. During the year, the District made payments against principal of \$1,130,000, resulting in ending outstanding principal debt as of June 30, 2023 of \$2,330,000.

Table A-4  
Outstanding Debt

	<u>2022-23</u>	<u>2021-22</u>
General Obligation Bonds:		
Series of 2012	\$2,330,000	\$3,460,000

Capital Assets

Table 5 illustrates changes in capital assets, net of depreciation, by asset type.

Table 5  
Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Percentage Change</u>
	<u>2022-23</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2021-22</u>	
Land	\$ 73,052	\$ 73,052	\$ 0	\$ 0	\$ 73,052	\$ 73,052	0.00%
Buildings and Improvements	11,412,639	11,911,668	0	0	11,412,639	11,911,668	-4.19%
Furniture and Equipment	<u>363,504</u>	<u>143,275</u>	<u>47,697</u>	<u>1,404</u>	<u>411,201</u>	<u>144,679</u>	184.22%
	<u>\$11,849,195</u>	<u>\$ 12,127,995</u>	<u>\$ 47,697</u>	<u>\$ 1,404</u>	<u>\$ 11,896,892</u>	<u>\$ 12,129,399</u>	-1.92%



**Berlin Brothersvalley School District**  
***Management's Discussion and Analysis (MD&A)***

**CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

The fund balance, as of June 30, 2023, in General Fund is \$2,973,205 and Capital Reserve/Projects \$54,040 for a total Governmental Fund Balance of \$3,027,245. The District showed a decrease in General Fund of \$216,876. The Capital Reserve showed an increase of \$1,847. This equates to a total Governmental Fund decrease of \$215,029 during 2022-23.

The District has passed resolutions not to exceed the index on tax increases each year since the passing of Special Session Act 1 legislation. The District raised the Real Estate millage to the allowed index for the first time during the 2010-11 fiscal year and continued that trend with the 2011-12 and 2012-13 school years. The District raised the millage .33 mills for 2013-14. The District held the real estate tax at a 0% increase for the 2014-15 and 2015-16 School Years. The District raised the millage by .5 mills to 28.0 for the 2016-17 and 2017-18 School Years. Millage was raised to 28.75 for the 2018-19 fiscal year with no raise in taxes for the 2019-20 or 2020-21. The District raised millage to 29.25 for the 2021-22 fiscal year. The District raised millage to 30.5 for the 2022-23 fiscal year. The District continues to construct and revise an annual 5-year budget as a planning tool to maintain minimal tax increases while assuring the current educational programming without interruption. Through the process of annually developing a 5-year budget, the Directors have been able to keep real estate millage increases to a minimum, using the fund balance to offset the budget deficit. The Total Governmental Fund Balance has decreased \$241,495 from 2017-18 through 2022-23. The fund balance increased from 2016-2019, but has been decreasing from 2020-2023. The fund balance is still above the amount year end 2017. The Board of School Directors raised taxes 1.25 mills for the 2022-23 fiscal year and decided to use fund balance to support these significant costs: K-2 Life Skills Aide, two hoop basketball system replacement, and student and extracurricular transportation costs. Replacement uniforms for football, JH volleyball, boys soccer and girls soccer were purchased. The District will continue summer programs to combat learning loss through the summer of 2024 contingent upon the availability of remaining funds in the ARP ESSER grants. A Chromebook/computer/iPad rotation has been implemented to control the costs in any one year. The District continued the alternative education/BBSD Cyber Coordinator long-term sub. The District received \$1,104,122.69 in various ESSER & PCCD funding during the year which was used to support the purchase of the one-to-one technology and software. In addition, this funding was used to support the additional cost for the BBSD Cyber program, social worker, summer learning loss programs, desks/furniture, domestic hot water system replacement, cafeteria tables, connectivity, K-2 Life skills Teacher, School Police officer and additional hours for the IU contracted Psychologist.

There were 66 Education Association staff as of June 30, 2023, plus three long-term substitutes. The teaching staff has an average of approximately 15.2 years of service with Berlin Brothersvalley School District. Roughly 15% of the teaching staff has 25 years of experience or more as of June 30, 2023. The District continues to evaluate the student population in relation to programs and staffing. The Berlin Brothersvalley Education Association approved a teachers' contract covering July 1, 2022 through June 30, 2026. As with most other PA public schools, the Berlin Brothersvalley School District continues to monitor the issues surrounding the Pennsylvania State Employees Retirement System and the projected increases in the Employers rate of contribution over the next few years. The District continues to evaluate all expenses in an effort to reduce fiscal shortfalls.

The District experienced an 18% decline in student enrollment from 2011-12 through 2016-17 and did not replace open professional positions due to this decline. The District is showing increases in special needs students entering the elementary which necessitated the addition of the K-2 Life Skills Teacher and aide. The District is showed an slight increase in secondary students. Student social well-being and support needs have necessitated the addition of social work, guidance, Psychologist and mental health services for these students. Mining and agriculture continue to be major economic factors in the District. The October 1, 2022 student count reported 725 students.

The District plans to continue to use the fund balance as well as limited (within the State imposed Index) tax increases to balance the budget from year to year.

**CONTACTING THE DISTRICT REGARDING FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives during the fiscal year. If you have questions about this report or wish to request additional financial information, please contact the Business Manager at Berlin Brothersvalley School District, 1025 Main Street, Berlin, Pennsylvania 15530.

## **BASIC FINANCIAL STATEMENTS**

**Berlin Brothersvalley School District**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and equivalents	\$ 3,807,556	\$ 295,376	\$ 4,102,932
Taxes receivable	740,756	0	740,756
Intergovernmental receivables	826,445	6,519	832,964
Inventories	10,000	10,595	20,595
Total current assets	<u>5,384,757</u>	<u>312,490</u>	<u>5,697,247</u>
Noncurrent assets:			
Land	73,052	0	73,052
Depreciable capital assets, net	11,776,143	47,697	11,823,840
Right-of-use asset, net	74,343	0	74,343
Total noncurrent assets	<u>11,923,538</u>	<u>47,697</u>	<u>11,971,235</u>
Total assets	<u>17,308,295</u>	<u>360,187</u>	<u>17,668,482</u>
<b>Deferred Outflows of Resources</b>			
Defined benefit pension plan	2,958,358	0	2,958,358
Other post-employment benefits	526,563	0	526,563
Total deferred outflows of resources	<u>3,484,921</u>	<u>0</u>	<u>3,484,921</u>
Total assets and deferred outflows of resources	<u>\$ 20,793,216</u>	<u>\$ 360,187</u>	<u>\$ 21,153,403</u>

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 221,236	\$ 3,608	\$ 224,844
Accrued salaries and benefits	1,383,797	0	1,383,797
Payroll deductions and withholdings	198,903	0	198,903
Accrued interest payable	18,274	0	18,274
Current portion of long-term obligations	1,206,472	0	1,206,472
Unearned revenues	<u>0</u>	<u>33,345</u>	<u>33,345</u>
Total current liabilities	<u>3,028,682</u>	<u>36,953</u>	<u>3,065,635</u>
Noncurrent liabilities:			
Bonds payable, net	1,188,742	0	1,188,742
Other long-term financing	38,367	0	38,367
Long-term portion of lease obligation	59,474	0	59,474
Long-term portion of compensated absences	356,445	0	356,445
Net other post-employment benefits (OPEB)	2,070,000	0	2,070,000
Net pension liability	<u>16,361,000</u>	<u>0</u>	<u>16,361,000</u>
Total noncurrent liabilities	<u>20,074,028</u>	<u>0</u>	<u>20,074,028</u>
Total liabilities	<u>23,102,710</u>	<u>36,953</u>	<u>23,139,663</u>
<b>Deferred Inflows of Resources</b>			
Defined benefit pension plan	420,000	0	420,000
Other post-employment benefits	<u>311,000</u>	<u>0</u>	<u>311,000</u>
Total deferred inflows of resources	<u>731,000</u>	<u>0</u>	<u>731,000</u>
<b>Net Position</b>			
Invested in capital assets, net of debt	9,505,453	47,697	9,553,150
Restricted for capital projects	54,040	0	54,040
Unrestricted	<u>(12,599,987)</u>	<u>275,537</u>	<u>(12,324,450)</u>
Total net position	<u>(3,040,494)</u>	<u>323,234</u>	<u>(2,717,260)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 20,793,216</u>	<u>\$ 360,187</u>	<u>\$ 21,153,403</u>

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 8,382,335	\$ 1,800	\$ 3,165,993	\$ 0	\$ (5,214,542)	\$ 0	\$ (5,214,542)
Instructional student support	1,108,695	0	169,366	0	(939,329)	0	(939,329)
Administration and financial support	1,207,888	0	15,756	0	(1,192,132)	0	(1,192,132)
Operations and maintenance of plant	1,102,441	0	125,331	244,457	(732,653)	0	(732,653)
Pupil transportation	657,297	0	386,053	0	(271,244)	0	(271,244)
Student activities	495,350	38,571	0	0	(456,779)	0	(456,779)
Community services	9,050	0	0	0	(9,050)	0	(9,050)
Interest on long-term obligations	62,687	0	0	314,957	252,270	0	252,270
Total governmental activities	13,025,743	40,371	3,862,499	559,414	(8,563,459)	0	(8,563,459)
<b>Business-Type Activities:</b>							
Food service	459,075	137,385	332,697	0	0	11,007	11,007
Total primary government	<u>\$ 13,484,818</u>	<u>\$ 177,756</u>	<u>\$ 4,195,196</u>	<u>\$ 559,414</u>	<u>(8,563,459)</u>	<u>11,007</u>	<u>(8,552,452)</u>
<b>General Revenues:</b>							
Taxes levied					3,794,021	0	3,794,021
Grants, subsidies and contributions, not restricted					5,758,806	0	5,758,806
Investment earnings					145,907	11,010	156,917
Miscellaneous					20,196	0	20,196
Total general revenues					<u>9,718,930</u>	<u>11,010</u>	<u>9,729,940</u>
Change in net position					1,155,471	22,017	1,177,488
Net position, beginning of year					<u>(4,195,965)</u>	<u>301,217</u>	<u>(3,894,748)</u>
Net position, end of year					<u>\$ (3,040,494)</u>	<u>\$ 323,234</u>	<u>\$ (2,717,260)</u>

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	General Fund Fund	Non- Major Fund Capital Projects	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 3,753,516	\$ 54,040	\$ 3,807,556
Taxes receivable	740,756	0	740,756
Due from other governments	826,445	0	826,445
Inventories	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total assets	5,330,717	54,040	5,384,757
<b>Deferred Outflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 5,330,717</u>	<u>\$ 54,040</u>	<u>\$ 5,384,757</u>
<b>Liabilities</b>			
Accounts payable	\$ 221,236	\$ 0	\$ 221,236
Accrued salaries and benefits	1,383,797	0	1,383,797
Payroll deductions and withholding	<u>198,903</u>	<u>0</u>	<u>198,903</u>
Total liabilities	<u>1,803,936</u>	<u>0</u>	<u>1,803,936</u>
<b>Deferred Inflows of Resources</b>			
Delinquent taxes receivable	<u>553,576</u>	<u>0</u>	<u>553,576</u>
Total deferred inflows of resources	<u>553,576</u>	<u>0</u>	<u>553,576</u>
<b>Fund Balance</b>			
Nonspendable	10,000	0	10,000
Restricted	0	54,040	54,040
Assigned	48,015	0	48,015
Unassigned	<u>2,915,190</u>	<u>0</u>	<u>2,915,190</u>
Total fund balance	<u>2,973,205</u>	<u>54,040</u>	<u>3,027,245</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,330,717</u>	<u>\$ 54,040</u>	<u>\$ 5,384,757</u>

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**June 30, 2023**

**Total fund balance – governmental funds** \$ 3,027,245

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$25,002,665 and the accumulated depreciation is \$13,135,470. 11,849,195

Right-of-use assets (leases) used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The present value of the right-of-use assets is \$74,343 and the accumulated amortization is \$0. 74,343

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore, are recorded as deferred inflows of resources in the funds. 553,576

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

General obligation bonds	\$ (2,330,000)	
Technology Center Debt	(74,970)	
Lease Obligations	(74,343)	
Accrued interest payable	(18,274)	
Compensated absences	(356,445)	
Other post-employment benefits	(2,070,000)	
Unamortized bond premium	(13,742)	
Net pension liability	<u>(16,361,000)</u>	(21,298,774)

Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	\$2,958,358	
Deferred inflows related to pensions	(420,000)	
Deferred outflows related to OPEB	526,563	
Deferred inflows related to OPEB	<u>(311,000)</u>	<u>2,753,921</u>

**Net position of governmental activities** \$ (3,040,494)

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	General Fund	Non-Major Fund Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 4,145,078	\$ 1,847	\$ 4,146,925
State sources	8,745,964	0	8,745,964
Federal sources	<u>1,245,905</u>	<u>0</u>	<u>1,245,905</u>
Total revenues	<u>14,136,947</u>	<u>1,847</u>	<u>14,138,794</u>
<b>Expenditures</b>			
Instruction	8,367,651	0	8,367,651
Support services	4,054,329	0	4,054,329
Non-instructional services	483,972	0	483,972
Capital outlay	244,457	0	244,457
Debt service (principal and interest)	1,259,992	0	1,259,992
Leases (principal and interest)	<u>17,765</u>	<u>0</u>	<u>17,765</u>
Total expenditures	<u>14,428,166</u>	<u>0</u>	<u>14,428,166</u>
Excess revenues over (under) expenditures	<u>(291,219)</u>	<u>1,847</u>	<u>(289,372)</u>
<b>Other financing sources (uses)</b>			
Lease proceeds	<u>74,343</u>	<u>0</u>	<u>74,343</u>
Total other financing sources (uses)	<u>74,343</u>	<u>0</u>	<u>74,343</u>
Net change in fund balance	<u>(216,876)</u>	<u>1,847</u>	<u>(215,029)</u>
Fund balance, beginning of year	<u>3,190,081</u>	<u>52,193</u>	<u>3,242,274</u>
Fund balance, end of year	<u>\$ 2,973,205</u>	<u>\$ 54,040</u>	<u>\$ 3,027,245</u>

See accompanying notes to the basic financial statements.



**Berlin Brothersvalley School District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2023**

**Total net change in fund balances – governmental funds** \$ (215,029)

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

Governmental funds report capital outlays as expenditures. However, in 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 depreciation expense exceeded capital outlays in the current period.

Capital outlay	\$249,331	
Less: Depreciation expense	<u>(528,131)</u>	(278,800)

While right-of-use assets (leases) are not reported in the governmental funds, these intangible assets are reported in the governmental activities at their present value and amortized over the lease term.

Right-of-use assets	\$74,343	
Current year amortization	<u>(17,384)</u>	56,959

The proceeds from lease financing provide current financial resources of governmental funds. However, they increase long-term liabilities on the statement of net position. (74,343)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources from tax revenues increased by this amount this year. 43,522

The principal repayments on long-term obligations consume current financial resources of governmental funds. However, they reduce long-term liabilities on the statement of net position. Further, the effect of bond premiums are reported in the funds in the year of issue, but are deferred and amortized in the statement of activities. The effect is shown below:

Bond principal payments	\$1,130,000	
Technology Center principal payments	34,593	
Other long-term debt payments	24,946	
Lease obligation principal payments	17,384	
Accretion of bond premium	<u>11,783</u>	1,218,706

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2023**

Interest on long-term debt is recognized in the governmental funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest expense decreased by this amount this year.

8,147

In the governmental funds, compensated absences are measured by the amounts used. The statement of activities measures by the amounts earned. The liability for compensated absences decreased by this amount this year.

13,103

Governmental funds report district pension contributions as expenditures in the year required to be made. However, pension expense, which is the change in net pension liability, adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

District pension contributions	\$ 1,901,358	
Pension expense	<u>(1,460,537)</u>	

440,821

Governmental funds report District payments for other post-employment benefits (OPEB) in the year such benefits are used. However, OPEB expense, which is the change in the net OPEB liability, adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the statement of activities.

District OPEB benefit payments	\$ 100,563	
OPEB expense	<u>(158,178)</u>	

(57,615)

**Change in net position of governmental activities**

**\$1,155,471**

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2023**

	<u>Food Service</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 295,376
Intergovernmental receivables	6,519
Inventory	<u>10,595</u>
Total current assets	<u>312,490</u>
Noncurrent assets:	
Machinery and equipment, net	<u>47,697</u>
Total noncurrent assets	<u>47,697</u>
Total assets	360,187
<b>Deferred Outflows of Resources</b>	<u>0</u>
Total assets and deferred outflows of resources	<u><u>\$ 360,187</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 3,608
Unearned revenues	<u>33,345</u>
Total liabilities	<u>36,953</u>
<b>Deferred Inflows of Resources</b>	<u>0</u>
<b>Net Position</b>	
Invested in capital assets	47,697
Unrestricted	<u>275,537</u>
Total net position	<u>323,234</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 360,187</u></u>

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2023**

	<u>Food Service</u>
<b>Operating revenues</b>	
Food service revenue	\$ 137,385
Total operating revenues	<u>137,385</u>
<b>Operating expenses</b>	
Salaries	129,326
Employee benefits	95,542
Purchased property services	22,513
Other purchased services	265
Supplies	209,719
Depreciation	1,545
Other operating expenses	<u>165</u>
Total operating expenses	<u>459,075</u>
Operating income (loss)	<u>(321,690)</u>
<b>Nonoperating revenues (expenses)</b>	
Earnings on investments	11,010
State sources	64,549
Federal sources	<u>268,148</u>
Total nonoperating revenues (expenses)	<u>343,707</u>
Change in net position	22,017
Total net position, beginning of year	<u>301,217</u>
Total net position, end of year	<u><u>\$ 323,234</u></u>

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2023**

	<u>Food Service</u>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 136,297
Cash payments to employees for services	(224,868)
Cash payments to suppliers for goods and services	(227,355)
Cash payments for other operating expenses	<u>(165)</u>
Net cash provided by (used for) operating activities	<u>(316,091)</u>
<b>Cash flows from non-capital financing activities</b>	
State sources	64,347
Federal sources	<u>266,899</u>
Net cash provided by (used for) non-capital financing activities	<u>331,246</u>
<b>Cash flows from capital and related financing activities</b>	
Capital outlay	<u>(47,838)</u>
Net cash provided by (used for) capital and related financing activities	<u>(47,838)</u>
<b>Cash flows from investing activities</b>	
Earnings on investments	<u>11,010</u>
Net increase (decrease) in cash and cash equivalents	(21,673)
Cash and cash equivalents, beginning of year	<u>317,049</u>
Cash and cash equivalents, end of year	<u><u>\$ 295,376</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (321,690)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	1,545
(Increase) decrease in inventories	1,534
Increase (decrease) in accounts payable	3,608
Increase (decrease) in unearned revenues	<u>(1,088)</u>
Total adjustments	<u>5,599</u>
Net cash provided by (used for) operating activities	<u><u>\$ (316,091)</u></u>

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2023**

	<u>Custodial Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$     97,006
Total assets	97,006
<b>Deferred Outflows of Resources</b>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$     97,006</u>
<b>Liabilities</b>	<u>\$           0</u>
Total liabilities	<u>0</u>
<b>Deferred Inflows of Resources</b>	<u>0</u>
<b>Net Position</b>	
Restricted for student activities	<u>97,006</u>
Total net position	<u>97,006</u>
Total liabilities, deferred inflows of resources and net position	<u>\$     97,006</u>

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2023**

	<u>Custodial Fund</u>
<b>Additions:</b>	
Fundraising revenue	\$ 127,494
Earnings on investments	<u>125</u>
Total additions	<u>127,619</u>
<b>Deductions:</b>	
Events and supplies	<u>128,247</u>
Total deductions	<u>128,247</u>
Change in net position	(628)
Net position, beginning of year	<u>97,634</u>
Net position, end of year	<u><u>\$ 97,006</u></u>

See accompanying notes to the basic financial statements

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**1. Description of School District and Reporting Entity**

Berlin Brothersvalley School District is a Pennsylvania School District formed by a merger in 1936.

Berlin Brothersvalley School District provides educational services to students located in Berlin Borough, New Baltimore Borough, Northampton Township, Fairhope Township, Allegheny Township and Brothersvalley Township, all located in Somerset County, Pennsylvania. The District has an enrollment of approximately 719 students.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Berlin Brothersvalley School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable or other organizations whose nature and significant relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (1) either the School District's ability to impose its will on the organization; or (2) there is potential for the organization to provide a financial benefit to or impose a financial burden on the School District. The School District has no component units.

**2. Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

The School District's basic financial statements consist 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 Financial 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 statement of net position presents the financial condition of the governmental and business-type activities of the School District at 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 and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Fund Financial Statements

Fund financial statements are also provided in the report for all governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The School District uses funds to maintain its financial record during the 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 deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The general fund is the 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.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary funds focus on the determination of net position, changes in net position and cash flows and are classified as either internal service or enterprise funds. Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. There are no internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the District's major enterprise fund:

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

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no private purpose trust funds. The custodial funds are used to report fiduciary activities that are not required to be reported as another fiduciary fund type. The School District's custodial fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**C. Measurement Focus**

Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements

Fund financial statements 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.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 total 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.

Proprietary fund types distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Food Service fund are charges for sales and services. Operating expenses for the Food Service fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus.

**D. 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, deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures. Unearned revenues are addressed in Note 2O and deferred inflows and outflows of resources in Note 2P.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

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. 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 of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). 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 year when the resources are required to be used or the 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. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

**E. Budgetary Data**

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to adopt a proposed budget at least thirty (30) days prior to adoption of the annual budget. The proposed budget shall be printed or otherwise made available for public inspection to all persons and shall be made available for duplication to any person, on request, at least twenty (20) days prior to the date set for the adoption of the budget. Final action shall not be taken on the proposed budget until after ten (10) days of public notice.

The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the board is required. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2023.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order contract or other form of commitment, an encumbrance is recorded.

Included in the General Fund budget are program budgets as prescribed by the State and Federal agencies funding the program. These budgets are approved on a program by program basis by the State or Federal funding agency.

An Enterprise fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

**F. Investment Valuation**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Although included in cash and cash equivalents on the District's financial statements, the District also invests in pooled funds with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT). These funds represent investments held in 2a7-like pools. Portfolio securities are valued at amortized cost, which approximates market value. PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1.00 per share. The District reports these funds at the pool's share price. These funds are further discussed in Note 3.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

On government-wide financial statements inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method and consist of supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as an expenditure when purchased; however, an estimated value of inventories (\$10,000) is reported as an asset in the general fund. The inventories in the general fund are equally offset by nonspendable fund balance which indicates they do not constitute "available spending resources" even though they are a component of net current assets.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2023. The inventory consisted of government donated commodities which are valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2023 are reported as unearned revenue.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**I. Capital Assets**

General capital assets 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 used by the enterprise fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand (\$5,000) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except for 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>Estimated Lives</u>
Buildings and Improvements	15 - 40 years
Furniture and Equipment	5 - 20 years

**J. Leases**

The District is a lessee for a noncancellable lease of office equipment. The District recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently the lease liability is reduced by the principal portion of lease payments made. The District uses the interest rate charged by the lessor as the discount rate. When this rate is not provided, the District uses its estimated incremental borrowing rate as the discount rate for leases.

The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

**K. Original Issue Discounts and Premiums**

Bond premiums and discounts are reported as directed adjustments to the face of the bond and are deferred and amortized over the life of the bond using the straight-line method of amortization.

**L. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

All receivables are determined to be collectible, and no allowance has been established.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

**M. Fund Balance Classification**

GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

As of June 30, 2023, fund balance components, other than unassigned, consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
General fund:			
Inventory	\$ 10,000	\$ 0	\$ 0
Compensatory education	0	0	48,015
Capital projects fund	<u>0</u>	<u>54,040</u>	<u>0</u>
Total	<u>\$ 10,000</u>	<u>\$ 54,040</u>	<u>\$ 48,015</u>

The School Board establishes (and modifies or rescinds) fund balance commitments by resolution of the board. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for a specific purpose.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**N. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in 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 due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**O. Unearned Revenues**

The District reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

**P. Deferred Outflows/Inflows of Resources**

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred outflow, they may be amortized to expense over 5 years, or over the average remaining service lives of employees. See further detail on deferred outflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

No deferred outflows of resources affect the fund financial statements in the current year.

Deferred Inflows of Resources

The District’s statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The deferred inflows of resources reported on the District’s statement of net position include those related to the District’s cost-sharing, multi-employer defined benefit pension plan, as well as those related to the District’s other post-employment benefits (OPEB). Depending on the nature of the deferred inflow, they may be amortized to expense over 5 years, or over the average remaining service lives of employees. See further detail on deferred inflows of resources related to the pension plan at Note 10, and to OPEB at Notes 11 and 12.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

In the District's governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as a deferred inflow of resources (\$553,576).

**Q. Net Position**

Net position represents the assets and deferred outflows of resources, net of liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide statement of net position reports \$54,040 of restricted net position, which is restricted by enabling legislation for capital projects.

**R. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

**S. Multi-Employer Benefit Plans**

Pension Plan

Substantially all full-time and part-time employees of the District participate in a cost-sharing multi-employer defined benefit pension plan. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net pension liability. The standard further requires the District to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows and inflows of resources related to pensions.

Other Post-Employment Benefits (OPEB)

The Public School Employees Retirement System (PSERS) provides a health insurance premium assistance program, which is a governmental cost-sharing, multiple employer OPEB plan for all eligible District retirees who qualify and elect to participate. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net OPEB liability. The Standard further requires the District to recognize OPEB expense and report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows and inflows of resources related to OPEB.



**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

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

### **3. Cash and Cash Equivalents and Investments**

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided certain requirements are met.

Repurchase agreements with respect to U. S. Treasury bills or obligations.

Local Government Investment Pools (LGIPs) which include, but are not limited to, the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

Under Pennsylvania Act 10 of 2016, effective May 24, 2016, all Pennsylvania local governments, including school districts, have additional investment options including commercial paper, bankers' acceptances, and negotiable certificates of deposit. These additional investments are subject to maturity terms and credit rating requirements, as defined in the Act. However, due to the collateralization requirements of the Code and because negotiable certificates of deposit do not exist in the current investment market in a collateralized form to satisfy the requirements, they are not an investment lawfully available to school districts at this time.

The deposit and investment policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents include of demand deposits at various financial institutions. The market values of deposits are equal to the cost of the deposits. Cash and cash equivalents further include pooled funds with Pennsylvania Local Government Investment Trust (PLGIT), and the Pennsylvania School District Liquid Asset Fund (PSDLAF) further discussed below.

PSDLAF was established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania School Code of 1949, as amended. PLGIT insures that it will not place deposits with any single issuing institution if the largest participant's pro-rata share of such deposits exceeds the insurance limit unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, PSDLAF funds meet the requirements of investments held in 2a7-like pools, and accordingly, portfolio securities are valued at amortized cost, which approximates market value. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds, in that, their objective is to maintain a stable net asset value of \$1.00 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. Investments in PSDLAF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of principal or interest.

Also, in accordance with GASB Statement No. 79, PLGIT “liquid portfolios” meet the requirements of investments held in a 2a7-like pools, and accordingly, portfolio securities are valued at amortized cost, which approximates market value. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT portfolios act like money market mutual funds, in that, their objective is to maintain a stable net asset value of \$1.00 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. Investments in certain PLGIT portfolios are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of principal or interest. However, other portfolios, although liquid, impose penalties for withdrawals prior to initial holding period of 30 days or for exceeding limits on the number of withdrawals per month. Another has a 7-day wait times, in the case of premature redemptions, in addition to a premature redemption penalty.

**Cash**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk, however, the District’s deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of June 30, 2023, \$155,856 of the District’s bank balance of \$457,924 was exposed to custodial risk as:

Uninsured and uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	155,856
Total	<u>\$ 155,856</u>

Reconciliation to Financial Statements

Uninsured amount above	\$ 155,856
Add: Insured amount	302,068
Less: Outstanding checks	<u>(96,753)</u>
Carrying amount - bank balances	361,171
Add: Petty cash	270
Add: Pooled investments considered to be cash equivalents	<u>3,838,497</u>
Total cash per financial statements	<u>\$ 4,199,938</u>

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Summary of Total Cash Per Financial Statements

Governmental Activities	\$ 3,807,556
Business-Type Activities	295,376
Fiduciary Funds	<u>97,006</u>
Total cash per financial statements	<u><u>\$ 4,199,938</u></u>

**Investments**

As of June 30, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Value</u>
PA Local Government Investment Trust	N/A	\$3,784,416
PA School District Liquid Asset Fund	N/A	<u>54,081</u>
Total		<u><u>\$3,838,497</u></u>

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to those authorized by State statutes. However, the District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2023, the District's investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PA Local Government Trust	AAAm
PA School District Liquid Asset Fund	AAAm

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The District has no investment subject to custodial credit risk.

Reconciliation to Financial Statements

Total investments above	\$ 3,838,497
Less: Deposits in investment pool considered to be cash equivalents	<u>(3,838,497)</u>
Total investments per financial statements	<u><u>\$ 0</u></u>

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**4. Real Estate Taxes**

Real estate taxes for the School District are collected from the Borough of Berlin, the Borough of New Baltimore, the Township of Northampton, the Township of Fairhope, the Township of Allegheny, and the Township of Brothersvalley. The tax on real estate for public school purposes for fiscal 2023 was 30.50 mills (\$30.50) per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations (\$107,016,390) of property are determined by Somerset County, and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Levy Date
August 1 – September 30	- 2% Discount Period
October 1 – November 30	- Face Amount Period
December 1 - December 31	- 10% Penalty Period
January 15	- Lien Date

**5. Taxes Receivable**

The elected tax collectors are required to return any uncollected real estate taxes to the county's tax claim bureau by January 15. It has been determined the amount of outstanding taxes as of June 30, 2023 is \$740,756. The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. An allowance for uncollectible taxes was not established by the administration. A portion of the amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance reported as a deferred inflow of resources in the fund financial statements.

Uncollected taxes for the year ended June 30, 2023:

Delinquent real estate	\$ 65,982
Realty transfer tax	3,631
Earned income taxes	<u>117,567</u>
Uncollected taxes recognized as revenue (received within 60 days)	187,180
Real estate tax-deferred inflow of resources	<u>553,576</u>
Total taxes receivable	<u>\$ 740,756</u>

**6. Due From Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by another governmental unit on behalf of the School District. At June 30, 2023, the following amounts are due from other governmental units:

<u>Due From</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
Federal	\$292,267	\$ 0
State	<u>534,178</u>	<u>6,519</u>
	<u>\$826,445</u>	<u>\$6,519</u>

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**7. Unearned Revenues**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenues of \$33,345 in the Proprietary Fund represent credits on student cafeteria accounts of \$6,996, donated commodities inventory on hand of \$4,682, and unearned grant revenue of \$21,667 at June 30, 2023.

**8. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 73,052	\$ 0	\$ 0	\$ 73,052
Total capital assets, not being depreciated	<u>73,052</u>	<u>0</u>	<u>0</u>	<u>73,052</u>
Capital assets, being depreciated:				
Buildings and improvements	23,567,189	0	(24,700)	23,542,489
Furniture and equipment	1,418,371	249,331	(280,578)	1,387,124
Total capital assets, being depreciated	<u>24,985,560</u>	<u>249,331</u>	<u>(305,278)</u>	<u>24,929,613</u>
Less accumulated depreciation:				
Buildings and improvements	11,655,521	499,029	(24,700)	12,129,850
Furniture and equipment	1,275,096	29,102	(280,578)	1,023,620
Total accumulated depreciation	<u>12,930,617</u>	<u>528,131</u>	<u>(305,278)</u>	<u>13,153,470</u>
Total capital assets, being depreciated, net	<u>12,054,943</u>	<u>(278,800)</u>	<u>0</u>	<u>11,776,143</u>
Governmental activities capital assets, net	<u>\$ 12,127,995</u>	<u>\$ (278,800)</u>	<u>\$ 0</u>	<u>\$ 11,849,195</u>
Right-of-use assets	\$ 36,349	\$ 74,343	\$ (36,349)	\$ 74,343
Less accumulated amortization	<u>18,965</u>	<u>17,384</u>	<u>(36,349)</u>	<u>0</u>
Governmental activities				
Right-of-use assets, net	<u>\$ 17,384</u>	<u>\$ 56,959</u>	<u>\$ 0</u>	<u>\$ 74,343</u>
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Equipment	\$ 387,928	\$ 47,838	\$ 0	\$ 435,766
Total capital assets, being depreciated	<u>387,928</u>	<u>47,838</u>	<u>0</u>	<u>435,766</u>
Less accumulated depreciation:				
Equipment	386,524	1,545	0	388,069
Total accumulated depreciation	<u>386,524</u>	<u>1,545</u>	<u>0</u>	<u>388,069</u>
Business-type activities capital assets, net	<u>\$ 1,404</u>	<u>\$ 46,293</u>	<u>\$ 0</u>	<u>\$ 47,697</u>

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

Instruction	\$ 361,587
Instruction support	47,358
Administration and finance	52,486
Operation and maintenance of plant	46,272
Student activities	<u>20,428</u>

Total depreciation/amortization expense - governmental activities	<u>\$ 528,131</u>
---	-------------------

Amortization expense of \$17,384 was charged to instruction.

**9. Defined Benefit Pension Plan**

Plan Description

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employee's Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. The members eligible to participate in the plan include all full-time employees, part-time hourly employees who render at least 500 hours of service in the school year, and part-time per diem employees who render at least 80 days of service in the school year. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

Funding Policy

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth.

Benefits Provided

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

Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Benefits are generally equal to 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC).

Class T-G and Class T-H members who qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, depending upon membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. A member's right to a defined benefit is vested in 10 years.

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

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

Contributions

**Member Contributions:**

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

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

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for new members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Members who joined PSERS after June 30, 2019, are defaulted into Membership Class T-G rate of 8.25% (base rate) of the member's qualifying compensation. Members may elect Class T-H which has a rate of 7.50%. Each of these classes are a hybrid of defined benefit and defined contribution plans. Members may also elect Class DC, which is a defined contribution plan with a rate of 7.50%.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**Employer Contributions:**

The contribution required of participating employers is based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. Before July 1, 1995, the school district and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, the school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the market value/personal income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

The District's contractually required contribution rate, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2023, the rate of the employer's contribution was 35.26 percent of covered payroll. The 35.26 percent rate is composed of a pension contribution rate of 34.31 percent for pension defined benefits, 0.75 percent for healthcare insurance premium assistance, and 0.20 percent for the Act 5 defined contribution plan. Berlin Brothersvalley School District's contributions to PSERS for the year ending June 30, 2023 were \$1,954,004. These contributions include \$11,083 to the defined contribution plan for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$16,361,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS' total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0368%, which was an increase of 0.0003% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$1,460,537. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,000	\$ 142,000
Changes in assumptions	489,000	0
Net difference between projected and actual investment earnings	0	278,000
Changes in proportions	561,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	1,901,358	0
	<u>\$ 2,958,358</u>	<u>\$ 420,000</u>



**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

\$1,901,358, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts, reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in the pension expense as follows:

Year Ended June 30:	
2024	\$ 321,000
2025	321,000
2026	(392,000)
2027	387,000
2028	0
Thereafter	0
	<u>\$ 637,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the PSERS' total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment Return – 7.00%, includes inflation at 2.75%.
- Salary growth at an effective average of 4.50%, comprised of inflation at 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Male and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and 2021.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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

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

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	<u>-11.0%</u>	0.5%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability	\$ 21,162,000	\$ 16,361,000	\$ 12,313,000

Pension Plan Fiduciary Net Position

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

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**11. Post-employment Benefit Plans – PSERS Health Insurance Premium Assistance Program**

Plan Description

PSERS provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB), for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree; or
- Have 15 or more years of service and retired after reaching superannuation age.

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Employer Contributions

The school district's contractually required rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$41,563 for the year ended June 30, 2023.

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

At June 30, 2023 the District reported a liability of \$677,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0368%, which was an increase of 0.0004% from its proportion measured as of June 30, 2021.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

For the year ended June 30, 2023, the District recognized OPEB expense of \$22,178. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,000	\$ 4,000
Changes in assumptions	75,000	160,000
Net difference between projected and actual investment earnings	2,000	0
Changes in proportions	39,000	8,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	41,563	0
	<u>\$ 163,563</u>	<u>\$ 172,000</u>

\$41,563 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2024	\$ (14,000)
2025	(5,000)
2026	(6,000)
2027	(11,000)
2028	(14,000)
Thereafter	0
	<u>\$ (50,000)</u>

**Actuarial Assumptions**

The Total OPEB Liability as of June 30, 2022 was determined by rolling forward the PSERS' Total OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - S&P 20-Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Male and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

- Participation rate:
  - Eligible retirees will elect to participate Pre-age 65 at 50%
  - Eligible retirees will elect to participate Post-age 65 at 70%

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

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

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	0.5%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	\$ 766,000	\$ 677,000	\$ 603,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees from the PSERS system were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 PSERS members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the District's net OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what the District's net OPEB liability would be if the healthcare cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 677,000	\$ 677,000	\$ 677,000

OPEB Plan Fiduciary Net Position

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

**12. Post-employment Benefit Plan – District Specific Plan**

Plan Description

The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide continuation of medical and pharmacy benefits to employees who retire from the District, in addition to a retirement cash bonus. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Eligibility

Retirees are eligible to purchase coverage upon retirement after meeting the requirements of Act 110/43.

Duration of Healthcare Benefits

Retiree coverage continues until age 65, death, or qualification for Medicare, if earlier. Spouse and surviving spouse coverage continues until age 65, death, or qualification for Medicare if earlier.

Participant Contributions for Healthcare Coverage

Retiree and spouse are required to pay the full premium amount for medical and pharmacy benefits.

Retirement Bonus

Teachers: Members who retire under PSERS (superannuation or early retirement) receive a retirement bonus of \$75 for each year of service as a non-elective employer contribution to the employee's 403b account.

Administrators: Members who retire under PSERS (superannuation or early retirement) receive a retirement bonus as set forth below. The accrued retirement bonus is also payable upon death while in active service as a non-elective employer contribution to the employee's 403b account.

- Computer Technician/Network Administrator: \$25 for each year of service.
- Director of Food Services: \$25 for each year of service.
- Director of Maintenance: \$25 for each year of service.
- Personnel/Payroll Technician: \$25 for each year of service.
- Superintendent: \$500 for each year of service.
- Business Manager: \$500 for each year of service.
- Other Administrators: \$500 for each year of service.

The number of participants as of July 1, 2022, the effective date of the most recent full OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	District
Active employees	94
Retired employees	5
Spouses of retired employees	<u>1</u>
Total	<u><u>100</u></u>

Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Net OPEB Liability

The District's net OPEB liability of \$1,393,000 was measured as of June 30, 2022 and was rolled forward using actuarial assumptions to the valuation date of June 30, 2023.

Actuarial Assumptions and Other Inputs:

- Discount Rate – 3.65% as of June 30, 2023.
- Healthcare Cost Trend Rates – 6.30% for 2024, decreasing to an ultimate rate of 3.70% by 2075.
- The discount rate was based on the Bond Buyer 20-year Bond GO Index at June 30, 2023.
- Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2021 from 2010 base year and projected forward on a generational basis with Scale MP-2021.

Changes in the District's net OPEB liability for the plan for the fiscal year ended June 30, 2023 was as follows:

Balance at July 1, 2022	\$ 1,157,000
Service cost	69,000
Interest	40,000
Differences between expensed and actual experience	154,000
Changes in assumptions	32,000
Benefit payments	(59,000)
Net changes	236,000
Balance at June 30, 2023	<u>\$ 1,393,000</u>

Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability, calculated using the valuation discount rate of 3.65%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current discount rate.

	1% Decrease 2.65%	Current Rate 3.65%	1% Increase 4.65%
District's net OPEB liability	\$ 1,503,000	\$ 1,393,000	\$ 1,290,000

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

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current trend rate.

	1% Decrease	Current Rate	1% Increase
District's net OPEB liability	\$ 1,244,000	\$ 1,393,000	\$ 1,570,000



**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$136,000. At June 30, 2023, the District reported deferred outflows and inflows related to OPEB from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 222,000	\$ 16,000
Changes in assumptions	141,000	123,000
	<u>\$ 363,000</u>	<u>\$ 139,000</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2024	\$ 27,000
2025	27,000
2026	27,000
2027	22,000
2028	37,000
Thereafter	84,000
	<u>\$ 224,000</u>

Economic/demographic (gains)/losses and assumption changes are recognized over the average remaining service life for all active and inactive members.

### 13. Long-Term Obligations

During the fiscal year ended June 30, 2023, general long-term obligations changed as follows:

	Bonds Payable	Lease Obligation	Other Long-term Financing	Compensated Absences	Total General Long-term Obligations
Beginning of year	\$ 3,460,000	\$ 17,384	\$ 134,509	\$ 369,548	\$ 3,981,441
Lease financing proceeds	0	74,343	0	0	74,343
Principal retirement	(1,130,000)	(17,384)	(59,539)	0	(1,206,923)
Changes in compensated absences	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,103)</u>	<u>(13,103)</u>
End of year	2,330,000	74,343	74,970	356,445	2,835,758
Unamortized original issue premium	13,742	0	0	0	13,742
Less: current portion	<u>(1,155,000)</u>	<u>(14,869)</u>	<u>(36,603)</u>	<u>0</u>	<u>(1,206,472)</u>
Long-term liabilities	<u>\$ 1,188,742</u>	<u>\$ 59,474</u>	<u>\$ 38,367</u>	<u>\$ 356,445</u>	<u>\$ 1,643,028</u>

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

The future annual payments required to amortize all outstanding debt and obligations, except for other long-term financing and compensated absences, as of June 30, 2023, including total interest payments are as follows:

Year Ended June 30,	General Obligation Bonds			Lease Obligations		
	Interest	Principal	Total	Interest	Principal	Total
2024	\$ 40,900	\$ 1,155,000	\$ 1,195,900	\$ 4,751	\$ 14,869	\$ 19,620
2025	13,953	1,175,000	1,188,953	4,751	14,869	19,620
2026	0	0	0	4,751	14,869	19,620
2027	0	0	0	4,752	14,868	19,620
2028	0	0	0	4,752	14,868	19,620
	<u>\$ 54,853</u>	<u>\$ 2,330,000</u>	<u>\$ 2,384,853</u>	<u>\$ 23,757</u>	<u>\$ 74,343</u>	<u>\$ 98,100</u>

General Obligation Bonds, Series of 2012

On March 8, 2012, the District issued \$9,995,000 of General Obligation Bonds, Series of 2012. The proceeds were used for the refunding of the remaining balance (\$295,000) of the Series of 2003 bonds, the partial refunding (\$9,595,000) of the Series of 2005 bonds, and to pay the costs of issuing the bonds. The present value of the projected savings from the refunding is \$1,119,111. The bonds bear interest rates ranging from 0.40% to 2.40% with annual principal maturities from September 2012 through September 2024. The balance outstanding at June 30, 2023 is \$2,330,000.

Lease Obligations

On April 12, 2018, the District entered into a lease agreement with a term from June 2018 through June 2023 as a lessee for the use of copiers. The noncancellable lease term is 60 months. The initial lease obligation and right-of-use assets were recorded at the present value of the payments expected to be made during the lease term, using a discount rate of 2.375% representing the District's estimated incremental borrowing rate.

On June 1, 2023, the District entered into a lease agreement with a term from June 2023 through May 2028 as a lessee for the use of copiers. The noncancellable lease term is 60 months. The initial lease obligation and right-of-use assets were recorded at the present value of the payments expected to be made during the lease term, using a discount rate of 11.50% representing the District's estimated incremental borrowing rate.

The value of the right-of-use assets as of June 30, 2023 was \$74,343 less accumulated amortization of \$0 and is disclosed with capital assets at Note 8.

Other Long-Term Financing: Somerset County Technology Center

Other long-term liabilities at June 30, 2023 include Berlin Brothersvalley School District's estimated share of the Series of 2011 General Obligation Note, related to the area vocational-technical school, issued in the principal amount of \$4,825,000. The proceeds of the note were used to refinance the Series 2004 State Public School Building Authority Bonds. This debt service is shared by eight surrounding school districts including Berlin Brothersvalley School District.

The Series of 2011 Note has a scheduled maturity of May 15, 2025. Interest is payable semi-annually on May 15<sup>th</sup> and November 15, commencing on November 15, 2011.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

Berlin Brothersvalley School District's prorated share of the scheduled debt service payments fluctuates based on the estimated market value of the real estate within the District. The Commonwealth of Pennsylvania establishes the annual debt allocation rate. Because of the fluctuating nature of the allocation rate, no schedule of future debt payments is presented. However, the District did recognize an estimated current (\$36,603) and long-term (\$38,367) liability for their estimated share of the future debt service principal payments. These estimates are based on the District's 2022-2023 debt allocation rate of 8.82%. Accordingly, the Berlin Brothersvalley School District's share of the balance outstanding at June 30, 2023 is \$74,970.

Other Long-Term Financing: Lighting Upgrade

In July 2015, the District entered into an agreement with M & T Bank in the amount of \$317,721 to provide financing for the lighting upgrade project. The terms for repayment are as follows: interest compounded monthly at 2.97% for the entire 7-year term with semi-annual payments of principal and interest from January 2016 through July 2022. The debt for the lighting upgrade was paid in full during fiscal year 2023. Accordingly, the balance outstanding at June 30, 2023 is \$0.

Accumulated Compensated Absences

In accordance with accounting principles generally accepted in the United States of America, the District accrues liabilities for compensated absences. Compensated absences reflect the potential cost of sick leave earned by employees as of June 30, 2023. The School District compensates professional employees at retirement for unused sick days in the following manner. Teachers are compensated for unused sick days based on the current contract at the following per diem rates: up to 50 days at \$40 per day, 51-100 days at \$50 per day, 101-150 days at \$65 per day, 151-200 days at \$75 per day, and over 200 days at \$90 per day. Administrative employees are compensated for unused sick days at a per diem rate of \$50. Support staff employees are compensated for unused sick days at a per diem rate of \$40. The School District has computed a liability of \$356,445 at June 30, 2023. Due to the complexity of the calculation, no current portion was determined. The entire liability is reflected as a long-term obligation on the statement of net position. In addition, due to the nature of the obligation, annual requirements to amortize such obligations are not determinable and have not been presented.

General obligation bonds, leases, and other long-term financing issued for governmental activity purposes are liquidated by the general fund. Compensated absences liabilities for governmental activities will be paid by the general fund.

**14. Related Party Transactions**

Jointly Governed Organization

The School District, along with seven other school districts, governs the Somerset County Technology Center. Each district is represented on the Technology Center's school board. Students of Berlin Brothersvalley School District have available at the Technology Center courses and curriculums related to the technical training field. The District's portion of tuition payments for its students attending the Technology Center for fiscal 2023 was \$477,496. The amount due to the Technology Center at June 30, 2023 is \$0.

Intermediate Unit Participation

The District is a member of Appalachia Intermediate Unit (IU) 08. The District avails itself of various services provided by this membership including special education, curriculum development, and certain internal service functions. The total of services provided to Berlin Brothersvalley School District for the year ended June 30, 2023 for programs amounted to \$117,517. The amount due to the IU at June 30, 2023 is \$9,286.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**15. Contingent Liabilities**

Grant Programs

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the term of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The School District is involved in various minor litigation at year end with uncertain results, however, none is expected to have a material effect on the financial position of the District.

**16. Self-Insurance - Medical Insurance**

The School District is participating in the insurance consortium with the Bedford-Somerset County Health Consortium to provide for the medical care for eligible employees and their dependents. The consortium, which administers the plan, monitors the School's deposit into the school district trust account to be held for the benefits described above and Highmark Services, the plan administrator, processes and pays the claims. The consortium limits its liability by stop-loss insurance coverage. Berlin Brothersvalley School District's liability at June 30, 2023, for unpaid claims incurred prior to fiscal year end is not readily determinable. No liability has been recorded for these claims at June 30, 2023, as the District recognizes medical claim expenses as claims are paid.

**17. Risk Management**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2023 and the two previous fiscal years, no settlements exceeded insurance coverage.

**18. Economic Dependency**

Berlin Brothersvalley School District receives approximately 60.26% of its revenue from the State of Pennsylvania in the form of state subsidies. Changes in funding levels by the State could have a material effect on future operations of the District.

**19. Nonmonetary Transactions**

The District receives one of its federal program subsidies by means of a noncash transfer. The U.S. Department of Agriculture, through the Pennsylvania Department of Agriculture, provides food commodities under the National School Lunch Program. These nonmonetary commodity items are valued at market values and recorded as revenue as utilized. The total food commodities donated by the federal government for the fiscal year 2023 totaled \$22,393.

**Berlin Brothersvalley School District**  
**Notes to Financial Statements**  
**June 30, 2023**

**20. Change in Accounting Principle**

For the year ended June 30, 2023, the District adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The standard defines a SBITA as a contract that conveys control of the right to use another party's (vendor) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange transaction. It establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability and requires note disclosures regarding SBITAs. The implementation of GASB Statement No. 96 had no impact on the financial statements of the District for the year ended June 30, 2023.

**Berlin Brothersvalley School District**  
**Required Supplementary Information – Pension Schedules**  
**June 30, 2023**

**Schedule of Proportionate Share of the Net Pension Liability**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability	0.0368%	0.0365%	0.0345%	0.0346%	0.0342%	0.0348%	0.0359%	0.0362%	0.0353%	0.0352%
District's proportionate share of net pension liability	\$ 16,361,000	\$ 14,986,000	\$ 17,037,000	\$ 16,187,000	\$ 16,418,000	\$ 17,187,000	\$ 17,791,000	\$ 15,680,000	\$ 13,972,000	\$ 14,410,000
District's covered-employee payroll *	\$ 5,407,476	\$ 5,160,172	\$ 4,845,932	\$ 4,769,045	\$ 4,603,419	\$ 4,637,780	\$ 4,646,454	\$ 4,660,835	\$ 4,509,437	\$ 4,515,045
District's proportionate share of net pension liability as percentage of its covered-employee payroll	302.10%	290.04%	351.57%	339.42%	356.64%	370.59%	382.89%	336.42%	309.84%	319.16%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

\*The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2022 and prior).

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Required Supplementary Information – Pension Schedules**  
**June 30, 2023**

**Schedule of District Contributions**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,901,358	\$ 1,834,537	\$ 1,727,743	\$ 1,601,833	\$ 1,550,017	\$ 1,454,860	\$ 1,330,053	\$ 1,137,432	\$ 932,617	\$ 699,023
Contributions in relation to the contractually required contributions	<u>(1,901,358)</u>	<u>(1,834,537)</u>	<u>(1,727,743)</u>	<u>(1,601,833)</u>	<u>(1,550,017)</u>	<u>(1,454,860)</u>	<u>(1,330,053)</u>	<u>(1,137,432)</u>	<u>(932,617)</u>	<u>(699,023)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 5,541,702	\$ 5,407,476	\$ 5,160,172	\$ 4,845,932	\$ 4,769,045	\$ 4,603,419	\$ 4,637,780	\$ 4,646,454	\$ 4,660,835	\$ 4,509,437
Contributions as a percentage of covered-employee payroll	34.31%	33.93%	33.48%	33.06%	32.50%	31.60%	28.68%	24.48%	20.01%	15.50%

See accompanying notes to the basic financial statements,

**Berlin Brothersvalley School District**  
**Required Supplementary Information-OPEB Schedules**  
**PSERS Health Insurance Premium Assistance Program**  
**June 30, 2023**

**Schedule of Proportionate Share of the Net OPEB Liability**

	2023	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability	0.0368%	0.0364%	0.0345%	0.0346%	0.0342%	0.0348%	0.0359%
District's proportionate share of net OPEB liability	\$ 677,000	\$ 863,000	\$ 745,000	\$ 736,000	\$ 713,000	\$ 709,000	\$ 773,000
District's covered-employee payroll*	\$ 5,407,476	\$ 5,160,172	\$ 4,845,932	\$ 4,769,045	\$ 4,603,419	\$ 4,637,780	\$ 4,646,454
District's proportionate share of net OPEB liability as percentage of its covered-employee payroll	12.52%	16.72%	15.37%	15.43%	15.49%	15.29%	16.64%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

\*The District's covered employee payroll noted above is as of the measurement date of the net OPEB liability (June 30, 2022 and prior).

**Schedule of District Contributions**

	2023	2022	2021	2020	2019	2018	2017
Contractually required contributions	\$ 41,563	\$ 43,178	\$ 42,278	\$ 40,334	\$ 39,464	\$ 38,045	\$ 37,806
Contributions in relation to the contractually required contributions	(41,563)	(43,178)	(42,278)	(40,334)	(39,464)	(38,045)	(37,806)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 5,541,702	\$ 5,407,476	\$ 5,160,172	\$ 4,845,932	\$ 4,769,045	\$ 4,603,419	\$ 4,637,780
Contributions as a percentage of covered-employee payroll	0.75%	0.80%	0.82%	0.83%	0.83%	0.83%	0.82%

Note: These schedules are intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes the basic financial statements.



**Berlin Brothersvalley School District**  
**Required Supplementary Information-OPEB Schedules**  
**District Specific Plan**  
**June 30, 2023**

**Schedule of Changes in District's OPEB liability:**

	2023	2022	2021	2020	2019	2018
Service cost	\$ 69,000	\$ 67,000	\$ 40,000	\$ 39,000	\$ 45,000	\$ 43,000
Interest	40,000	26,000	21,000	30,000	34,000	33,000
Differences between expected and actual experience	154,000	0	124,000	0	(31,000)	0
Changes of assumptions	32,000	(116,000)	101,000	80,000	(57,000)	(18,000)
Benefit payments	(59,000)	(49,000)	(32,000)	(35,000)	(31,000)	(41,000)
Net change in total OPEB liability	236,000	(72,000)	254,000	114,000	(40,000)	17,000
Total OPEB liability - beginning	1,157,000	1,229,000	975,000	861,000	901,000	884,000
Total OPEB liability - ending	<u>\$ 1,393,000</u>	<u>\$ 1,157,000</u>	<u>\$ 1,229,000</u>	<u>\$ 975,000</u>	<u>\$ 861,000</u>	<u>\$ 901,000</u>
 Covered payroll	 \$ 5,479,100	 \$ 5,088,669	 \$ 4,957,650	 \$ 4,866,716	 \$ 4,710,339	 \$ 4,648,217
 District net OPEB liability as a percentage of its covered-employee payroll	 25.42%	 22.74%	 24.79%	 20.03%	 18.28%	 19.38%

Note: This schedule is intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts Original	Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Local sources	\$ 3,661,474	\$ 3,661,474	\$ 4,145,078	\$ 483,604
State sources	7,994,226	7,994,226	8,745,964	751,738
Federal sources	<u>1,034,607</u>	<u>1,034,607</u>	<u>1,245,905</u>	<u>211,298</u>
Total revenues	<u>12,690,307</u>	<u>12,690,307</u>	<u>14,136,947</u>	<u>1,446,640</u>
<b>Expenditures</b>				
Instruction:				
Regular programs	5,675,154	5,675,154	5,695,509	(20,355)
Special programs	1,344,618	1,344,618	1,497,151	(152,533)
Vocational education programs	820,817	820,817	921,120	(100,303)
Other instructional programs	259,804	259,804	250,600	9,204
Nonpublic school programs	0	0	3,255	(3,255)
Adult education programs	1,792	1,792	16	1,776
Support services:				
Pupil personnel	609,657	609,657	588,168	21,489
Instructional staff	341,114	341,114	339,006	2,108
Administration	865,368	865,368	829,427	35,941
Pupil health	108,324	108,324	99,026	9,298
Business	294,516	294,516	291,781	2,735
Operation and maintenance of plant	1,210,769	1,210,769	1,075,774	134,995
Student transportation	734,300	734,300	657,297	77,003
Central	179,103	179,103	171,082	8,021
Other support services	3,500	3,500	2,768	732
Operation of noninstructional services:				
Student activities	427,646	427,646	474,922	(47,276)
Community services	11,500	11,500	9,050	2,450
Capital outlay	0	0	244,457	(244,457)
Debt service	1,261,219	1,261,219	1,259,992	1,227
Leases	<u>0</u>	<u>0</u>	<u>17,765</u>	<u>(17,765)</u>
Total expenditures	<u>14,149,201</u>	<u>14,149,201</u>	<u>14,428,166</u>	<u>(278,965)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,458,894)</u>	<u>(1,458,894)</u>	<u>(291,219)</u>	<u>1,167,675</u>
<b>Other financing sources (uses)</b>				
Proceeds from leases	0	0	74,343	74,343
Budgetary reserve	<u>(750,000)</u>	<u>(750,000)</u>	<u>0</u>	<u>750,000</u>
Total other financing sources (uses)	<u>(750,000)</u>	<u>(750,000)</u>	<u>74,343</u>	<u>824,343</u>
Net change in fund balance	(2,208,894)	(2,208,894)	(216,876)	1,992,018
Fund balance, beginning of year	<u>3,285,972</u>	<u>3,285,972</u>	<u>3,190,081</u>	<u>(95,891)</u>
Fund balance, end of year	<u>\$ 1,077,078</u>	<u>\$ 1,077,078</u>	<u>\$ 2,973,205</u>	<u>\$ 1,896,127</u>

See accompanying notes to the basic financial statements.

**Berlin Brothersvalley School District**  
**Schedule of Expenditures of Federal Awards and Certain State Grants**  
**For the Year Ended June 30, 2023**

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Passed Through to Subrecipients	Accrued (Unearned) Revenue June 30, 2023
<u>U.S. DEPARTMENT OF EDUCATION</u>											
Passed through the Pennsylvania Department of Education:											
ECIA Title I	I	84.010	013-230030	07/01/22-09/30/23	\$ 195,259	\$ 156,056	\$ 0	\$ 195,092	\$ 195,092	\$ 0	\$ 39,036
ECIA Title I	I	84.010	013-220030	07/01/21-09/30/22	201,836	40,295	40,295	0	0	0	0
ECIA Title II Part A	I	84.367	020-230030	07/01/22-09/30/23	24,763	19,637	0	24,763	24,763	0	5,126
ECIA Title II Part A	I	84.367	020-220030	07/01/21-09/30/22	28,250	5,655	5,655	0	0	0	0
ECIA Title IV	I	84.424	144-230030	07/01/22-09/30/23	15,612	11,898	0	15,612	15,612	0	3,714
ECIA Title IV	I	84.424	144-220030	07/01/21-09/30/22	14,813	2,965	2,965	0	0	0	0
Subtotal ECIA Programs passed through Pennsylvania Department of Education					480,533	236,506	48,915	235,467	235,467	0	47,876
Passed through the Pennsylvania Department of Education:											
Elementary and Secondary School											
Emergency Relief Fund (ESSER II)	I	84.425D	200-210030	03/13/20-09/30/23	727,363	389,055	(12,762)	471,738	471,738	0	69,921
American Rescue Plan - ESSER III	I	84.425U	223-210030	03/13/20-09/30/24	1,471,245	615,248	219,437	498,188	498,188	0	102,377
American Rescue Plan - ESSER 7% Learning Loss	I	84.425U	225-210030	03/13/20-09/30/24	81,677	31,186	19,202	14,865	14,865	0	2,881
American Rescue Plan - ESSER 7% Summer Programs	I	84.425U	225-210030	03/13/20-09/30/24	16,336	6,237	(8,614)	16,336	16,336	0	1,485
American Rescue Plan - ESSER 7% After School Programs	I	84.425U	225-210030	03/13/20-09/30/24	16,336	6,237	(87)	7,809	7,809	0	1,485
Subtotal Education Stabilization Fund					2,312,957	1,047,963	217,176	1,008,936	1,008,936	0	178,149

See accompanying notes.

**Berlin Brothersvalley School District**  
**Schedule of Expenditures of Federal Awards and Certain State Grants**  
**For the Year Ended June 30, 2023**

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Passed Through to Subrecipients	Accrued (Unearned) Revenue June 30, 2023
Passed through Appalachia Intermediate Unit 08:											
IDEA Part B - Section 611	I	84.027	062-23-0008	07/01/22-09/30/23	152,082	87,749	0	152,082	152,082	0	64,333
IDEA Part B - Section 611	I	84.027	062-22-0008	07/01/21-09/30/22	151,653	73,644	73,644	0	0	0	0
IDEA Part B - Section 619	I	84.173	131-22-0008	07/01/22-06/30/23	1,158	0	0	1,158	1,158	0	1,158
IDEA Part B - Section 619	I	84.173	131-21-0008	07/01/21-06/30/22	1,725	1,725	1,725	0	0	0	0
American Rescue Plan - IDEA Part B	I	84.027X	062-22-0008	07/01/21-09/30/22	<u>30,652</u>	<u>30,652</u>	<u>30,652</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Special Education Cluster					<u>337,270</u>	<u>193,770</u>	<u>106,021</u>	<u>153,240</u>	<u>153,240</u>	<u>0</u>	<u>65,491</u>
Total U.S. Department of Education					<u>3,130,760</u>	<u>1,478,239</u>	<u>372,112</u>	<u>1,397,643</u>	<u>1,397,643</u>	<u>0</u>	<u>291,516</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>											
Passed through Pennsylvania Department of Human Services:											
Medical Assistance Program - Reimbursement											
SBAP Administration Reimbursement	I	93.778	N/A	07/01/22-06/30/23	N/A	751	0	1,502	1,502	0	751
SBAP Administration Reimbursement	I	93.778	N/A	07/01/21-06/30/22	N/A	<u>983</u>	<u>983</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total U.S. Department of Health and Human Services						<u>1,734</u>	<u>983</u>	<u>1,502</u>	<u>1,502</u>	<u>0</u>	<u>751</u>

See accompanying notes.

**Berlin Brothersvalley School District**  
**Schedule of Expenditures of Federal Awards and Certain State Grants**  
**For the Year Ended June 30, 2023**

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Passed Through to Subrecipients	Accrued (Unearned) Revenue June 30, 2023
<u>U.S. DEPARTMENT OF AGRICULTURE</u>											
Passed through the Pennsylvania Department of Agriculture:						(a)	(b)		(c)		(d)
National School Lunch (Donated Commodities)	I	10.555	N/A	07/01/22-06/30/23	N/A	22,393	(8,822)	26,533	26,533	0	(4,682)
Passed through the Pennsylvania Department of Education:											
National School Lunch	I	10.555	N/A	07/01/22-06/30/23	N/A	165,593	0	165,593	165,593	0	0
School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	50,007	0	50,007	50,007	0	0
Supply Chain Assistance	I	10.555	N/A	12/29/22-06/30/24	N/A	28,060	0	6,393	6,393	0	(21,667)
Supply Chain Assistance	I	10.555	N/A	05/13/22-06/30/23	N/A	0	(18,776)	18,776	18,776	0	0
Subtotal Child Nutrition Cluster						266,053	(27,598)	267,302	267,302	0	(26,349)
Pandemic-EBT Local Admin Funds	I	10.649	N/A	10/01/21-09/30/22	N/A	846	0	846	846	0	0
State Matching Funds	S	N/A	N/A	07/01/22-06/30/23	N/A	38,708	0	38,708	38,708	0	0
Total U.S. Department of Agriculture						305,607	(27,598)	306,856	306,856	0	(26,349)
Total Financial Assistance					\$ 3,130,760	\$ 1,785,580	\$ 345,497	\$ 1,706,001	\$ 1,706,001	\$ 0	\$ 265,918

See accompanying notes.

**Berlin Brothersvalley School District**  
**Schedule of Expenditures of Federal Awards and Certain State Grants**  
**For the Year Ended June 30, 2023**

**Notes to Schedule of Expenditures of Federal Awards and Certain State Grants**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards and certain state grants (the Schedule) includes the federal award activity of Berlin Brothersvalley School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Berlin Brothersvalley School District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Berlin Brothersvalley School District.

**Note B - Significant Accounting Policies**

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Berlin Brothersvalley School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

**Note C – Donated Commodities**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District had food commodities totaling \$4,682 in inventory.

- (a) Total amount of commodities received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2022.
- (c) Total amount of commodities used.
- (d) Ending inventory at June 30, 2023.

**Note D – Direct/Indirect Funding**

The following source codes reflect program funding:

- D = Direct Funding
- I = Indirect Funding
- F = Federal Share
- S = State Share

**Berlin Brothersvalley School District**  
**Schedule of Expenditures of Federal Awards and Certain State Grants**  
**For the Year Ended June 30, 2023**

**Notes to Schedule of Expenditures of Federal Awards and Certain State Grants**

**Note E – Reconciliation to Financial Statements**

Total Federal Sources reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$1,245,905
Plus: IDEA-B passed through, recorded as Local Sources	<u>153,240</u>
Total Federal Expenditures – Governmental Funds	<u>1,399,145</u>
Total Federal Sources reported on Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	<u>268,148</u>
Total Federal Expenditures – Proprietary Fund	<u>268,148</u>
Total Federal Expenditures	<u><u>\$1,667,293</u></u>

**Note F – Test of 20% Rule (Low Risk)**

Total Expenditures	\$1,706,001	
Less: State Matching Funds	<u>(38,708)</u>	
Total Federal Expenditures	<u><u>\$1,667,293</u></u>	
Education Stabilization Fund	<u><u>\$1,008,936</u></u>	
Tested	<u><u>\$1,008,936</u></u>	
Total Federal Expenditures	\$1,667,293	= 60.51%

**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 Auditors' Report**

To the Members of the Board  
Berlin Brothersvalley School District  
1025 Main Street  
Berlin, Pennsylvania 15530

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Brothersvalley School District as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Berlin Brothersvalley School District's basic financial statements, and have issued our report thereon dated December 15, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Berlin Brothersvalley School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Berlin Brothersvalley 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

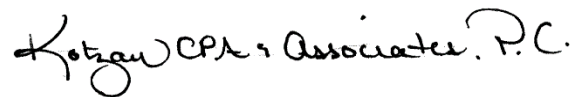


## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Kotzan CPA & Associates, P.C." The signature is written in a cursive, flowing style.

Kotzan CPA & Associates, P.C.  
Johnstown, Pennsylvania  
December 15, 2023

**Report on Compliance for Each Major Federal Program and on  
Internal Control Over Compliance Required by The Uniform Guidance**

**Independent Auditors' Report**

To the Members of the Board  
Berlin Brothersvalley School District  
1025 Main Street  
Berlin, Pennsylvania 15530

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Berlin Brothersvalley School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Berlin Brothersvalley School District's major federal programs for the year ended June 30, 2023. Berlin Brothersvalley School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Berlin Brothersvalley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Berlin Brothersvalley School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Berlin Brothersvalley School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Berlin Brothersvalley School District's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Berlin Brothersvalley School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Berlin Brothersvalley School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Berlin Brothersvalley School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Berlin Brothersvalley School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Berlin Brothersvalley School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

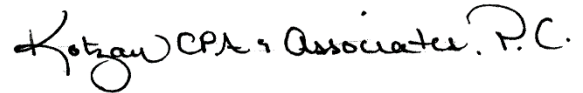
### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in black ink that reads "Kotzan CPA & Associates, P.C." The signature is written in a cursive, flowing style.

Kotzan CPA & Associates, P.C.  
Johnstown, Pennsylvania  
December 15, 2023

**Berlin Brothersvalley School District**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

Material weakness(es) identified?            Yes     X     No

Significant deficiency identified not considered to be material weaknesses?            Yes     X     None reported

Noncompliance material to financial statements noted?            Yes     X     No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?            Yes     X     No

Significant deficiency identified not considered to be material weakness(es)?            Yes     X     None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?            Yes     X     No

Identification of major programs:

CFDA Number(s)

84.425

Name of Federal Program or Cluster

Education Stabilization Fund

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

Auditee qualified as low-risk auditee?     X     Yes            No

**Section II - Financial Statement Findings** No Findings

**Section III - Federal Award Findings and Questioned Costs** No Findings