

**SCHOOL DISTRICT
OF
BERLIN
BOROUGH**



**Berlin Borough Board of Education
Berlin, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

Comprehensive Annual Financial Report

of the

**Berlin Borough Board of Education
Berlin, New Jersey**

For the Fiscal Year Ended June 30, 2011

Prepared by

Berlin Borough Board of Education
Finance Department

BERLIN BOROUGH SCHOOL DISTRICT

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Introductory Section



BERLIN BOROUGH SCHOOL DISTRICT

*Mr. Tony Truongone,
Superintendent*

*Mr. Frank J. Domin, Jr.
Business Administrator*

August 19, 2011

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

The comprehensive annual financial report of the Berlin Borough School District for the fiscal year ended June 30, 2011 is hereby submitted. This CAFR includes the District's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner Designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section included the transmittal letter, the District's organizational chart and a list of principle officials. The financial section included the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Not for Profit Organizations" and the State Treasury Circular Letter 04-04 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the auditor's report on the regulations, and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

Berlin Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by the National Council on Governmental Accounting (NCGA) Statement # 3, which defines governmental reporting entities. All funds and account groups of the District are included in this report. The Berlin Borough Board of Education and all its school buildings constitute the District's reporting entity. The school district consists of one school the Berlin Community School. The District provides a

Together Everyone Achieves More



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full range of educational services appropriate to grade level K through 8. These include regular as well as special education for handicapped youngsters. The District completed the 2010-2011 school year with an enrollment of 844 students as of June 30, 2011. The following details the changes in the student enrollment of the District over the last ten years.

AVERAGE DAILY ENROLLMENT

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-2011	855	+2.33
2009-2010	835	+2.45
2008-2009	815	-1.92
2007-2008	831	+2.70
2006-2007	809	- .97
2005-2006	817	+3.55
2004-2005	789	+1.01
2003-2004	781	2.23
2002-2003	764	-1.16
2001-2002	773	+2.25

2) ECONOMIC CONDITION AND OUTLOOK

Berlin Borough has 6,149 inhabitants in a 3.7 square mile semi rural, part farming and residential community. It had experienced a period of greatly increased housing development. It is expected that this will also encourage an increase in business activity and student enrollment.

3) MAJOR INITIATIVES

CURRICULUM - Our highly qualified staff has created a collegial environment where they continually seek to grow professionally while establishing a Professional Learning Community. Differentiated instruction is utilized to provide a challenging and appropriate academic program for each learner. A balanced literacy approach is at the core of our language arts program; this includes guided reading, writer’s workshop, and a cross curricular approach to integrate social studies and science. Mathematics is taught by using real life situations and practical applications. Our students receive Spanish, music, art, health, physical education, library, and computer instruction beginning in our full day kindergarten program.

There is a wide array of programs, services, and activities provided to promote the growth of our children academically, physically, socially, and emotionally. Students are given the opportunity to play musical instruments in fourth grade. The BCS awarding winning instrumental music program continues through eighth grade. In addition to the Intervention & Referral Service Committee which assists struggling learners, the district has implemented a Response to Intervention program that provides children with alternate programs as they work to achieve success. We offer a parent portal to teacher grade books, enabling parents to obtain real-time information in terms of their child(ren)’s academic progress. This strengthens the connection between home and school, so that we are able to continue to work collaboratively as we provide the best possible education for all our students. We are in the second year of implementing our



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new MAP (Measures of Academic Progress) program. This is a computerized diagnostic testing service that will allow us to obtain valuable information to measure pupil growth, and to target instruction to better meet the needs of our students. All kindergarten through second grade students have enrichment periods; as the district identifies which students will enter the pull-out Challenges Program in third grade. Our Character Education program, focusing on the six pillars, continues to expand as the staff seeks new and creative ways to reinforce and model positive behaviors.

TECHNOLOGY - Each year the district continues its' five year computer upgrade and replacement program and is committed to integrating technology throughout the curriculum as our students learn the skills needed to be successful as twenty-first century learners. A fully equipped computer lab supports technology instruction and every classroom is equipped with state of the art SMARTboard technology. This year, we have installed mini dell stations in each of our kindergarten through fourth grade classes. A subscription to Camnet II is maintained for internet speed, conferencing and distance learning.

CONSTRUCTION - The Community School is enjoying it's new \$7,592,995, 41,915 square foot building addition that includes 12 instructional classrooms, 2 special education classrooms, 1 art room, 1 vocal music classroom, new gymnasium, expanded cafeteria, central office space and expanded parking facilities. The District has received approval of a Regular Operating District grant from the State and has started to proceed with a partial roof replacement project.

4) INTERNAL ACCOUNTING CONTROLS

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

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District Management.

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

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in



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the annual appropriate budget approved by the voters of the municipality. Annual appropriate budget are adopted for the general fund and the special revenue fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservation of funds balance at June 30, 2011.

6) ACCOUNTING SYSTEM AND REPORTS

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

7) CASH MANAGEMENT

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

8) RISK MANAGEMENT

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

9) OTHER INFORMATION

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



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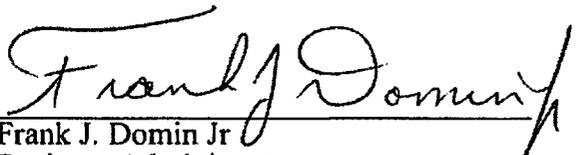
10) ACKNOWLEDGMENTS

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

Respectfully submitted,

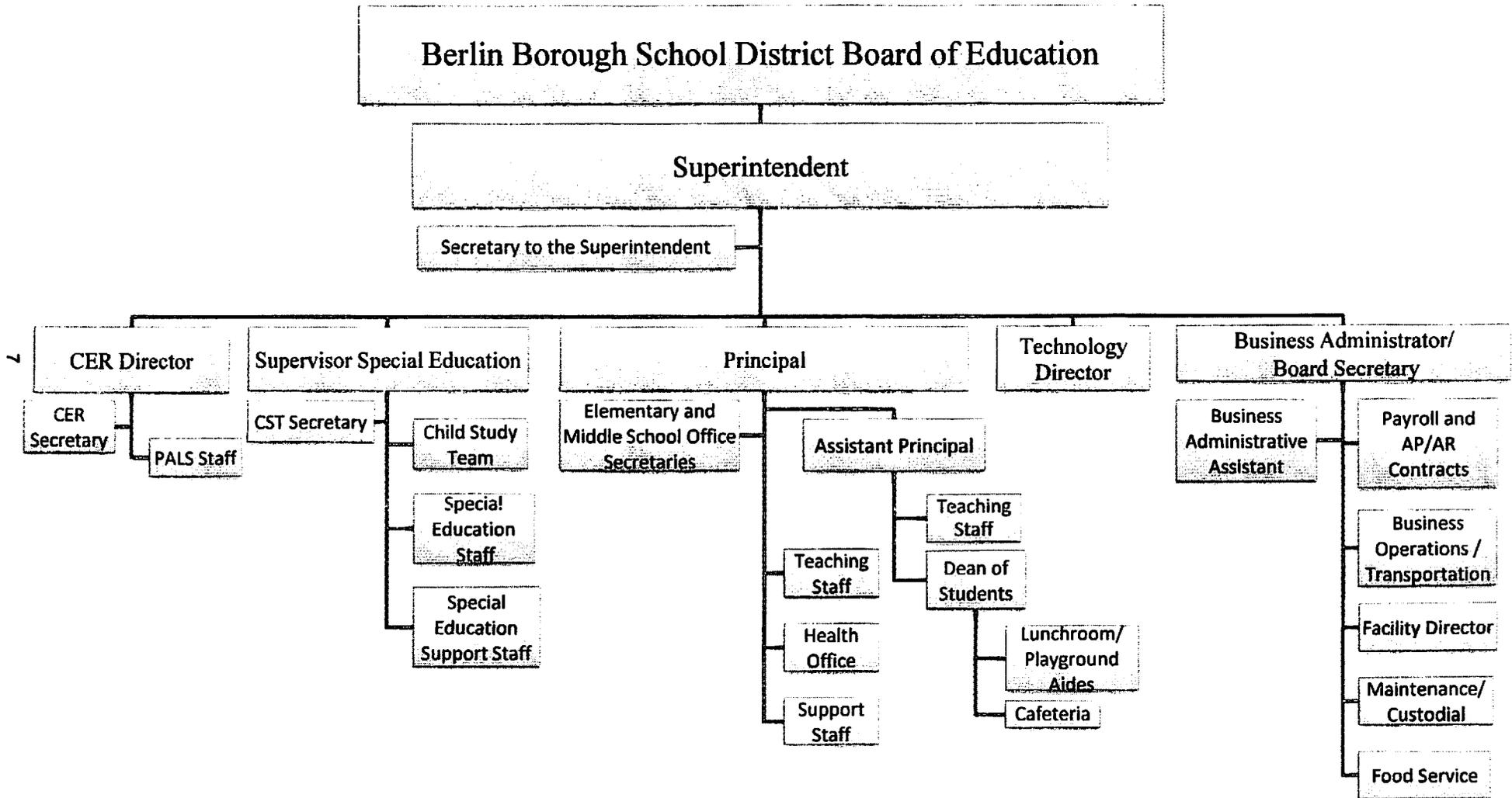


Anthony Tringone
Chief School Administrator



Frank J. Domin Jr
Business Administrator

Berlin Borough Board of Education Organizational Chart (Unit Control)



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

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

**ROSTER OF OFFICIALS
JUNE 30, 2011**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Joseph M. Mammarella, President	2012
Nicholas C. Guerere, Vice-President	2013
Eileen German	2014
Juan C. Perez	2014
Daniel MacDonnell	2012
Steven Schneider	2013
Dennis Quinn	2014
Francine Viscome	2012
Linda Welte	2013

Other Officials

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

BERLIN BOROUGH SCHOOL DISTRICT
Consultants and Advisors

Architect

Garrison Architects
1400 F. Commerce Parkway
Mt. Laurel, NJ 08054

Audit Firm

Inverso & Stewart, LLC
12000 Lincoln Drive West
Suite 402
Marlton, NJ 08053

Attorney

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

Bond Counsel

Parker McCay P.A.
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TD Bank
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Financial Section

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New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2011 on our consideration of the Berlin Borough School District, in the County of Camden, State of New Jersey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berlin Borough School District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
August 19, 2011

INVERSO & STEWART, LLC

**Certified Public Accountants
Registered Municipal Accountants**

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New Jersey Society of CPAs

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Berlin Borough School District's internal control over financial reporting as a basis for designing our auditing procedures 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 School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Berlin Borough School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated August 19, 2011.

This report is intended solely for the information and use of the management, the Board of Education, others within the School District, the Division of Finance, Department of Education, State of New Jersey, and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
August 19, 2011

Required Supplementary Information - Part I

Management's Discussion and Analysis

**Berlin Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

As management of the Board of Education of the Berlin Borough School District in Berlin New Jersey, we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The liabilities of the School District exceeded its assets at the close of the most recent fiscal year by \$144,053 (*net assets*).
- Governmental activities have an unrestricted net assets deficit of \$449,121. The accounting treatments in the governmental funds for compensated absences payable, and the last two state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net assets of the School District increased by \$331,167 or a 69.69% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$494,811 resulting in an ending fund balance of \$1,023,970. This increase is largely due to the results of operations in the General Fund.
- Business-type activities have unrestricted net assets of \$167,256, which may be used to meet the School District's ongoing obligations of the food service and community education and recreation operations.
- The School District's long-term obligations decreased by \$600,518 which is the result of the reduction of certificates of participation, serial bond debt, capital leases, and compensated absences.

Overview of the Basic Financial Statements

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

District-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

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

District-wide Financial Analysis

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2011. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2011.

The liabilities of the primary government activities exceeded assets by \$343,350 with an unrestricted deficit balance of \$449,121. The net assets of the primary government do not include internal balances.

A deficit net investment of \$862,909 in land, improvements, buildings, equipment and vehicles provides the services to the School District's 846 public school students. Net assets of \$406,000 have been restricted for future capital projects, \$356,148 has been restricted for repayment of debt and \$206,532 has been restricted for future budget appropriation.

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

**Berlin Borough School District
Comparative Summary of Net Assets
As of June 30, 2011 and 2010**

	Governmental Activities		Business-Type Activities		District-Wide	
	2011	2010	2011	2010	2011	2010
Assets:						
Current assets	\$ 1,193,698	\$ 664,088	\$ 169,906	\$ 167,823	\$ 1,363,604	\$ 831,911
Capital assets	<u>5,683,091</u>	<u>6,438,808</u>	<u>32,041</u>	<u>38,386</u>	<u>5,715,132</u>	<u>6,477,194</u>
Total assets	<u>6,876,789</u>	<u>7,102,896</u>	<u>201,947</u>	<u>206,209</u>	<u>7,078,736</u>	<u>7,309,105</u>
Liabilities:						
Current Liabilities	662,382	670,819	2,650	2,483	665,032	673,302
Noncurrent Liabilities	<u>6,557,757</u>	<u>7,111,023</u>			<u>6,557,757</u>	<u>7,111,023</u>
Total liabilities	<u>7,220,139</u>	<u>7,781,842</u>	<u>2,650</u>	<u>2,483</u>	<u>7,222,789</u>	<u>7,784,325</u>
Net assets	<u>\$ (343,350)</u>	<u>\$ (678,946)</u>	<u>\$ 199,297</u>	<u>\$ 203,726</u>	<u>\$ (144,053)</u>	<u>\$ (475,220)</u>
Net assets consist of:						
Invested in capital						
Assets	\$ (862,909)	\$ (602,224)	\$ 32,041	\$ 38,386	\$ (830,868)	\$ (563,838)
Restricted net assets	968,680	591,166			968,680	591,166
Unrestricted net assets	<u>(449,121)</u>	<u>(667,888)</u>	<u>167,256</u>	<u>165,340</u>	<u>(281,865)</u>	<u>(502,548)</u>
Net assets	<u>\$ (343,350)</u>	<u>\$ (678,946)</u>	<u>\$ 199,297</u>	<u>\$ 203,726</u>	<u>\$ (144,053)</u>	<u>\$ (475,220)</u>

Berlin Borough School District
Comparative Schedule of Changes in Net Assets
As of and for the Fiscal Year Ended June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		District-Wide	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues						
Charges for services			\$ 562,119	\$ 472,561	\$ 562,119	\$ 472,561
Operating grants and Contributions	\$ 1,319,567	\$ 1,670,910	77,899	90,814	1,397,466	1,761,724
Capital grants and Contributions						
General Revenues:						
Property Taxes	6,793,011	6,522,445			6,793,011	6,522,445
Unrestricted State Aid	3,218,500	3,535,439			3,218,500	3,535,439
Other Revenues	90,100	72,478	197	246	90,297	72,724
Total Revenues	11,421,178	11,801,272	640,215	563,621	12,061,393	12,364,893
Expenses:						
Governmental Activities:						
Instruction	4,954,673	5,961,881			4,954,673	5,961,881
Tuition	229,109	450,951			229,109	450,951
Related Services	687,036	1,064,281			687,036	1,064,281
Administrative Services	587,750	715,323			587,750	715,323
Central Services	275,123	273,951			275,123	273,951
Operations and Maintenance	1,378,566	775,308			1,378,566	775,308
Transportation	287,509	448,985			287,509	448,985
Employee benefits	2,334,798	2,201,183			2,334,798	2,201,183
Interest on long-term Debt	301,275	308,282			301,275	308,282
Other	49,743	53,614			49,743	53,614
Business-Type Activities:						
Community Education			236,083	225,590	236,083	225,590
Shared Services			148,214	60,649	148,214	60,649
Food Service Operations			260,347	263,892	260,347	263,892
Total Expenses	11,085,582	12,253,759	644,644	550,131	11,730,226	12,803,890
Increase in net assets						
Before transfers	335,596	(452,487)	(4,429)	13,490	331,167	(438,997)
Transfers						
Changes in net assets	335,596	(452,487)	(4,429)	13,490	331,167	(438,997)
Net assets, July 1,	(678,946)	(226,459)	203,726	190,236	(475,220)	(36,223)
Net assets, June 30,	\$ (343,350)	\$ (678,946)	\$ 199,297	\$ 203,726	\$ (144,053)	\$ (475,220)

Governmental Activities

Governmental activities increased the net assets of the School District by \$335,596 during the current fiscal year. Key elements of the net increase for governmental activities are as follows:

- Net capital assets decreased due to depreciation expense of \$874,501.

Business-type Activities

Business-type activities decreased the School District's net assets by \$4,429. Key elements of the decrease in net assets for business-type activities are as follows:

- The Community Education and Recreation Fund had a net loss of \$400 and the Food Service Fund had a net loss of \$4,029.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$1,023,970, an increase of \$494,811 in comparison with the prior year. Most of this increase is the results of operations in the General Fund.

The unassigned fund balance for the School District at the end of the fiscal year includes a combination of an unreserved fund balance for the General Fund of (\$40,764) and \$277 in the Debt Service Fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed, 1) \$217,074 reserved for future budget appropriation in accordance with state statute, 2) \$406,000 reserved for capital projects, and 3) \$441,383 as restricted for debt service reserve.

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

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$252,088 while total fund balance (budgetary basis) was \$864,620. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$9,644,697. Unreserved fund balance (budgetary basis) represents 2.61% of expenditures while total fund balance (budgetary basis) represents 8.96% of that same amount.

Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$5,715,132 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$762,062, or a 11.77% decrease. The decrease is due to depreciation expense.

Capital Asset (net of accumulated depreciation) June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		District-Wide	
	2011	2010	2011	2010	2011	2010
Land	\$ 400,000	\$ 400,000			\$ 400,000	\$ 400,000
Site Improvements	173,055	190,888			173,055	190,888
Buildings and Building Improvements	4,831,273	5,622,623			4,831,273	5,622,623
Equipment	<u>278,763</u>	<u>225,297</u>	<u>\$ 32,041</u>	<u>\$ 38,386</u>	<u>310,804</u>	<u>263,683</u>
Net assets	<u>\$ 5,683,091</u>	<u>\$ 6,438,808</u>	<u>\$ 32,041</u>	<u>\$ 38,386</u>	<u>\$ 5,715,132</u>	<u>\$ 6,477,194</u>

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

Long-term debt – During the fiscal year ended June 30, 2011, the School District had \$3,961,000 in serial bonds payable, \$2,585,000 in certificates of participation payable, and \$501,757 in compensated absences.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$24,247,067. The available amount as of June 30, 2011 is \$20,286,067.

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2011-12 fiscal year.

- For 2011-12 fiscal year the School District will be receiving an increase in state aid. The local tax levy in the General Fund increased by \$48,958 or .79%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2011-12 General Fund Budget is \$500,367 greater than the previous year or a 5.35% increase. Due to the Borough revaluation of assessed valuations, the tax rate for 2011 is 87.6 cents.

For the Future

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

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

Requests for Information

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

Basic Financial Statements

District-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business type activities of the District.

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$618,851	\$159,975	\$778,826
Investments			
Receivables, net	75,447	5,404	80,851
Inventory		4,527	4,527
Deferred bond issuance costs - net	93,400		93,400
Restricted assets:			
Restricted cash and cash equivalents	406,000		406,000
Capital assets, net (Note 5)	<u>5,683,091</u>	<u>32,041</u>	<u>5,715,132</u>
Total assets	<u>6,876,789</u>	<u>201,947</u>	<u>7,078,736</u>
LIABILITIES:			
Accounts payable			
Intergovernmental payable:			
State	55,898		55,898
Deferred revenue	20,430	2,650	23,080
Accrued interest	96,054		96,054
Noncurrent liabilities (Note 7):			
Due within one year	490,000		490,000
Due beyond one year	<u>6,557,757</u>		<u>6,557,757</u>
Total liabilities	<u>7,220,139</u>	<u>2,650</u>	<u>7,222,789</u>
NET ASSETS:			
Invested in capital assets, net of related debt	(862,909)	32,041	(830,868)
Restricted for:			
Debt Service Fund	356,148		356,148
Capital Projects	406,000		406,000
Special Revenue			
Other Purposes	206,532		206,532
Unrestricted	<u>(449,121)</u>	<u>167,256</u>	<u>(281,865)</u>
Total net assets	<u>(\$343,350)</u>	<u>\$199,297</u>	<u>(\$144,053)</u>

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

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$3,377,214		\$241,954		(\$3,135,260)		(\$3,135,260)
Special education	1,437,144		155,729		(1,281,415)		(1,281,415)
Other instruction	140,315				(140,315)		(140,315)
Support Services:							
Tuition	229,109				(229,109)		(229,109)
Student & instruction related services	687,036		101,030		(586,006)		(586,006)
General administrative services	222,467				(222,467)		(222,467)
School administrative services	365,283				(365,283)		(365,283)
Central services	275,123				(275,123)		(275,123)
Plant operations and maintenance	1,378,566				(1,378,566)		(1,378,566)
Pupil transportation	287,509				(287,509)		(287,509)
Employee benefits	2,334,798		672,892		(1,661,906)		(1,661,906)
Interest on long-term debt	301,275		147,962		(153,313)		(153,313)
Unallocated depreciation and amortization	49,743				(49,743)		(49,743)
Total governmental activities	11,085,582		1,319,567		(9,766,015)		(9,766,015)
Business-type activities:							
Community Education and Recreation	236,083	\$235,668				(\$415)	(415)
Food service	260,347	178,237	77,899			(4,211)	(4,211)
Shared Services	148,214	148,214					
Total business-type activities	644,644	562,119	77,899			(4,626)	(4,626)
Total primary government	\$11,730,226	\$562,119	\$1,397,466		(9,766,015)	(4,626)	(9,770,641)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net					6,163,141		6,163,141
Taxes levied for debt service					629,870		629,870
Federal and State aid not restricted					3,218,500		3,218,500
Tuition					46,328		46,328
Investment earnings					7,843	197	8,040
Miscellaneous income					35,929		35,929
Transfers							
Total general revenues, special items, extraordinary items and transfers					10,101,611	197	10,101,808
Change in Net Assets					335,596	(4,429)	331,167
Net Assets-- July 1					(678,946)	203,726	(475,220)
Net Assets-- June 30					(\$343,350)	\$199,297	(\$144,053)

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

Fund Financial Statements

The Individual Fund statements and schedules present more detailed information for the Individual Fund in a format that segregates information by fund type.

BERLIN BOROUGH SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2011

ASSETS	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$166,649		\$443,494	\$8,708	\$618,851
Receivables, net	19,013	\$56,434			75,447
Interfund receivables, net	536			2,111	2,647
Restricted cash and cash equivalents	<u>406,000</u>				<u>406,000</u>
Total assets	<u><u>\$592,198</u></u>	<u><u>\$56,434</u></u>	<u><u>\$443,494</u></u>	<u><u>\$10,819</u></u>	<u><u>\$1,102,945</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Intergovernmental payable:					
State		55,898			55,898
Deferred revenue	20,430				20,430
Interfund payables		<u>536</u>	<u>2,111</u>		<u>2,647</u>
Total liabilities	<u>20,430</u>	<u>56,434</u>	<u>2,111</u>		<u>78,975</u>
Fund Balances:					
Restricted Fund Balance:					
Reserved excess surplus - designated for subsequent year's expenditures	72,212				72,212
Reserve for excess surplus	134,320				134,320
Capital reserve	406,000				406,000
Debt service reserve			441,383		441,383
Assigned Fund Balance:					
Designated for subsequent year's expenditures				10,542	10,542
Unassigned Fund Balance	<u>(40,764)</u>			<u>277</u>	<u>(40,487)</u>
Total fund balances	<u>571,768</u>		<u>441,383</u>	<u>10,819</u>	<u>1,023,970</u>
Total liabilities and fund balances	<u><u>\$592,198</u></u>	<u><u>\$56,434</u></u>	<u><u>\$443,494</u></u>	<u><u>-</u></u>	

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

The cost associated with the issues of various bonds are expensed in the governmental funds in the year the bonds are issued, but are capitalized in the Statement of Net Assets. The bond issuance costs are \$211,449 and the accumulated amortization is \$118,049.	93,400
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$14,477,499 and the accumulated depreciation is \$6,794,408.	5,683,091
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds.	(96,054)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(7,047,757)
Net assets of governmental activities	<u><u>(\$343,350)</u></u>

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

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
for the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Local tax levy	\$6,163,141			\$629,870	\$6,793,011
Tuition	46,328				46,328
Miscellaneous	38,135		\$5,637		43,772
Total revenues-local sources	6,247,604		5,637	629,870	6,883,111
Local sources		\$2,690			2,690
State sources	3,886,267	202,788		147,962	4,237,017
Federal sources		298,360			298,360
Total revenues	10,133,871	503,838	5,637	777,832	11,421,178
EXPENDITURES:					
Current expense:					
Regular instruction	3,206,790	241,954			3,448,744
Special education instruction	1,281,415	155,729			1,437,144
Other instruction	140,315				140,315
Support services and undistributed costs:					
Tuition	229,109				229,109
Student & instruction related services	586,006	101,030			687,036
General administrative services	219,502				219,502
School administrative services	365,283				365,283
Central services	275,123				275,123
Plant operations and maintenance	619,189				619,189
Pupil transportation	287,509				287,509
Unallocated employee benefits	2,329,673	5,125			2,334,798
Capital outlay	104,783				104,783
Debt service:					
Principal				470,000	470,000
Interest and other charges				307,832	307,832
Total expenditures	9,644,697	503,838		777,832	10,926,367
Excess (deficiency) of revenues over (under) expenditures	489,174		5,637		494,811
Other Financing Sources (Uses):					
Transfers in				5,637	5,637
Transfers out			(5,637)		(5,637)
Total other financing sources (uses)			(5,637)	5,637	
Net change in fund balance	489,174			5,637	494,811
Fund balances, July 1	82,594		441,383	5,182	529,159
Fund balances, June 30	\$571,768	-	\$441,383	\$10,819	\$1,023,970

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

BERLIN BOROUGH SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended June 30, 2011

Total net change in fund balances - governmental funds (from B-2)		\$494,811
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p style="margin-left: 40px;">Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation expense	(\$874,501)	
Capital outlay	118,784	(755,717)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.		160,000
Repayment of certificates of participation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.		310,000
Repayment of the early retirement incentive principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.		42,220
Repayment of the capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.		25,032
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		6,557
Bond issuance costs are reported in the governmental fund as expenditures in year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.		(10,573)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		63,266
Change in net assets of governmental activities		\$335,596

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

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$85,283	\$74,692		\$159,975
Accounts receivable	5,404			5,404
Inventories	4,527			4,527
Total current assets	95,214	74,692		169,906
Noncurrent assets:				
Equipment	85,907			85,907
Less accumulated depreciation	(53,866)			(53,866)
Total noncurrent assets	32,041	---		32,041
Total assets	\$127,255	\$74,692	-	\$201,947
LIABILITIES				
Current liabilities:				
Deferred revenue	2,650			2,650
Total liabilities	2,650			2,650
NET ASSETS				
Invested in net assets net of related debt	32,041			32,041
Unrestricted	92,564	74,692		167,256
Total net assets	\$124,605	\$74,692	-	\$199,297

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

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
for the Fiscal Year Ended June 30, 2011

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
Operating revenues:				
Charges for services:				
Daily sales-reimbursable programs	\$100,774			\$100,774
Daily sales-non-reimbursable programs	77,463			77,463
Program Fees		\$235,668	\$148,214	383,882
Total operating revenue	178,237	235,668	148,214	562,119
Operating expenses:				
Salaries	76,523	186,276	148,214	411,013
Employee benefits	22,613			22,613
Supplies and materials	5,556	4,662		10,218
Depreciation	6,345			6,345
Purchased services	13,795	21,598		35,393
Cost of sales	101,054			101,054
Direct expenses	2,724	20,759		23,483
Repairs and maintenance	28,217			28,217
Other	3,520	2,788		6,308
Total operating expenses	260,347	236,083	148,214	644,644
Operating income (loss)	(82,110)	(415)		(82,525)
Nonoperating revenues (expenses):				
State sources:				
State school lunch program	3,206			3,206
Federal sources:				
National school lunch program	66,228			66,228
U.S.D.A. commodities	8,465			8,465
Local sources:				
Contributed equipment				
Interest revenue	182	15		197
Total nonoperating revenues (expenses)	78,081	15		78,096
Change in net assets	(4,029)	(400)		(4,429)
Total net assets - July 1	128,634	75,092		203,726
Total net assets - June 30	\$124,605	\$74,692	-	\$199,297

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

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
for the Fiscal Year Ended June 30, 2011

	Business-type Activities		Internal Service	Total
	Enterprise Funds		Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
Cash flows from operating activities:				
Receipts from customers	\$178,404	\$235,668	\$148,214	\$562,286
Payments to employees	(99,136)	(186,276)	(148,214)	(433,626)
Payments to suppliers	(147,539)	(49,807)		(197,346)
Net cash used for operating activities	<u>(68,271)</u>	<u>(415)</u>		<u>(68,686)</u>
Cash flows from noncapital financing activities:				
State sources	3,329			3,329
Federal sources	66,698			66,698
Net cash provided by non-capital financing activities	<u>70,027</u>	---		<u>70,027</u>
Cash flows from capital activities:				
Purchases of fixed assets		---		
Cash flows from investing activities:				
Interest and dividends	182	15		197
Net cash provided by investing activities	<u>182</u>	<u>15</u>		<u>197</u>
Net increase in cash and cash equivalents	1,938	(400)		1,538
Balances - July 1	83,345	75,092		158,437
Balances - June 30	<u>\$85,283</u>	<u>\$74,692</u>	-	<u>\$159,975</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating income (loss)	(\$82,110)	(\$415)		(\$82,525)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	6,345			6,345
Federal commodities	8,465			8,465
(Increase) decrease in receivables				
(Increase) decrease in inventories	(1,138)			(1,138)
Increase (decrease) in deferred revenue	167			167
Increase (decrease) in accounts payable				
Total adjustments	<u>13,839</u>			<u>13,839</u>
Net cash provided by (used for) operating activities	<u>(\$68,271)</u>	<u>(\$415)</u>	-	<u>(\$68,686)</u>

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

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Unemployment Compensation Insurance Trust	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	<u>\$74,817</u>	<u>\$74,952</u>
Total assets	<u>\$74,817</u>	<u>\$74,952</u>
LIABILITIES:		
Accounts payable	14,798	
Payroll deductions and withholdings		8,877
Due to student groups		<u>66,075</u>
Total liabilities	<u>\$14,798</u>	<u>\$74,952</u>
NET ASSETS:		
Held in trust for unemployment claims and other purposes	<u>\$60,019</u>	

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

BERLIN BOROUGH SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	<u>Unemployment Compensation Insurance Trust</u>
ADDITIONS:	
Contributions:	
Board contributions	\$71,700
Other	2,894
Total Contributions	<u>74,594</u>
Investment earnings:	
Interest	102
Net investment earnings	<u>102</u>
Total additions	<u>74,696</u>
DEDUCTIONS:	
Unemployment claims	60,047
Total deductions	<u>60,047</u>
Change in net assets	14,649
Net assets - July 1	<u>45,370</u>
Net assets - June 30	<u><u>\$60,019</u></u>

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

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Berlin Borough School District (District) is a Type II school district located in Camden County, New Jersey and covers an area of approximately 3.7 square miles. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the District is to provide educational services for all of Berlin Borough's students in grades K through 8. Student in grades 9 through 12 are transported to the Eastern Regional High School District. The Berlin Borough School District has an approximate enrollment at June 30, 2011 of 846 students.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation

The basic financial statements of the Berlin Borough School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

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

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

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

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

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

Special Revenue Fund - The special revenue fund is used to account for the proceeds of specific revenues from the state and federal governments, other than major capital projects, debt service, or the enterprise funds, and local appropriations that are legally restricted to expenditures for specified purposes.

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general-long-term debt principal, interest and related costs.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The School District's enterprise funds are:

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

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

Internal Service Fund – The internal service fund is used to account for operations that are financed and operated where the intent of the School District is that all costs of providing goods or services on a continuing basis be financed on a cost reimbursement basis.

The School District's internal service fund is:

Shared Services Fund - This fund accounts for the financial transactions related to the shared services of the School District.

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

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

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

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

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

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

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

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

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

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

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

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

Encumbrances - Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the School District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Tuition Payable - Tuition charges for the fiscal years ended June 30, 2011 and 2010 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

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

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

Prepaid Expenses - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

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

Deferred Expenditures - Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure/expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring cost of operations.

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

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

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

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

It is the School District's policy to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Equity - In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance - This classification reflects constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balances - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the School District - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the School District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Education and the Chief School Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted fund balances are available for use, it is the School District's policy to use externally restricted fund balances first, then unrestricted fund balance - committed, assigned, and unassigned - in order as needed.

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

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

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity - Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the School District’s deposits may not be returned to it. Although the School District does not have a formal policy regarding custodial credit risk, state statutes requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit. Banks that qualify as public depositories under New Jersey statutes hold cash deposits, with bank balances totaling \$3,453,638 at June 30, 2011. All deposits are insured by federal depository insurance and/or collateralized with securities held in New Jersey’s multiple financial institution collateral pool as required by N.J.S.A. 17.9-41 et seq.

3. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the School District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the New Jersey Department of Education, a school district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Balance – July 1, 2010		\$ 175,000
Increased by:		
Board resolution	\$ 231,000	
		231,000
		406,000
Decreased by:		
Budget withdrawal		
Balance – June 30, 2011		\$ 406,000

The June 30, 2011 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

4. RECEIVABLES

Receivables at June 30, 2011 consisted of tuition fees charged other governmental units and governmental grants. All receivables are considered collectible in full due to the stable condition of the other governmental units, State programs and the current fiscal year guarantee of federal funds.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Funds</u>	<u>Total</u>
State Aid	\$19,013	\$56,434	\$275	\$75,722
Federal Aid			5,130	5,130
Other				
Total	<u>\$19,013</u>	<u>\$56,434</u>	<u>\$5,405</u>	<u>80,852</u>

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Governmental Activities:				
<i>Capital Assets, not being depreciated:</i>				
Land	\$400,000			\$400,000
Construction in progress				
Total capital assets, not being Depreciated	<u>400,000</u>			<u>400,000</u>
<i>Capital Assets, being depreciated:</i>				
Site Improvements	290,000			290,000
Building and Building Improvements	13,054,774			13,054,774
Equipment	613,941	118,784		732,725
Totals at historical cost	<u>13,958,715</u>	<u>118,784</u>		<u>14,077,499</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements	(99,112)	(17,833)		(116,945)
Building and Building Improvements	(7,432,151)	(791,350)		(8,223,501)
Equipment	(388,644)	(65,318)		(453,962)
Totals accumulated depreciation	<u>(7,919,907)</u>	<u>(874,501)</u>		<u>(8,794,408)</u>
Total Capital Assets, being depreciated, net	<u>6,038,808</u>	<u>(755,717)</u>		<u>5,283,091</u>
Governmental Activities Capital Assets, Net	<u>\$6,438,808</u>	<u>(\$755,717)</u>		<u>\$5,683,091</u>
<u>Business-Type Activities:</u>				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$85,907			\$85,907
Less accumulated depreciation	<u>(47,521)</u>	<u>(6,345)</u>		<u>(53,866)</u>
Business-Type Activities Capital Assets, Net	<u>\$38,386</u>	<u>(\$6,345)</u>		<u>\$32,041</u>

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

5. CAPITAL ASSETS (CONTINUED)

Depreciation expense in the amount of \$874,501 was charged to governmental functions as follows:

Function	Amount
Regular Instruction	\$16,768
Administration	2,965
Plant Operations and Maintenance	815,598
Unallocated	39,170
Total depreciation expense	\$874,501

6. INVENTORY

Inventory in the Proprietary Funds at June 30, 2011 consisted of the following:

	Food Service
Food	\$ 3,728
Supplies	799
	\$ 4,527

7. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2011, the following changes occurred in long-term obligations:

	Principal Outstanding July 1, 2010	Additions	Reductions	Principal Outstanding June 30, 2011	Amounts Due Within One Year
Compensated Absences	\$ 565,023		\$ 63,266	\$ 501,757	
Certificates of Part. Pay.	2,895,000		310,000	2,585,000	\$320,000
Early Ret. Incent. Plan	42,220		42,220		
Capital Leases Payable	25,032		25,032		
General Obligation Bonds	4,121,000		160,000	3,961,000	170,000
	\$ 7,648,275		\$ 600,518	\$ 7,047,757	\$490,000

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

2003 General Obligation Bonds dated January 1, 2003 in the amount of \$3,961,000 due in annual installments through March 1, 2023, bearing interest rate of 3.875%-4.500%.

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

7. LONG-TERM OBLIGATIONS (Continued)

Bonds Payable:

Principal and interest due on bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 170,000	\$ 174,163	\$ 344,163
2013	180,000	167,575	347,575
2014	190,000	160,375	350,375
2015	200,000	152,585	352,585
2016	210,000	144,185	354,185
2017-2021	1,970,000	537,515	2,507,515
2022-2023	<u>1,041,000</u>	<u>70,290</u>	<u>1,111,290</u>
Total	<u>\$ 3,961,000</u>	<u>\$ 1,406,688</u>	<u>\$ 5,367,688</u>

As of June 30, 2011 the District had no authorized but not issued bonds.

Certificates of Participation Payable

On October 26, 1998 pursuant to N.J.S.A. 18A:20-4.2(f) the District entered into a school building lease purchase agreement with FFL Services Corp., (the Lessor) to finance the construction of additions and renovations to the Berlin Community School. The approval was obtained from the Commissioner of Education of the State of New Jersey and the New Jersey Local Finance Board in the Department of Community Affairs on September 9, 1998. The building is located on land owned by the District that has been leased to FFL Services Corp., pursuant to a ground lease agreement dated October 15, 1998. Certificates of Participation (the Certificates) in the par amount of \$5,575,000 were issued and the proceeds budgeted as follows:

Project Construction Fund	\$ 4,965,298
Reserve Account	441,382
Cost of Certificates Issuance	<u>168,320</u>
	<u>\$ 5,575,000</u>

Proceeds from the sale of the certificates were used to finance various capital improvements to the Berlin Community School.

Under the lease, the District is required to pay basic rent, due on each February 1st and August 1st, commencing February 1, 1999. Basic rent is composed of a principal component and an interest component. The Certificates carry an interest rate of 4.41%; and the Certificates mature on February 1, 2018. Payment of the principal and interest on the Certificates is insured by Financial Security Assurance Inc. TD Bank has been appointed to serve as a trustee in the agreement.

The following is a schedule of the future minimum rent payments for the certificates of participation as of June 30, 2011:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 320,000	\$ 113,999	\$ 433,999
2013	335,000	99,886	434,886
2014	350,000	85,113	435,113
2015	370,000	69,678	439,678
2016	385,000	53,361	438,361
2017-2018	<u>825,000</u>	<u>54,905</u>	<u>879,905</u>
	<u>\$ 2,585,000</u>	<u>\$ 476,942</u>	<u>\$ 3,061,942</u>

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

7. LONG-TERM OBLIGATIONS (Continued)

Certificates of Participation Payable:

The Certificates maturing prior to February 1, 2012 are not subject to optional redemption prior to their stated maturities. The Certificates maturing on or after February 1, 2012 are subject to redemption prior to maturity, at the option of the Lessee, in whole, on any interest payment date on or after February 1, 2011 at a price equal to 102% of the principal portion to be redeemed ("Redemption Price"), plus the interest portion accrued to the date fixed for redemption.

As set forth in the agent agreement, the Certificates are subject to mandatory redemption at a redemption price equal to the principal portion of the Certificates plus the interest portion thereon accrued to the redemption date on any interest payment date.

- (1) In whole or in part (and, if in part, in inverse order of maturity and within a maturity by lot), from net proceeds received from any insurance settlement or condemnation award exceeding \$100,000 and the determination of the Lessee not to repair, restore or reconstruct all or a part of the project affected by such loss or taking, together with any available revenues permitted to be applied to the purpose hereunder; or
- (2) In whole, at any time, with the consent of the Insurer, from moneys received by the agent on the exercise of its rights under the agent agreement with respect to an event of default or an event of nonappropriation.

Compensated Absences

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

8. OPERATING LEASES

The District has various commitments for four copiers and a postage machine under operating leases which fully expire in 2013. Total operating lease payments made during the year ended June 30, 2011 and 2010 were \$22,892 and \$18,108, respectively. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2012	\$24,624
June 30, 2013	24,624
June 30, 2014	24,162
June 30, 2015	22,776
June 30, 2016	<u>7,592</u>
Total future minimum lease payments	<u>\$103,778</u>

9. PENSION PLANS

Description of Plans – Substantially all of the School District's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). The TPAF and PERS are defined benefit pension plans while the DCRP is a defined contribution pension plan. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

9. PENSION PLANS

Teachers' Pension and Annuity Fund (TPAF)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

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

Public Employees' Retirement System (PERS)

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

The School District is billed annually for its normal contribution plus any accrued liability.

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

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Contributory Life</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2011	\$ 36,394	\$ 57,991	\$ 7,168	\$ 101,533	\$ 101,533
2010	29,617	38,054	9,384	77,055	77,055
2009	26,290	30,407	7,048	63,745	63,745

Defined Contribution Retirement Program (DCRP)

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

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

9. PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP) (Continued)

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists. In addition, to the employee contributions, the School District's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

The School District's contributions to the DCRP were as follows:

<u>Year</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2011	\$ 1,983	\$ 1,983
2010	-0-	-0-
2009	-0-	-0-

Related Party Investments – The Division of Pensions and Benefits does not invest in securities issued by the School District.

10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2010 there were 87,288 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State's contribution rate is based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2009.

The state is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

11. ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2011, the School District has recognized as revenues and expenditures on-behalf payments made by the State of New Jersey for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for NCGI premiums and post-retirement medical contributions were \$14,797 and \$314,290, respectively. In addition, the State of New Jersey reimbursed the School District \$338,680 during the fiscal year ended June 30, 2011 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has also been included as a revenue and expenditure in the basic financial statements, and the combining and individual fund statements and schedules in accordance with GASB 24.

12. RISK MANAGEMENT

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

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ 71,700	\$ 2,894	\$ 102	\$ 60,047	\$ 60,019
2009-2010	12,950	19,744	176	46,055	45,370
2008-2009	12,500	17,690	304	22,440	58,555
2007-2008	12,500	13,770	962	10,308	50,501
2006-2007	5,000	12,864	1,306	18,514	33,577

Effective January 1, 2011 the School District elected the "Contributory Method" to fund its New Jersey Unemployment Compensation Insurance, which requires the School District to annually appropriate funds to pay the projected costs of contributions at the rate determined by the Commissioner of Labor. There was no expense for the year ended June 30, 2011.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

13. DEFERRED COMPENSATION

The District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the plan administrators approved by the District, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The District has very little administrative involvement, performs no investing function, and has no fiduciary responsibility for these plans. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, are solely the property and rights of the participants and are not subject to claims of the District's creditors. Accordingly, the plan assets are not reported as a part of these financial statements

14. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2011, the liability for compensated absences in the governmental activities and proprietary fund types was \$501,757 and \$-0-, respectively.

15. INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2012. The following interfund receivables/payables were recorded on the various balance sheets as of June 30, 2011:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 536	
Special Revenue		\$ 536
Capital Projects		2,111
Debt Service	2,111	
	\$2,647	\$2,647

Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

16. CONTINGENCIES

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

At June 30, 2011, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

17. DEFICIT UNASSIGNED FUND BALANCE

The School District has a deficit unassigned fund balance of \$40,764 in the General Fund as of June 30, 2011 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District can not recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$40,764 is equal to or less than the June state aid payment.

18. DEFICIT UNRESTRICTED NET ASSETS

As reflected on Exhibit A-1, Statement of Net Assets, a deficit in unrestricted net assets of \$449,121 existed as of June 30, 2011 for governmental activities. The primary causes of this deficit are the District not recognizing the receivable for the June state aid payments and the recording of the long-term liability for compensated absences. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Assets, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net assets for governmental activities does not indicate that the District is facing financial difficulties.

**Berlin Borough School District
Notes to Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

20. FUND BALANCES

The School District has classified its fund balances with the following hierarchy:

Nonspendable – The School District does not have any nonspendable funds.

Spendable – The School District has classified the spendable fund balances as *Restricted, Assigned and Unassigned* and considered each to have been spent when expenditures are incurred. The School District currently has no funds classified as *Committed*.

Restricted Items:

Capital Reserve – As of June 30, 2011, the balance in the capital reserve account is \$406,000 which is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

Excess Surplus – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2011 is \$206,532. Of this amount, \$72,212 has been designated for subsequent year's expenditures in the 2011-2012 budget.

Debt Service Reserve – As of June 30, 2011, the balance in the debt service reserve is \$441,383 which is legally restricted for payment of principal and interest of the certificates of participation.

Assigned:

Designated for Subsequent Year's Expenditures – The School District has assigned a total of \$10,542 in the Debt Service Fund for appropriation of existing unassigned fund balance at year-end to eliminate a deficit in the upcoming 2011-2012 budget.

Unassigned items - Represents the remainder of the School District's equity in governmental fund type balances. The balances at June 30, 2011 are a deficit fund balance of \$40,764 in the General Fund and \$277 in the Debt Service Fund.

21. COMMITMENTS

The District received a Summary Judgment regarding a back natural gas utility billing of \$222,628. This judgment is the result of a meter error resulting in improper billing by the utility company in previous years. The District has paid \$183,996 of this judgment through June 30, 2011. In accordance with the agreement the district will make the remaining payment of \$38,632 on May 15th of 2012. This amount will be funded in the 2011-12 budget.

Required Supplementary Information - Part II

Budgetary Comparison Schedules

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$6,163,141		\$6,163,141	\$6,163,141	
Other Local Governmental Units - Unrestricted					
Tuition	9,430		9,430	46,328	\$36,898
Other restricted miscellaneous revenue	11,000		11,000	11,000	
Unrestricted miscellaneous revenue	2,500		2,500	27,135	24,635
Total local sources	6,186,071		6,186,071	6,247,604	61,533
State sources:					
Categorical Special Education aid	262,054		262,054	440,499	178,445
Equalization aid	2,904,554		2,904,554	2,726,109	(178,445)
Additional Nonpublic Transportation aid				2,088	2,088
On-behalf TPAF pension insurance contributions (non-budgeted)				14,797	14,797
On-behalf TPAF pension Post Medical contributions (non-budgeted)				314,290	314,290
Reimbursed TPAF social security contributions (non-budgeted)				338,680	338,680
Total state sources	3,166,608		3,166,608	3,836,463	669,855
TOTAL REVENUES	9,352,679		9,352,679	10,084,067	731,388
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	259,891	\$14,104	273,995	265,634	8,361
Grades 1-5	1,829,298	(100,729)	1,528,569	1,522,627	5,942
Salaries Reading Specialists		1,000	1,000		1,000
Grades 6-8	960,558	73,096	1,033,654	1,033,058	596
Total Instruction	2,849,747	(12,529)	2,837,218	2,821,319	15,899
Regular Programs - Home Instruction:					
Salaries of teachers	8,176	(655)	7,521	3,903	3,618
Purchased prof. and educational services	34,000	(5,000)	29,000	3,508	25,492
Total Home Instruction	42,176	(5,655)	36,521	7,411	29,110
Regular Programs - Undistributed Instruction:					
Other salaries for instruction					
Purchased professional services	22,000	(20,311)	1,689	1,415	274
Purchased technical services	6,000	(1,340)	4,660	2,111	2,549
Other purchased services	2,000		2,000	279	1,721
General supplies	103,235	165,597	268,832	263,808	5,024
Textbooks	44,382	72,899	117,281	110,447	6,834
Total Undistributed Instruction	177,617	216,845	394,462	378,060	16,402
Total - Regular Programs - Instruction	3,069,540	198,661	3,268,201	3,208,790	61,411

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

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Special Educ Instruction: Learning and/or Lang. Disabilities					
Salaries of teachers	\$425,814	(\$50,093)	\$375,721	\$375,721	
Other salaries for instruction	123,750	29,490	153,240	150,866	\$2,374
Purchased professional - educ services	29,345		29,345	29,345	
Other purchased services		8,591	8,591	8,495	96
General Supplies		12,200	12,200	12,040	160
Total Learning and/or Language Disabilities	578,909	188	579,097	576,467	2,630
Special Educ Instruction: Res. Room/Res. Center					
Salaries of teachers	413,705	120,117	533,822	524,814	9,008
Other salaries for instruction	74,740	(13,173)	61,567	60,604	963
General Supplies		8,600	8,600	7,197	1,403
Total Resource Room/Resource Center	488,445	115,544	603,989	592,615	11,374
Special Educ Instruction: Preschool Disabilities - PT					
Salaries of teachers	74,058	(23,808)	50,250	50,250	
Other salaries for instruction	20,561	(165)	20,396	20,017	379
Purchased professional - educ services	28,800	11,274	40,074	40,074	
General Supplies		2,000	2,000	1,992	8
Total Preschool Disabilities - Part-Time	123,419	(10,699)	112,720	112,333	387
Total Special Education - Instruction	1,190,773	105,033	1,295,806	1,281,415	14,391
Basic Skills/Remedial - Instruction					
Salaries of teachers	50,051	1,936	51,987	51,987	
General supplies	500		500	372	128
Total Basic Skills/Remedial - Instruction	50,551	1,936	52,487	52,359	128
Bilingual Education - Instruction					
Salaries of teachers	18,651	362	19,013	19,013	
Total Bilingual Education - Instruction	18,651	362	19,013	19,013	
School-Sponsored Cocurricular Act - Inst.					
Salaries	15,930	2,459	18,389	14,431	3,958
Total School-Sponsored Cocurr. Act. - Inst	15,930	2,459	18,389	14,431	3,958
School-Sponsored Athletics - Inst.					
Salaries	45,000	9,911	54,911	50,074	4,837
Supplies and materials		864	864	864	
Other objects	2,500	1,200	3,700	3,574	126
Total School-Sponsored Athletics - Inst	47,500	11,975	59,475	54,512	4,963
Undistributed Expenditures - Instruction					
Tuition other LEAs - in state - regular	21,430		21,430	20,875	555
Tuition to CSSD & reg. day schools	87,848	29,962	117,810	117,806	4
Tuition to priv. sch. for the disabled w/i state	269,653	(164,592)	105,061	90,428	14,633
Total Undistributed Expenditures - Instruction	378,931	(134,630)	244,301	229,109	15,192

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

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Attend. and Social Work Salaries	\$43,429	(\$16,277)	\$27,152	\$20,887	\$6,265
Total Undistributed Expenditures - Attendance	43,429	(16,277)	27,152	20,887	6,265
Undistributed Expenditures - Health Services					
Salaries	92,163	(207)	91,956	91,396	560
Purchased professional & tech. services	2,250		2,250	2,250	
Supplies and materials	717	100	817	767	50
Other objects	250	200	450	358	92
Total Undistributed Expenditures - Health Svcs.	95,380	93	95,473	94,771	702
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	103,895	4,278	108,173	108,173	
Purchased prof. and educational services	2,800	(1,100)	1,700	1,700	
Supplies and Materials	98	384	482	429	53
Total Undst. Expend. - Speech, OT, PT & Related Services	106,793	3,562	110,355	110,302	53
Undist. Expend. - Other Supp. Serv. Stud. - Extra. Serv.					
Salaries	30,402	(4,902)	25,500	15,972	9,528
Purchased professional & educ. services	18,600		18,600	14,883	3,717
Total Undst. Expend. - Other Supp. Serv. Stud. - Extra. Serv.	49,002	(4,902)	44,100	30,855	13,245
Undist. Expend. - Other Supp. Serv. Stud. - Guidance					
Purchased professional & educ. services	32,000	(32,000)			
Supplies and Materials	300	(300)			
Total Undst. Expend. - Other Supp. Serv. Stud. - Guidance	32,300	(32,300)			
Undist. Expend. - Other Supp. Serv. Stud. - Child Study Teams					
Salaries of other professional staff	212,247	(16,510)	195,737	192,412	3,325
Salaries of secretarial and clerical assistants	26,678	233	26,911	26,911	
Other purchased prof. and tech. services	3,000	5,451	8,451	8,451	
Miscellaneous purchased services	600	1,949	2,549	1,142	1,407
Miscellaneous services - workshops		200	200	105	95
Supplies and materials	800	790	1,590	1,500	90
Other Objects	800		800	560	240
Total Undst. Expend. - Other Supp. Serv. Stud. - Child Study Team	244,125	(7,887)	236,238	231,081	5,157
Undist. Expend. - Improvement of Instr. Services					
Salaries of other professional staff	750	(750)			
Other purchased services	5,000	(2,960)	2,040	2,040	
Total Undst. Expend. - Improvement of Instr. Services	5,750	(3,710)	2,040	2,040	
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	61,522	897	62,419	62,419	
Purchased professional & tech. services	1,385	(5)	1,380	1,350	30
Other purchased services (400-500)	21,148	250	21,398	21,373	25
Supplies and materials	10,800	459	11,259	10,928	331
Total Undst. Expend. - Educ. Media Serv./Sch. Library	94,855	1,601	96,456	96,070	386

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

(CONTINUED TO NEXT PAGE)

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	\$28,928	\$75,915	\$104,843	\$86,403	\$18,440
Legal services	40,000	(500)	39,500	22,822	16,678
Audit fees	17,600	400	18,000	18,000	
Architectural/Engineering Fees	2,500	(1,650)	850	850	
Other purchased professional services	112,040	(60,675)	51,365	48,721	2,644
Purchased technical services	4,150	(573)	3,577	1,677	1,900
Communications / telephone	15,543	(1,221)	14,322	13,760	562
BOE Other purchased services	800	(250)	550	398	152
Other purchased services	12,540	1,521	14,061	13,984	77
General supplies	3,450	(833)	2,617	2,490	127
BOE In-House Training/Meeting Supplies	500	433	933	933	
Miscellaneous expenditures	2,900	(61)	2,839	2,054	785
BOE Membership Dues and Fees	8,200	161	8,361	7,410	951
Total Undst. Expend. - Supp. Serv. General Admin.	249,151	12,667	261,818	219,502	42,316
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	180,670	(4,466)	176,204	170,107	6,097
Salaries of other professional staff	65,000	8,339	73,339	73,339	
Salaries of secretarial and clerical assistants	68,048	33,659	101,707	100,093	1,614
Purchased professional & tech. services	4,250	10,500	14,750	14,500	250
Other purchased services	4,000		4,000	3,254	746
Supplies and materials	2,750	(650)	2,100	2,100	
Other objects	2,000		2,000	1,890	110
Total Undst. Expend. - Supp. Serv. School Admin.	326,718	47,382	374,100	365,283	8,817
Undist. Expend. - Central Services					
Salaries	211,780	757	212,537	211,815	722
Purchased professional services	7,010	(507)	6,503	6,474	29
Supplies and materials	750	2,300	3,050	3,032	18
Interest - leases	2,600	1,844	4,444	4,444	
Misc. expenditures - BOE misc./dues	1,200	(101)	1,099	1,014	85
Total Undst. Expend. - Central Services	223,340	4,293	227,633	226,779	854
Undist. Expend. - Information Technology					
Salaries	71,781	(24,495)	47,286	47,283	3
Supplies and materials	1,000	61	1,061	1,061	
Total Undst. Expend. - Information Technology	72,781	(24,434)	48,347	48,344	3
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	68,826	(4,324)	64,502	62,485	2,017
Cleaning, repair, and maintenance services	33,333		33,333	33,333	
General supplies	21,000	(5,002)	15,998	15,988	10
Total Undst. Expend. - Required Maint. Sch. Facilities	123,159	(9,326)	113,833	111,806	2,027

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

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$163,829	\$2,380	\$166,209	\$161,676	\$4,533
Purchased professional & tech. services	9,600	(4,128)	5,472	2,837	2,635
Cleaning, repair, and maintenance services	12,800		12,800	12,794	6
Water/Sewer Expense		18,772	18,772	18,620	152
Other purchased property services	16,644	(11,339)	5,305	5,295	10
Insurance	40,224	2,000	42,224	41,384	840
Miscellaneous purchased services	600		600	600	
General supplies	25,000	3,000	28,000	27,998	2
Energy (heat & electricity)	55,000	3,642	58,642	58,642	
Other objects	1,000		1,000	635	365
Salaries of Non-Instructional Aides	28,214	3,485	31,699	31,556	143
Energy (Natural Gas)	118,000	34,990	152,990	140,516	12,474
Total Undst. Expend. - Other oper. & Maint. of Plant	470,911	52,802	523,713	502,553	21,160
Undist. Expend. - Care & Upkeep of Grounds					
General supplies	3,000		3,000	2,830	170
Total Undst. Expend. - Care & Upkeep of Grounds	3,000		3,000	2,830	170
Undist. Expend. - Security					
General supplies	2,000		2,000	2,000	
Total Undst. Expend. - Security	2,000		2,000	2,000	
Total Undst. Expend. - Oper. & Maint. of Plant Services	599,070	43,476	642,546	619,189	23,357
Undist. Expend. - Student Trans. Services					
Contr. serv. (bet. home & sch.) - vendors	195,856	(30,673)	165,183	165,183	
Contr. serv. (other than bet. home & sch.) - vendors	11,382	446	11,828	7,514	4,314
Contr. serv. (sp ed stds) - vendors	220,654	(118,665)	101,989	101,989	
Contr. serv. - aid in lieu of payments	9,667	3,080	12,747	12,747	
Other		500	500	76	424
Total Undst. Expend. - Student Trans. Services	437,559	(145,312)	292,247	287,509	4,738
Unallocated Benefits - Employee Benefits					
Social security contributions	127,500	19,026	146,526	134,194	12,332
TPAF contributions - ERIP	36,464		36,464	36,464	
Other retirement contributions - PERS	78,000	23,553	101,553	101,553	
Other retirement contributions - ERIP	5,756		5,756	5,756	
DCRP - Employer Contribution		2,169	2,169	2,033	136
Unemployment compensation	300,136	(187,952)	112,184	90,949	21,235
Workmen's compensation	81,626	(501)	81,125	80,082	1,043
Health benefits	1,237,008	(153,373)	1,083,635	1,080,189	3,446
Tuition reimbursement	20,000	501	20,501	20,501	
Other employee benefits	68,188	61,060	129,248	110,185	19,063
Total Unallocated Benefits - Employee Benefits	1,954,678	(235,517)	1,719,161	1,661,906	57,255
On-behalf TPAF pension insurance contributions (non-budgeted)				14,797	(14,797)
On-behalf TPAF pension Post Medical contributions (non-budgeted)				314,290	(314,290)
Reimbursed TPAF social security contributions (non-budgeted)				338,680	(338,680)
Total Undistributed Expenditures - TPAF				667,767	(667,767)
Total Undistributed Expenditures	4,913,862	(491,895)	4,421,967	4,911,394	(489,427)
Total General Current Expense	9,306,807	(171,469)	9,135,338	9,539,914	(404,576)

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

BERLIN BOROUGH BOARD OF EDUCATION
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Instruction		\$4,903	\$4,903	\$4,903	
General administration	\$15,628	5,522	21,150	19,641	\$1,509
Required Maintenance for School Facilities	11,664		11,664	5,832	5,832
Total Equipment	27,292	10,425	37,717	30,376	7,341
Facilities Acquisition and Construction Services:					
Other Purchased Prof/Tech Services		27,625	27,625	25,783	1,842
Local Capital Projects		103,375	103,375		103,375
Lease Purchase	18,580	978	19,558	19,558	
SDA Debt Serv. Assessment		29,066	29,066	29,066	
Total Facilities Acquisition and Construction Services	18,580	181,044	179,624	74,407	105,217
Total Capital Outlay	45,872	171,469	217,341	104,783	112,558
Total Expenditures	\$9,352,679		\$9,352,679	\$9,644,697	(\$292,018)
Excess (Deficiency) of Revenues Over (Under) Expenditures:				\$439,370	\$439,370
Other Financing Sources:					
Operating Transfer Out					
Total Other Financing Sources					
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):				439,370	439,370
Fund Balance, July 1	425,250		425,250	425,250	
Fund Balance, June 30	\$425,250		\$425,250	\$864,620	\$439,370
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures				\$72,212	
Reserve for Excess Surplus				134,320	
Capital Reserve				406,000	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				252,088	
Unassigned Fund Balance				864,620	
Last State Aid Payments not Recognized on a GAAP Basis				(292,852)	
Fund Balance per Governmental Funds (GAAP)				\$571,768	

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

BERLIN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local sources	\$2,690		\$2,690	\$2,690	
State sources	258,686		258,686	202,788	(\$55,898)
Federal sources	298,360		298,360	298,360	
Total revenues	559,736		559,736	503,838	(55,898)
EXPENDITURES:					
Instruction:					
Salaries of teachers	27,503	\$997	28,500	28,500	
Other salaries for instruction	12,454		12,454	12,454	
Purchased prof. and educational services	536		536	536	
Purchased professional - tech. services	218,053		218,053	199,658	18,395
Other purchased services	135,729		135,729	135,729	
General supplies	4,646	17	4,663	4,663	
Textbooks	16,143		16,143	16,143	
Total instruction	415,064	1,014	416,078	397,683	18,395
Support services:					
Other salaries for instruction					
Personal services-employee benefits	6,454	(1,329)	5,125	5,125	
Purchased professional and technical services	99,821	(4,068)	95,753	58,250	37,503
Purchased prof. and educational services	15,598	(2,792)	12,806	12,806	
Other purchased services (400-500)	21,164		21,164	21,164	
Program Administration	1,135		1,135	1,135	
Supplies and materials	500	7,175	7,675	7,675	
Total support services	144,672	(1,014)	143,658	106,155	37,503
Facilities acquisition and construction services:					
Instructional equipment					
Noninstructional equipment					
Total facilities acq. and const. services					
Total expenditures	559,736		559,736	503,838	55,898
Total outflows	559,736		559,736	503,838	55,898
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)					

Berlin Borough School District
Notes to Required Supplementary Information
Budgetary Comparison
For the Fiscal Year Ended June 30, 2011

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedules	\$ 10,084,067	\$ 503,838
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	342,656	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(292,852)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	\$ <u>10,133,871</u>	\$ <u>503,838</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 9,644,697	\$ 503,838
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ <u>\$9,644,697</u>	\$ <u>\$503,838</u>

Other Supplementary Information

**Special Revenue Fund
Detail Statements**

The Special Revenue Fund is used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted for specific purposes.

BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2011
(With comparative totals for June 30, 2010)

	Brought Forward (Exh. E-1B)	Brought Forward (Exh. E-1C)	Totals	
			2011	2010
REVENUES:				
Local sources	\$2,690		\$2,690	\$2,690
State sources	167,518	\$35,270	202,788	260,184
Federal sources		298,360	298,360	543,584
Total Revenues	170,208	333,630	503,838	806,458
EXPENDITURES:				
Instruction:				
Salaries of teachers		28,500	28,500	
Other salaries for instruction		12,454	12,454	
Professional education services	536		536	
Purchased professional and technical services	169,672	29,986	199,658	140,063
Other purchased services		135,729	135,729	63,543
General supplies		4,663	4,663	270,750
Textbooks		16,143	16,143	50,613
Total instruction	170,208	227,475	397,683	524,969
Support services:				
Other salaries for instruction				13,090
Personal services-employee benefits		5,125	5,125	
Purchased professional and technical services		58,250	58,250	131,659
Purchased prof. and educational services		12,806	12,806	62,113
Other purchased services (400-500)		21,164	21,164	64,527
Program Administration		1,135	1,135	
Supplies and materials		7,675	7,675	10,100
Total support services		106,155	106,155	281,489
Facilities acquisition and const. serv.:				
Instructional equipment				
Non-instructional equipment				
Total facilities acquisition and const. serv.:				
Total Expenditures	170,208	333,630	503,838	806,458
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)				

BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2011

	Chapter 102 - Auxiliary Services			Chapter 103 - Handicapped Services			Municipal Alliance	Carried Forward (Exh. E-1A)
	Comp. Education	Transportation	Home Instruction	Corrective Speech	Suppl. Instruction	Exam & Classification		
REVENUES:								
Local sources							\$2,690	\$2,690
State sources	\$110,243	\$3,047	\$536	\$27,144	\$12,363	\$14,185		167,518
Federal sources								
Total Revenues	110,243	3,047	536	27,144	12,363	14,185	2,690	170,208
EXPENDITURES:								
Instruction:								
Salaries of teachers								
Other salaries for instruction								
Professional education services			536					536
Purchased professional and technical services	110,243	3,047		27,144	12,363	14,185	2,690	169,672
Tuition								
General supplies								
Textbooks								
Total instruction	110,243	3,047	536	27,144	12,363	14,185	2,690	170,208
Support services:								
Personal services-employee benefits								
Purchased prof. and educational services								
Purchased professional and technical services								
Purchased technical services								
Purchased property services								
Travel								
Other purchased services (400-500)								
Supplies and materials								
Total support services								
Facilities acquisition and const. serv.:								
Instructional equipment								
Non-instructional equipment								
Total facilities acquisition and const. serv.:								
Total Expenditures	110,243	3,047	536	27,144	12,363	14,185	2,690	170,208
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)								

**BERLIN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Statement of Revenues and Expenditures
Budgetary Basis
for the Fiscal Year Ended June 30, 2011**

	E.S.E.A. as amended by No Child Left Behind (N.C.L.B.)			IDEA		Nonpublic Textbook	Nonpublic Nursing	Totals
	Title I Current Yr.	Title II - Part A Current Yr.	Title II - Part D Current Yr.	Basic Current Yr.	Preschool Current Yr.			
REVENUES:								
State sources						\$16,143	\$19,127	\$35,270
Federal sources	\$63,588	\$22,706	\$146	\$202,588	\$9,332			298,360
Total Revenues	63,588	22,706	146	202,588	9,332	16,143	19,127	333,630
EXPENDITURES:								
Instruction:								
Salaries of teachers	28,500							28,500
Other salaries for instruction		12,454						12,454
Purchased professional and technical services	9,986			20,000				29,986
Other purchased services				126,397	9,332			135,729
General supplies	4,517		146					4,663
Textbooks						16,143		16,143
Total Instruction	43,003	12,454	146	146,397	9,332	16,143		227,475
Support services:								
Personal services-employee benefits	4,172	953						5,125
Purchased prof. and educational services	12,806							12,806
Purchased professional and technical services				39,123			19,127	58,250
Other purchased services (400-500)		8,164		13,000				21,164
Program Administration		1,135						1,135
Supplies and materials	3,607			4,068				7,675
Total support services	20,585	10,252		56,191			19,127	106,155
Facilities acquisition and const. serv.:								
Instructional equipment								
Non-instructional equipment								
Total facilities acquisition and const. serv.:								
Total Expenditures	63,588	22,706	146	202,588	9,332	16,143	19,127	333,630
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)								

**Capital Projects Fund
Detail Statements**

The Capital Projects Fund is used to account for the acquisition, construction and/or renovation of major facilities and equipment purchase other than those financed by Proprietary Funds.

BERLIN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Revenues, Expenditures,
and Changes In Fund Balance - Budgetary Basis
For the Fiscal Year ended June 30, 2011

Revenues and Other Financing Sources:

Interest earned on investments	\$5,637
Total revenues and other financing sources	5,637

Expenditures and Other Financing (Uses):

Equipment	
Transfer to Debt Service Fund	5,637
Total expenditures and other financing (uses)	5,637

Excess (deficiency) or revenues over (under) expenditures

Fund Balance - July 1, 2010

Fund Balance - June 30, 2011

	-
	-

Proprietary Funds Detail Statements

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District's Board is that the costs of providing goods or services be financed through user fees.

Food Service Fund - This fund provides for the operation of food services within the school district.

Community Education and Recreation Fund - This fund provides for the operation of the Community Education and Recreation program provided by the school district.

Internal Service Fund - This fund provides for the operation of shared services within the school district.

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Net Assets
as of June 30, 2011 and 2010

	<u>Food Service</u>	<u>Community Education and Recreation</u>	<u>2011</u>	<u>2010</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$85,283	\$74,692	\$159,975	\$158,437
Accounts receivable:				
State	275		275	399
Federal	5,129		5,129	5,599
Other				
Interfund				
Inventories	<u>4,527</u>		<u>4,527</u>	<u>3,388</u>
Total current assets	<u>95,214</u>	<u>74,692</u>	<u>169,906</u>	<u>167,823</u>
Fixed assets:				
Equipment	85,907		85,907	85,907
Less Accumulated depreciation	<u>(53,866)</u>		<u>(53,866)</u>	<u>(47,521)</u>
Total fixed assets	<u>32,041</u>		<u>32,041</u>	<u>38,386</u>
Total assets	<u>\$127,255</u>	<u>\$74,692</u>	<u>\$201,947</u>	<u>\$206,209</u>
LIABILITIES:				
Current liabilities:				
Deferred reveune	<u>2,650</u>		<u>2,650</u>	<u>2,483</u>
Total current liabilities	<u>2,650</u>		<u>2,650</u>	<u>2,483</u>
NET ASSETS:				
Invested in capital assets net of related debt	32,041		32,041	38,386
Unrestricted	<u>92,564</u>	<u>74,692</u>	<u>167,256</u>	<u>165,340</u>
Total net assets	<u>\$124,605</u>	<u>\$74,692</u>	<u>\$199,297</u>	<u>\$203,726</u>

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
 Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
 for the Fiscal Years ended June 30, 2011 and 2010

	Food Service	Community Education and Recreation	2011	2010
OPERATING REVENUES:				
Local sources:				
Daily sales-reimbursable programs:				
School lunch program	\$100,774		\$100,774	\$95,124
Total-daily sales-reimbursable programs	100,774		100,774	95,124
Daily sales non-reimbursable programs				
Program Fees	77,463	\$235,668	77,463	93,011
			235,668	223,777
Total operating revenue	178,237	235,668	413,905	411,912
OPERATING EXPENSES:				
Salaries	76,523	186,276	262,799	260,207
Employee benefits	22,613		22,613	31,110
Supplies and materials	5,556	4,662	10,218	9,769
Depreciation	6,345		6,345	6,346
Purchased services	13,795		13,795	13,750
Cost of Sales	101,054		101,054	112,828
Rent/Utilities		21,598	21,598	20,000
Direct Expenses	2,724	20,759	23,483	30,517
Repairs and maintenance	28,217		28,217	4,955
Other	3,520	2,788	6,308	
Total operating expenses	260,347	236,083	496,430	489,482
Operating income (loss)	(82,110)	(415)	(82,525)	(77,570)
Non-operating revenues:				
State sources:				
State school lunch program	3,206		3,206	5,176
Federal sources:				
National school lunch program	66,228		66,228	73,091
U.S.D.A. commodities	8,485		8,485	12,547
Contributed equipment				
Interest revenue	182	15	197	246
Total non-operating revenues	78,081	15	78,096	91,060
Net income (loss)	(4,029)	(400)	(4,429)	13,490
Net assets - July 1	128,634	75,092	203,726	190,236
Net assets - June 30	\$124,605	\$74,692	\$199,297	\$203,726

BERLIN BOROUGH SCHOOL DISTRICT
Enterprise Funds
Statement of Cash Flows
for the Fiscal Years ended June 30, 2011 and 2010

	<u>Food Service</u>	<u>Community Education and Recreation</u>	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:				
Cash receipts from customers	\$178,404	\$235,668	\$414,072	\$395,300
Cash payments to employees for services	(99,136)	(186,276)	(285,412)	(291,317)
Cash payments to suppliers for goods and services	(147,539)	(49,807)	(197,346)	(180,337)
Net cash used by operating activities	(68,271)	(415)	(68,686)	(76,354)
Cash flows from noncapital financing activities:				
Cash received from state and federal reimbursements	70,027		70,027	85,524
Net cash provided by noncapital financing activities	70,027		70,027	85,524
Cash flows from capital financing activities:				
Purchases of fixed assets				
Net cash used by capital financing activities				
Cash flows from investing activities:				
Interest on investments	182	15	197	246
Net cash provided by investing activities	182	15	197	246
Net increase (decrease) in cash and cash equivalents	1,938	(400)	1,538	9,416
Cash and cash equivalents, July 1	83,345	75,092	158,437	149,021
Cash and cash equivalents, June 30	\$85,283	\$74,692	\$159,975	\$158,437
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$82,110)	(\$415)	(\$82,525)	(\$77,570)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	6,345		6,345	6,346
Federal commodities	8,465		8,465	12,547
Change in assets and liabilities:				
(Increase)/decrease in receivables				
(Increase)/decrease in inventory	(1,138)		(1,138)	(1,065)
Increase/(decrease) in deferred revenue	167		167	(16,612)
Increase/(decrease) in accounts payable				
Net cash used by operating activities	(\$68,271)	(\$415)	(\$68,686)	(\$76,354)

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services
Statement of Net Assets
as of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS:		
Current assets:		
Cash and cash equivalents		
Inventories		
Total current assets		
Total assets	<u>---</u>	<u>---</u>
LIABILITIES:		
Current liabilities:		
Accounts payable		
Interfund payable		
Total current liabilities		
Net Assets:		
Unrestricted		
Total Net Assets	<u>---</u>	<u>---</u>

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services

Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
for the Fiscal Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES:		
Local sources:		
Program revenues	<u>\$148,214</u>	<u>\$60,649</u>
Total operating revenue	<u>148,214</u>	<u>60,649</u>
OPERATING EXPENSES:		
Salaries	<u>148,214</u>	<u>60,649</u>
Total operating expenses	<u>148,214</u>	<u>60,649</u>
Operating income (loss)	<u> </u>	<u> </u>
Net income (loss)		
Net assets - July 1	<u> </u>	<u> </u>
Net assets - June 30	<u> ---</u>	<u> ---</u>

BERLIN BOROUGH SCHOOL DISTRICT
Internal Service Fund
Shared Services
Statement of Cash Flows
for the Fiscal Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash receipts from customers	\$148,214	\$60,649
Cash payments to employees for services	(148,214)	(60,649)
Cash payments to suppliers for goods and services	<u> </u>	<u> </u>
Net cash used by operating activities	<u> </u>	<u> </u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, July 1	<u> </u>	<u> </u>
Cash and cash equivalents, June 30	<u> ---</u>	<u> ---</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)		
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase)/decrease in inventory		
Increase(decrease) in accounts payable	<u> </u>	<u> </u>
Net cash used by operating activities	<u> ---</u>	<u> ---</u>

Fiduciary Funds Detail Statements

Fiduciary Funds are used to account for funds received by the district for a specific purpose.

Unemployment Compensation Insurance Fund - This fiduciary fund is used to pay unemployment compensation claims.

Agency Funds are used to account for assets held by the district as an agent for individuals, private organizations, or other governments and/or other funds.

Payroll Fund - This agency fund is used to account for the payroll transactions of the district.

Student Activity Fund - This agency fund is used to account for the funds held by the district to be used for student related projects.

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Assets
June 30, 2011
(With comparative totals for June 30, 2010)

	<u>Agency Funds</u>		<u>Employee Benefits Trust Funds</u>	<u>Totals</u>	
	<u>Student Activity</u>	<u>Payroll</u>	<u>Unemployment Compensation Insurance Fund</u>	<u>2011</u>	<u>2010</u>
ASSETS:					
Cash and cash equivalents	\$66,075	\$8,877	\$74,817	\$149,769	\$115,725
Interfund receivable					
TOTAL ASSETS	<u>\$66,075</u>	<u>\$8,877</u>	<u>\$74,817</u>	<u>\$149,769</u>	<u>\$115,725</u>
LIABILITIES:					
LIABILITIES:					
Accounts payable			\$14,798	\$14,798	\$6,190
Payroll deductions and withholdings		\$8,877		8,877	2,095
Due to student groups	\$66,075			66,075	62,070
Total liabilities	<u>66,075</u>	<u>8,877</u>	<u>14,798</u>	<u>89,750</u>	<u>64,165</u>
NET ASSETS:					
Reserved for unemployment claims			\$60,019	60,019	45,370
Total net assets	<u>---</u>	<u>---</u>	<u>\$60,019</u>	<u>\$60,019</u>	<u>\$45,370</u>

BERLIN BOROUGH SCHOOL DISTRICT
Fiduciary Fund
Comparative Statement of Changes in Fiduciary Net Assets
for the Fiscal Years ended June 30, 2011 and 2010

	<u>Employee Benefits Trust Funds</u>	
	<u>Unemployment Compensation Insurance Fund</u>	
	<u>2011</u>	<u>2010</u>
REVENUES:		
Local sources:		
Board contributions	\$71,700	\$12,950
Employee contributions	2,894	19,744
Interest on Investments	102	176
	<u>74,696</u>	<u>32,870</u>
Total Revenues		
EXPENDITURES:		
Current Expense:		
Undistributed Expenditures:		
Unemployment claims	60,047	46,055
	<u>60,047</u>	<u>46,055</u>
Total Expenditures		
	<u>60,047</u>	<u>46,055</u>
Excess (deficiency) of revenues over (under) expenditures)	14,649	(13,185)
Net Assets - July 1	<u>45,370</u>	<u>58,555</u>
Net Assets - June 30	<u>\$60,019</u>	<u>\$45,370</u>

BERLIN BOROUGH SCHOOL DISTRICT
Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2011</u>	<u>Balance</u> <u>June 30, 2011</u>
Elementary School	<u>\$62,069</u>	<u>\$98,774</u>	<u>\$94,768</u>	<u>---</u>	<u>\$66,075</u>
Total	<u><u>\$62,069</u></u>	<u><u>\$98,774</u></u>	<u><u>\$94,768</u></u>	<u><u>---</u></u>	<u><u>\$66,075</u></u>

BERLIN BOROUGH SCHOOL DISTRICT
Payroll Agency Fund
 Schedule of Receipts and Disbursements
 for the Fiscal Year ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and cash equivalents	<u>\$2,095</u>	<u>\$7,112,438</u>	<u>\$7,105,656</u>	<u>\$8,877</u>
Total assets	<u>\$2,095</u>	<u>\$7,112,438</u>	<u>\$7,105,656</u>	<u>\$8,877</u>
LIABILITIES:				
Payroll deductions and withholdings	2,095	3,817,931	3,811,149	8,877
Net payroll	<u> </u>	<u>3,294,507</u>	<u>3,294,507</u>	<u> </u>
Total liabilities	<u>\$2,095</u>	<u>\$7,112,438</u>	<u>\$7,105,656</u>	<u>\$8,877</u>

Long-Term Debt Schedules

The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Serial Bonds
June 30, 2011

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Rate of Interest</u>	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2011</u>
			<u>Date</u>	<u>Amount</u>					
School District Bonds	01/15/03	\$4,911,000	03/01/12	\$170,000	3.875%	\$4,121,000		\$160,000	\$3,961,000
			03/01/13	180,000	4.000%				
			03/01/14	190,000	4.100%				
			03/01/15	200,000	4.200%				
			03/01/16	210,000	4.300%				
			03/01/17	220,000	4.400%				
			03/01/18	240,000	4.450%				
			03/01/19	500,000	4.500%				
			03/01/20	500,000	4.500%				
			03/01/21	510,000	4.500%				
			03/01/22	520,000	4.500%				
			03/01/23	521,000	4.500%				
Total						<u>\$4,121,000</u>	<u>---</u>	<u>\$160,000</u>	<u>\$3,961,000</u>

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Obligations Under Capital Leases
 June 30, 2011

<u>Series</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2011</u>
Energy System	4.50%	\$89,278	\$19,558		\$19,558	
Pickup Truck	6.53%	25,797	<u>5,474</u>		<u>5,474</u>	
			<u>\$25,032</u>	<u>-</u>	<u>\$25,032</u>	<u>-</u>

BERLIN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$629,870		\$629,870	\$629,870	
Total revenues - local sources	<u>629,870</u>		<u>629,870</u>	<u>629,870</u>	
State sources:					
Debt service aid type II	147,962		147,962	147,962	
Total revenues - state sources	<u>147,962</u>		<u>147,962</u>	<u>147,962</u>	
Total Revenues	<u>777,832</u>		<u>777,832</u>	<u>777,832</u>	
EXPENDITURES:					
Regular debt service:					
Princ. payments - Comm. Appr. Lease Purchase Agm.	310,000		310,000	310,000	
Interest for Comm. Appr. Lease Purchase Agm.	127,670		127,670	127,670	
Redemption of principal	160,000		160,000	160,000	
Interest on bonds	180,162		180,162	180,162	
Total Expenditures	<u>777,832</u>		<u>777,832</u>	<u>777,832</u>	
Excess (Deficiency) of revenues over (under) expenditures					
Other Financing Sources:					
Operating Transfer In - Capital Projects				5,637	\$5,637
Total Other Financing Sources				<u>5,637</u>	<u>5,637</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):				5,637	5,637
Fund Balances, July 1	<u>5,182</u>		<u>5,182</u>	<u>5,182</u>	
Fund Balances, June 30	<u>\$5,182</u>	---	<u>\$5,182</u>	<u>\$10,819</u>	<u>\$5,637</u>
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance				<u>\$5,637</u>	<u>\$5,637</u>

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
 Statement of Early Retirement Incentive Plan Payable
 June 30, 2011

	<u>Annual Maturities</u>		<u>Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u>
	<u>Date</u>	<u>Amount</u>	<u>July 1, 2010</u>			<u>June 30, 2011</u>
Early Retirement Incentive Plan						
TPAF	04/01/2011	\$36,464	\$36,464		\$36,464	
PERS	04/01/2011	5,756	5,756		5,756	
68 Total			\$42,220	---	\$42,220	

BERLIN BOROUGH SCHOOL DISTRICT
General Long-Term Debt Account Group
Statement of Certificates of Participation Payable
June 30, 2011

Purpose	Amount of Original Issue	Annual Maturities		Rate of Interest	Balance July 1, 2010	Issued Current Year	Retired Current Year	Balance June 30, 2011
		Date	Amount					
Various Capital Improvements	\$5,575,000	02/01/12	\$320,000	4.410%	\$2,895,000		\$310,000	\$2,585,000
		02/01/13	335,000					
		02/01/14	350,000					
		02/01/15	370,000					
		02/01/16	385,000					
		02/01/17	405,000					
		02/01/18	420,000					
					<u>\$2,895,000</u>	<u>---</u>	<u>\$310,000</u>	<u>\$2,585,000</u>

Statistical Section

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

Exhibit J-1

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
Invested in capital assets, net of related debt	\$ -	\$ 2,646,840	\$ 2,854,166	\$ 3,185,075	\$ 630,791	\$ 208,209	\$ (210,130)	\$ (602,224)	\$ (862,909)
Restricted for:									
Capital projects		196,127	76,565	10,269	4,649	317	-	175,000	406,000
Special revenue		(650)	(650)	(650)	(650)	(650)	-	-	-
Debt service		338,144	306,760	326,340	333,093	327,013	320,374	343,954	356,148
Other purposes		185,237	418,137	452,512	239,043	313,623	229,932	72,212	206,532
Unrestricted		(145,679)	(218,166)	(347,798)	(446,730)	(449,681)	(566,635)	(687,888)	(449,121)
Total governmental activities net assets	\$ -	\$ 3,220,669	\$ 3,436,812	\$ 3,625,748	\$ 760,196	\$ 398,831	\$ (226,459)	\$ (678,946)	\$ (343,350)
Business-type activities:									
Invested in capital assets, net of related debt		\$ 66,417	\$ 61,231	\$ 56,045	\$ 50,858	\$ 51,075	\$ 44,732	\$ 38,388	\$ 32,041
Unrestricted		64,120	87,203	132,823	130,332	142,129	145,504	165,340	167,256
Total business-type activities net assets	\$ -	\$ 130,537	\$ 148,434	\$ 188,868	\$ 181,190	\$ 193,204	\$ 190,236	\$ 203,726	\$ 199,297
District-wide:									
Invested in capital assets, net of related debt	\$ -	\$ 2,713,257	\$ 2,915,397	\$ 3,241,120	\$ 681,649	\$ 259,284	\$ (165,398)	\$ (563,838)	\$ (830,868)
Restricted:									
Capital projects	-	196,127	76,565	10,269	4,649	317	-	175,000	406,000
Special revenue	-	(650)	(650)	(650)	(650)	(650)	-	-	-
Debt service	-	338,144	306,760	326,340	333,093	327,013	320,374	343,954	356,148
Other purposes	-	185,237	418,137	452,512	239,043	313,623	229,932	72,212	206,532
Unrestricted	-	(81,559)	(130,963)	(214,975)	(316,398)	(307,552)	(421,131)	(502,548)	(281,865)
Total district net assets	\$ -	\$ 3,351,206	\$ 3,585,246	\$ 3,814,616	\$ 941,386	\$ 592,035	\$ (36,223)	\$ (475,220)	\$ (144,053)

a

a District was not required to follow GASB 34 reporting format until fiscal year 2004.

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

Exhibit J-2

Fiscal Year Ending June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:									
Governmental activities:									
Instruction:									
Regular		\$ 3,143,458	\$ 3,600,627	\$ 2,843,868	\$ 5,355,894	\$ 3,704,118	\$ 3,883,630	\$ 4,241,895	\$ 3,377,214
Special education		1,255,922	1,279,881	1,120,694	1,157,041	1,289,585	1,396,905	1,550,853	1,437,144
Other instruction		228,180	86,696	70,039	91,656	116,626	145,580	169,133	140,315
Support Services:									
Tuition		226,179	280,060	329,765	344,161	240,091	460,011	450,951	229,109
Student & instruction related services		930,617	1,017,657	787,131	931,786	999,962	909,601	1,064,281	687,036
School administrative services		399,428	415,688	330,218	336,755	324,618	354,355	347,323	365,283
General and business administrative services		601,189	633,456	488,021	863,005	665,292	685,839	641,951	497,590
Plant operations and maintenance		582,784	734,285	693,755	827,676	783,402	1,001,043	775,308	1,378,566
Pupil transportation		398,289	468,175	454,148	516,922	432,637	446,822	448,985	287,509
Unallocated employee benefits		-	-	1,841,869	2,204,580	2,359,167	2,160,811	2,201,183	2,334,798
Interest on long-term debt		416,127	411,046	384,415	367,506	352,435	336,328	308,282	301,275
Unallocated depreciation		19,837	19,837	19,842	169,388	52,517	53,614	53,614	49,743
Total governmental activities expenses	-	8,202,010	8,947,408	9,363,765	13,166,370	11,320,450	11,834,539	12,253,759	11,085,582
Business-type activities:									
Community Education		165,976	183,710	210,230	247,905	246,324	261,459	225,590	236,083
Food service		225,182	231,330	219,917	216,367	231,605	239,154	263,892	260,347
Shared Services		-	-	-	-	-	49,915	60,649	148,214
Total business-type activities expense	-	391,158	415,040	430,147	464,272	477,929	550,528	550,131	644,644
Total district expenses	\$ -	\$ 8,593,168	\$ 9,362,448	\$ 9,793,912	\$ 13,630,642	\$ 11,798,379	\$ 12,385,067	\$ 12,803,890	\$ 11,730,226
Program Revenues:									
Governmental activities:									
Operating grants and contributions		1,262,130	\$ 993,916	634,864	1,620,654	1,691,736	1,339,322	1,670,910	1,319,567
Total governmental activities program revenues	-	1,262,130	993,916	634,864	1,620,654	1,691,736	1,339,322	1,670,910	1,319,567

(Continued)

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

Exhibit J-2

Fiscal Year Ending June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:									
Charges for services:									
Community education		162,158	192,002	250,306	229,719	246,459	245,682	223,777	235,668
Food service		136,429	135,712	148,081	160,467	168,502	180,550	188,135	178,237
Shared Services							49,915	60,649	148,214
Operating grants and contributions		53,027	70,411	64,622	64,544	65,492	70,987	90,814	77,899
Capital grants and contributions									
Total business-type activities program revenues	-	351,614	398,125	463,009	454,730	480,453	547,134	563,375	640,018
Total district program revenues	\$ -	\$ 1,613,744	\$ 1,392,041	\$ 1,097,873	\$ 2,075,384	\$ 2,172,189	\$ 1,886,456	\$ 2,234,285	\$ 1,959,585
Net (Expense)/Revenue:									
Governmental activities	\$ -	\$ (6,939,880)	\$ (7,953,492)	\$ (8,728,901)	\$ (11,545,716)	\$ (9,628,714)	\$ (10,495,217)	\$ (10,582,849)	\$ (9,766,015)
Business-type activities	-	(39,544)	(16,915)	32,862	(9,542)	2,524	(3,394)	13,244	(4,626)
Total district-wide net expense	\$ -	\$ (6,979,424)	\$ (7,970,407)	\$ (8,696,039)	\$ (11,555,258)	\$ (9,626,190)	\$ (10,498,611)	\$ (10,569,605)	\$ (9,770,641)
General Revenues and Other Changes in Net Assets:									
Governmental activities:									
Property taxes levied for general purposes, net		\$ 4,360,973	\$ 4,721,697	\$ 4,908,261	\$ 5,332,390	\$ 5,708,340	\$ 5,888,340	\$ 5,926,097	\$ 6,163,141
Taxes levied for debt service		561,184	520,334	560,334	551,723	555,735	575,687	596,348	629,870
Unrestricted grants and contributions		2,698,690	2,911,568	3,364,270	2,720,526	2,914,914	3,348,044	3,535,439	3,218,500
Tuition		26,009	16,122	20,113	-	6,757	13,509	20,652	46,328
Investment earnings		4,015	27,502	16,847	21,043	29,501	6,388	3,222	7,843
Miscellaneous income		22,608	2,412	48,012	54,482	52,102	37,959	48,604	35,929
Transfers		(35,000)	(30,000)	-	-	-	-	-	-
Total governmental activities	-	7,638,479	8,169,635	8,917,837	8,680,164	9,267,349	9,869,927	10,130,362	10,101,611
Business-type activities:									
Investment earnings		120	478	1,572	1,864	1,378	426	246	197
Miscellaneous income			4,334	6,000	-	8,112	-	-	-
Transfers		35,000	30,000	-	-	-	-	-	-
Total business-type activities	-	35,120	34,812	7,572	1,864	9,490	426	246	197
Total district-wide	\$ -	\$ 7,673,599	\$ 8,204,447	\$ 8,925,409	\$ 8,682,028	\$ 9,276,839	\$ 9,870,353	\$ 10,130,608	\$ 10,101,808
Change in Net Assets:									
Governmental activities	\$ -	\$ 698,599	\$ 216,143	\$ 188,936	\$ (2,865,552)	\$ (361,365)	\$ (625,290)	\$ (452,487)	\$ 335,596
Business-type activities	-	(4,424)	17,897	40,434	(7,678)	12,014	(2,968)	13,490	(4,429)
Total district-wide	\$ -	\$ 694,175	\$ 234,040	\$ 229,370	\$ (2,873,230)	\$ (349,351)	\$ (628,258)	\$ (438,997)	\$ 331,167

a

a District was not required to follow GASB 34 reporting format until fiscal year 2004.

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

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:									
Reserved		\$ 186,300		\$ 452,512	\$ 239,043	\$ 313,623	\$ 229,932	\$ 247,212	\$ 612,532
Unreserved		136,370	70,174	51,480	119,648	128,247	(67,703)	(164,818)	(40,764)
Total general fund	\$ -	\$ 322,670	\$ 70,174	\$ 503,992	\$ 358,691	\$ 441,870	\$ 162,229	\$ 82,594	\$ 571,768
All Other Governmental Funds									
Reserved:									
Debt service reserve		\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383
Unreserved, reported in:									
Special revenue fund			(650)	(650)	(650)	(650)			
Capital projects fund		195,064	76,565	10,269	4,649	317			
Debt service fund		13,677	10,008	3,951	76		(589)	5,182	277
Designated for subsequent year's expenditures		32,929		20,135	24,927	12,712			10,542
Total all other governmental funds	\$ -	\$ 683,053	\$ 527,306	\$ 475,088	\$ 470,385	\$ 453,762	\$ 440,794	\$ 446,565	\$ 452,202

a

a District was not required to follow GASB 34 reporting format until fiscal year 2004.

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

Exhibit J-4

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues									
Tax levy	\$ 4,346,782	\$ 4,922,157	\$ 5,242,031	\$ 5,468,595	\$ 5,884,113	\$ 6,284,075	\$ 6,464,027	\$ 6,522,445	\$ 6,793,011
Tuition charges	11,869	26,009	16,122	20,113	-	6,757	13,509	20,652	46,328
Interest earnings	9	4,014	27,502	16,847	21,043	29,501	7,846	3,222	7,843
Miscellaneous	50,380	20,174	2,412	48,012	54,482	54,792	39,191	51,294	38,619
State sources	5,864,702	3,548,961	3,678,838	3,758,701	4,053,878	4,331,034	4,398,916	4,125,502	4,237,017
Federal sources	193,384	411,859	226,647	240,433	287,304	272,926	285,760	1,078,157	298,360
Total revenue	10,467,126	8,933,174	9,193,552	9,552,701	10,300,818	10,959,085	11,209,249	11,801,272	11,421,178
Expenditures									
Instruction									
Regular instruction	2,457,780	2,683,214	2,738,847	2,858,708	2,975,939	3,115,926	3,417,340	3,802,063	3,448,744
Special education instruction	782,577	891,918	1,009,929	1,120,694	1,157,041	1,289,585	1,396,905	1,550,853	1,437,144
Other special instruction	97,022	180,215	68,410	70,039	91,656	116,626	145,580	169,133	140,315
Other instruction	49,232	-	-	-	-	-	-	-	-
Support Services:									
Tuition	324,890	226,179	280,060	329,765	344,161	240,091	460,011	450,951	229,109
Student & instruction related services	705,092	734,994	803,013	787,131	931,786	999,962	909,601	1,064,281	687,036
School administrative services	278,430	315,528	328,011	330,218	336,755	324,618	354,355	347,323	365,283
General and business admin.services	513,478	460,182	485,228	469,484	545,372	581,404	599,758	555,870	494,625
Plant operations and maintenance	572,773	438,329	448,851	485,375	553,419	642,151	662,046	623,918	619,189
Pupil transportation	302,764	314,566	369,430	454,148	516,922	432,637	446,822	448,918	287,509
Employee benefits	1,375,967	1,575,051	1,730,428	1,841,869	2,204,580	2,359,167	2,160,811	2,244,682	2,334,798
Capital outlay	1,116,140	6,393,565	162,378	94,704	49,849	36,716	185,639	45,986	104,783
Debt service:									
Principal	215,000	295,000	325,000	345,000	370,000	395,000	420,000	445,000	470,000
Interest and other charges	216,752	438,422	416,260	389,916	373,342	358,646	342,990	326,091	307,832
Total expenditures	9,007,895	15,047,163	9,165,845	9,577,051	10,450,822	10,892,529	11,501,858	11,875,069	10,926,367
Excess (Deficiency) of revenues over (under) expenditures	1,459,231	(6,113,989)	27,707	(24,350)	(150,004)	66,556	(292,609)	(73,797)	494,811
Other Financing sources (uses)									
Proceeds from borrowing	4,911,000	-	-	-	-	-	-	-	-
Accrued interest on sale of bonds	5,124	-	-	-	-	-	-	-	-
Transfers in	27,804	4,056	-	-	21,043	12,635	1,775	7,232	5,837
Transfers out	(27,804)	(36,621)	(30,000)	-	(21,043)	(12,635)	(1,775)	(7,232)	(5,837)
Total other financing sources (uses)	4,916,124	(32,565)	(30,000)	-	-	-	-	-	-
Net change in fund balances	\$ 6,375,355	\$ (6,146,554)	\$ (2,293)	\$ (24,350)	\$ (150,004)	\$ 66,556	\$ (292,609)	\$ (73,797)	\$ 494,811
Debt service as a percentage of noncapital expenditures	5.47%	8.48%	8.23%	7.75%	7.15%	6.94%	6.74%	6.52%	7.19%

Source: District records

This schedule does not include ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2004.

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

<u>Fiscal Year Ending June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Social Worker Reimbursement</u>	<u>Other Refunds</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$ 12,459			\$ 486			\$ 3,488	\$ 16,433
2003	5,520	\$ 11,869		16,589			467	34,445
2004	2,393	26,009		1,335			6,470	36,207
2005	15,130	16,122					2,412	33,664
2006	39,288	20,113		7,780			944	68,125
2007	53,469						1,013	54,482
2008	29,501	6,757	\$ 26,614	7,194		\$ 4,310	1,349	75,725
2009	6,388	13,509	20,000	13,938		598	1,965	56,398
2010	3,222	20,652	20,000	20,595		152	625	65,246
2011	2,206	46,328	11,000	21,287		2,878	764	84,463
	<u>\$ 169,576</u>	<u>\$ 161,359</u>	<u>\$ 77,614</u>	<u>\$ 89,204</u>	<u>\$ -</u>	<u>\$ 7,938</u>	<u>\$ 19,497</u>	<u>\$ 525,188</u>

Source: District records

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2002	\$ 12,419,600	\$ 270,951,900	\$ 578,500	\$ 109,200	\$ 55,585,000	\$ 9,830,700	\$ 3,257,500	\$ 352,712,400	\$ 5,228,537	\$ 357,940,937	\$ 53,654,300	\$ 1.203	\$ 382,315,764
2003	10,547,700	285,577,000	457,700	105,200	55,503,500	9,830,700	4,106,900	386,128,700	5,086,110	371,214,810	59,826,700	1.311	420,288,937
2004	14,630,400	291,607,400	473,100	82,000	58,216,000	7,239,940	3,594,800	375,843,640	4,553,066	380,396,706	60,287,300	1.364	472,689,791
2005	13,797,000	301,592,600	476,400	82,000	57,918,500	7,239,940	3,464,300	384,570,740	4,058,803	388,627,543	61,431,000	1.393	539,983,752
2006	10,490,700	317,567,000	368,600	69,100	54,086,900	7,239,940	3,326,800	393,147,240	3,481,859	396,629,099	41,268,200	1.469	620,118,024
2007	11,325,600	323,181,200	244,900	69,100	56,977,400	6,539,940	3,326,800	401,684,940	3,084,552	404,749,492	48,223,700	1.535	724,618,605
2008	10,144,800	327,901,200	244,900	58,600	58,052,700	6,539,940	3,036,300	405,976,440	3,465,128	409,441,568	48,431,400	1.568	606,310,513
2009	9,629,800	330,768,700	244,900	58,600	57,059,800	6,564,940	3,036,300	407,381,040	3,614,925	411,175,965	50,110,200	1.577	848,155,052
2010	8,946,000	332,971,200	244,900	58,600	55,620,900	5,894,500	3,036,300	406,870,400	3,959,735	410,830,135	50,367,100	1.647	814,676,056
2011 d	20,000,700	607,946,600	470,800	83,000	122,002,300	10,863,500	6,120,100	769,487,000	7,207,478	776,694,478	87,228,050	0.876	c

Source: Municipal Tax Assessor

Notes:

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

c Information not available.

d Revaluation.

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

Exhibit J-7

Fiscal Year Ended June 30,	Berlin Borough School District Direct Rate			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of Berlin	Municipal Open Space	Eastern Regional High School	Camden County	
2002	\$ 1.143	\$ 0.060	\$ 1.203	\$ 0.560		\$ 0.636	\$ 1.031	\$ 3.430
2003	1.241	0.070	1.311	0.567		0.660	1.091	3.629
2004	1.224	0.140	1.364	0.577		0.661	1.066	3.668
2005	1.263	0.130	1.393	0.605		0.777	1.149	3.924
2006	1.329	0.140	1.469	0.698		0.760	1.265	4.192
2007	1.398	0.137	1.535	0.742		0.802	1.249	4.328
2008	1.427	0.141	1.568	0.810		0.766	1.249	4.393
2009	1.432	0.145	1.577	0.925	\$ 0.010	0.836	1.279	4.627
2010	1.634	0.013	1.647	1.039	0.020	0.834	1.298	4.838
2011	0.796	0.080	0.876	0.560	0.019	0.452	0.723	2.630

Source: Municipal Tax Collector

Note:

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

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

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

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

Exhibit J-8

Taxpayer	2010-2011		Taxpayer	2001-2002	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Berlin Realty Company	\$ 9,339,600	1.20%	Berlin Shopping Center	7,188,000	2.34%
Berlin Residences, LLC	7,000,000	0.90%	Owens Corning Fiberglass	4,000,300	1.31%
Berlin Equities LLC	6,176,200	0.80%	Berlin Auction	3,895,500	1.27%
AC I Berlin, LLC	5,468,700	0.70%	NJ Bell Telephone	2,399,500	0.78%
Osborne Associates % Rite Aid Corp	5,000,000	0.64%	Berlin Circle Plaza	2,250,000	0.73%
Evinos Corporation, Inc.	4,555,600	0.59%	Public Storage Properties	1,849,700	0.60%
Sinelnik, Gregory	4,016,700	0.52%	Lucien's Restaurant	1,500,900	0.49%
Hassbro, LLC	3,694,300	0.48%	Centennial Partners	1,400,000	0.46%
Public Storage PT	3,542,500	0.46%	Forte & Companies	1,255,900	0.41%
Berlin Center, LLC	3,200,000	0.41%	Pre Mix Industries	1,126,000	0.37%
Total	\$ 51,993,600	6.69%		\$ 26,865,800	8.76%

Source: Municipal Tax Assessor

Osborne Associates

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 3,996,952	\$ 3,996,952	100.00%	-
2003	4,346,781	4,346,781	100.00%	-
2004	4,922,157	4,922,157	100.00%	-
2005	5,242,031	5,242,031	100.00%	-
2006	5,468,595	5,468,595	100.00%	-
2007	5,884,113	5,884,113	100.00%	-
2008	6,264,075	6,264,075	100.00%	-
2009	6,464,027	6,464,027	100.00%	-
2010	6,522,445	6,522,445	100.00%	-
2011	6,793,011	6,793,011	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		Percentage of Personal Income ^a	<u>Per Capita ^b</u>
	<u>General Obligation Bonds</u>	<u>Unfunded Pension Liability</u>	<u>Capital Leases</u>	<u>Bond Anticipation Notes (BANs)</u>	<u>Capital Leases</u>	<u>Total District</u>		
2002	\$ -	\$ 385,731	\$ -	\$ -	\$ -	\$ 385,731	0.1760%	\$ 57
2003	4,911,000	342,872	-	-	-	5,253,872	2.3968%	773
2004	4,841,000	300,013	-	-	-	5,141,013	2.3453%	680
2005	4,751,000	257,164	-	-	-	5,008,164	2.2847%	641
2006	4,651,000	214,295	89,278	-	-	4,954,573	2.2603%	627
2007	4,536,000	171,436	92,520	-	-	4,799,956	2.1898%	606
2008	4,411,000	128,577	71,224	-	-	4,610,801	2.1035%	582
2009	4,271,000	85,718	48,750	-	-	4,405,468	2.0098%	555
2010	4,121,000	42,220	25,032	-	-	4,188,252	1.9107%	c
2011	3,961,000	-	-	-	-	3,961,000	c	c

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

a Based on Per Capita Income for Camden County

b Based on School District Population as of July 1.

c Not available

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2002	\$ -	\$ -	\$ -	\$ -	\$ -
2003	4,911,000	-	4,911,000	1.32%	723
2004	4,841,000	-	4,841,000	1.27%	641
2005	4,751,000	-	4,751,000	1.22%	608
2006	4,651,000	-	4,651,000	1.17%	589
2007	4,536,000	-	4,536,000	1.12%	573
2008	4,411,000	-	4,411,000	1.08%	557
2009	4,271,000	-	4,271,000	1.04%	538
2010	4,121,000	-	4,121,000	1.00%	c
2011	3,961,000	-	3,961,000	0.51%	c

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

a See Exhibit J-6 for property tax data.

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

**Berlin Borough School District
Ratios of Overlapping Governmental Activities Debt
As of December 31, 2010**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Borough of Berlin	\$ 9,660,793	100.000%	\$ 9,660,793
Eastern Regional High School District	6,862,000	16.279%	1,117,086
Camden County General Obligation Debt	156,835,508	1.955%	3,066,134
			<hr/>
Subtotal, overlapping debt			13,844,013
Berlin Borough School District Direct Debt			<hr/> 4,121,000
Total direct and overlapping debt			<hr/> \$ 17,965,013 <hr/>

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

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

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

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2011

	Equalized valuation basis
	2010 \$ 779,295,920
	2009 809,380,171
	2008 836,030,560
	[A] \$ 2,424,706,651
Average equalized valuation of taxable property	[A/3] \$ 808,235,550
Debt limit (3% of average equalized valuation)	[B] 24,247,067 ^a
Net bonded school debt	[C] 3,961,000
Legal debt margin	[B-C] \$ 20,286,067

Fiscal Year

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 10,112,121	\$ 10,887,732	\$ 12,074,490	\$ 13,735,195	\$ 15,759,446	\$ 18,253,030	\$ 20,926,725	\$ 23,280,928	\$ 24,339,167	\$ 24,247,067
Total net debt applicable to limit	-	4,911,000	4,841,000	4,751,000	4,651,000	4,536,000	4,411,000	4,271,000	4,121,000	3,961,000
Legal debt margin	<u>\$ 10,112,121</u>	<u>\$ 5,976,732</u>	<u>\$ 7,233,490</u>	<u>\$ 8,984,195</u>	<u>\$ 11,108,446</u>	<u>\$ 13,717,030</u>	<u>\$ 16,515,725</u>	<u>\$ 19,009,928</u>	<u>\$ 20,218,167</u>	<u>\$ 20,286,067</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	45.11%	40.09%	34.59%	29.51%	24.85%	21.08%	18.35%	16.93%	16.34%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2002	6,749	\$ 219,200,771	\$ 32,479	4.8%
2003	6,795	228,835,215	33,677	4.8%
2004	7,558	263,214,908	34,826	4.4%
2005	7,809	282,123,552	36,128	4.3%
2006	7,902	304,100,568	38,484	4.3%
2007	7,922	317,291,944	40,052	4.0%
2008	7,926	327,629,136	41,336	5.3%
2009	7,943	327,902,926	41,282	8.3%
2010	e	e	e	8.3%
2011	e	e	e	e

Source:

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

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

Exhibit J-16

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Function/Program</u>							
Instruction							
Regular	55	58	67	66	61	52	52
Special education	14	15	11	10	16	19	16
Other special education						17	16
Vocational							
Other instruction							
Nonpublic school programs							
Adult/continuing education programs							
107 Support Services:							
Student & instruction related services	5	6	10	12	12	9	9
School administrative services	6	6	7	7	7	7	7
General and business administrative services	5	5	4	4	4	4	4
Plant operations and maintenance	5	12	10	11	10	8	8
Pupil transportation							
Special Schools							
Food Service							
Child Care							
Total	<u>90</u>	<u>102</u>	<u>109</u>	<u>110</u>	<u>110</u>	<u>115</u>	<u>112</u>

Source: District Personnel Records

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2006.

Berlin Borough School District
 Operating Statistics,
 Last Nine Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2003	773	\$ 7,460,003	\$ 9,651	-	55	1:14		764.0	732.0	0.66%	95.81%
2004	765	7,920,176	10,353	7.27%	55	1:14		781.0	760.0	2.23%	97.31%
2005	780	8,262,207	10,593	2.31%	55	1:14		789.0	734.0	-1.66%	93.03%
2006	820	8,747,431	10,668	0.70%	58	1:14		817.4	778.9	6.42%	95.29%
2007	809	9,657,631	11,938	11.90%	67	1:14		808.8	774.3	10.52%	95.73%
2008	839	10,102,167	12,041	0.86%	76	1:14		831.5	797.5	10.52%	95.91%
2009	812	10,553,229	12,997	7.94%	77	1:14		814.9	781.0	-1.99%	95.84%
2010	835	11,057,992	13,243	1.89%	70	1:14		835.0	799.5	2.46%	95.75%
2011	841	10,043,752	11,943	-9.81%	68	1:12		846.0	841.0	1.32%	99.41%

108

Sources: District records

Note: Enrollment based on annual October district count.

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

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2007.

**Berlin Borough School District
 School Building Information
 Last Eight Nine Years**

Exhibit J-18

<u>District Building</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Elementary</u>									
Berlin Community School (1952)									
Square Feet	76,518	118,068	118,068	118,068	118,068	118,068	118,068	118,068	118,068
Capacity (students)	548	950	950	950	950	950	950	950	950
Enrollment	764	781	798	817	809	839	812	835	841

Number of Schools at June 30, 2010
 Elementary = 1

Source: District Facilities Office

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

This schedule does not contain ten years of information as GASB #44 was implemented during this fiscal year ending June 30, 2007.

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

Exhibit J-19

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
* School Facilities											
Berlin Community School	\$ 89,099	\$ 117,325	\$ 69,735	\$ 96,705	\$ 109,835	\$ 102,449	\$ 120,137	\$ 118,154	\$ 116,707	\$ 111,806	\$ 1,051,952
Project # (s)											
Total School Facilities	<u>\$ 89,099</u>	<u>\$ 117,325</u>	<u>\$ 69,735</u>	<u>\$ 96,705</u>	<u>\$ 109,835</u>	<u>\$ 102,449</u>	<u>\$ 120,137</u>	<u>\$ 118,154</u>	<u>\$ 116,707</u>	<u>\$ 111,806</u>	<u>\$ 1,051,952</u>

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

Source: District records

**Berlin Borough School District
Insurance Schedule
June 30, 2011**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy (1)		
Building and Contents (All Locations)		
Limits of liability per occurrence	\$ 14,392,206	\$ 1,000
General and Auto liability	5,000,000	1,000
Comprehensive crime coverage		
Employee Dishonesty	100,000	250
Forgery or Alteration	50,000	250
Money and Securities	50,000	250
Computer Fraud	50,000	250
Environmental Impairment Liability	1,000,000	
Excess Liability	5,000,000	
Workers Compensation (2)		
Bodily Injury by Accident	2,000,000	
Bodily Injury by Disease	2,000,000	
Errors and Omissions Liability (2)	2,000,000	5,000
Student Accident (3)		
School Time Compulsory Student Accident Coverage		
Maximun Benefit	1,000,000	
Surety Bonds (4)		
Board Secretary	210,000	

- (1) School Alliance Insurance Fund
- (2) NJ School Board Association
- (3) Markel Insurance Company
- (4) Conner Strong Insurance Company

Source: District records

Single Audit Section

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Registered Municipal Accountants**

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New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

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

Compliance

We have audited Berlin Borough School District (School District), in the County of Camden, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major state programs for the fiscal year ended June 30, 2011. The School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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; OMB Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. These standards and OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Berlin Borough School District, in the County of Camden, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011

Internal Control Over Compliance

Management of the Berlin Borough School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

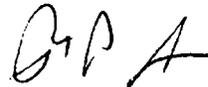
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the management, the Board of Education, others within the School District, the Division of Finance, Department of Education, State of New Jersey, and other federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Public School Accountant

Marlton, New Jersey
August 19, 2011

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2010			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2011		
					Accounts Receivable	Deferred Revenue	Due to Grantor at				Accounts Receivable	Deferred Revenue	Due to Grantor at
U.S. Department of Education													
Special Revenue Fund:													
No Child Left Behind(N.C.L.B.)													
Title I	84.010A	NCLB-0330-11	\$63,588	9/1/10 - 8/31/11				\$63,588	(\$63,588)				
Title IIA	84.367A	NCLB-0330-11	22,706	9/1/10 - 8/31/11				22,706	(22,706)				
Title IID	84.316X	NCLB-0330-11	146	9/1/10 - 8/31/11				146	(146)				
Individuals With Disabilities Act (I.D.E.A.)													
Part B - Basic - Current Year	84.027A	IDIEA-0330-11	202,588	9/1/10 - 8/31/11				202,588	(202,588)				
Part B - Preschool - Current Year	84.173A	IDIEA-0330-11	9,332	9/1/10 - 8/31/11				9,332	(9,332)				
Total Special Revenue Fund								298,360	(298,360)				
U.S. Department of Agriculture													
Enterprise Fund:													
Food Distribution Program	10.550	N/A	8,465	9/1/10 - 8/31/11				8,465	(8,465)				
School Breakfast Program	10.553	N/A	4,164	9/1/10 - 8/31/11				3,803	(4,164)	(\$361)			
School Breakfast Program	10.553	N/A	16,023	9/1/09 - 8/31/10	(\$736)			736					
National School Lunch Program	10.555	N/A	62,064	9/1/10 - 8/31/11				57,296	(62,064)	(4,768)			
National School Lunch Program	10.553	N/A	57,067	9/1/09 - 8/31/10	(4,863)			4,863					
Total Enterprise Fund					(5,599)				75,163	(74,693)	(5,129)		
Total Federal Awards					(\$5,599)				\$373,523	(\$373,053)	(\$5,129)		

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

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2011

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2010			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2011		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
State Department of Education													
General Fund:													
Extraordinary Aid	10-100-034-5093-044	17,390	7/1/09 - 6/30/10	(\$17,390)				\$17,390					
Special Education Categorical Aid	11-495-034-5120-089	440,499	7/1/10 - 6/30/11					399,761	(\$440,499)		(\$40,738)		
Special Education Categorical Aid	10-495-034-5120-089	426,289	7/1/09 - 6/30/10	(48,597)				48,597					
Equalization Aid	11-495-034-5120-078	2,726,109	7/1/10 - 6/30/11					2,473,995	(2,726,109)		(252,114)		
Equalization Aid	10-495-034-5120-078	2,946,179	7/1/09 - 6/30/10	(272,742)				272,742					
Security Aid	10-495-034-5120-084	68,294	7/1/09 - 6/30/10	(5,060)				5,060					
Transportation Aid	10-495-034-5120-014	219,384	7/1/09 - 6/30/10	(16,257)				16,257					
Additional Nonpublic Transportation Aid	11-103190	2,088	7/1/10 - 6/30/11						(2,088)		(2,088)		
Additional Nonpublic Transportation Aid	10-103190	1,128	7/1/09 - 6/30/10	(1,128)				1,128					
On Behalf TPAF Non-Contributory Insurance	11-495-034-5095-007	14,797	7/1/10 - 6/30/11					14,797	(14,797)				
On Behalf TPAF - Post Retirement Medical	11-495-034-5095-001	314,290	7/1/10 - 6/30/11					314,290	(314,290)				
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	338,680	7/1/10 - 6/30/11					321,755	(338,680)		(16,925)		
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	374,658	7/1/09 - 6/30/10	(18,551)				18,551					
Total General Fund				(379,725)	---	---	---	3,904,323	(3,836,463)	---	(311,865)	---	
Special Revenue Fund													
N.J. Nonpublic Aid:													
Textbook Aid	11-100-034-5120-064	16,143	7/1/10 - 6/30/11					\$16,143	(\$16,143)				
Nursing Aid	11-100-034-5120-070	19,127	7/1/10 - 6/30/11					19,127	(19,127)				
Auxiliary Services:													
Compensatory Education	11-100-034-5120-067	125,423	7/1/10 - 6/30/11					125,423	(110,243)			\$ 15,180	
Compensatory Education	10-100-034-5120-067	130,423	7/1/09 - 6/30/10			\$1,776				\$1,776			
Transportation	11-100-034-5120-067	6,262	7/1/10 - 6/30/11					6,262	(3,047)			3,215	
Transportation	10-100-034-5120-067	8,751	7/1/09 - 6/30/10			6,225				6,225			
Homebound Instruction	11-100-034-5120-067	536	7/1/10 - 6/30/11						(536)		(536)		
Handicapped Services:													
Examination & Classification	11-100-034-5120-066	38,588	7/1/10 - 6/30/11					38,588	(14,185)			24,403	
Examination & Classification	10-100-034-5120-066	41,299	7/1/09 - 6/30/10			15,891				15,891			
Corrective Speech	11-100-034-5120-066	31,762	7/1/10 - 6/30/11					31,762	(27,144)			4,618	
Corrective Speech	10-100-034-5120-066	44,836	7/1/09 - 6/30/10			4,768				4,768			
Supplemental Instruction	11-100-034-5120-066	80,845	7/1/10 - 6/30/11					20,845	(12,363)			8,482	
Supplemental Instruction	10-100-034-5120-066	22,857	7/1/09 - 6/30/10			2,296				2,296			
Total Special Revenue Fund				---	---	30,956	---	258,150	(202,788)	30,956	(536)	55,898	

Continued

BERLIN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2011

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2010			Caryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2011		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
<u>Debt Service Fund</u>													
Debt Service Aid Type II	11-485-034-5120-017	\$147,962	7/1/10 - 6/30/11	---	---	---	---	\$147,962	(\$147,962)	---	---	---	---
State Department of Agriculture													
Enterprise Fund:													
State School Breakfast Program	10-100-010-3350-021	1,387	7/1/09 - 6/30/10	(\$70)				70					
State School Lunch Program	11-100-010-3350-022	3,206	7/1/10 - 6/30/11					2,931	(\$3,206)			(\$275)	
State School Lunch Program	10-100-010-3350-022	3,789	7/1/09 - 6/30/10	(328)				328					
Total Enterprise Fund				(398)	---	---	---	3,329	(3,206)	---		(275)	---
Total State Financial Assistance				(\$380,123)	---	\$30,956	---	\$4,313,764	(\$4,190,419)	\$30,956		(\$312,676)	---

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

**Berlin Borough School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2011**

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is \$49,804 for the general fund and \$-0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$3,886,267	\$3,886,267
Special Revenue Fund	\$298,360	202,788	501,148
Debt Service Fund		147,962	147,962
Food Service Fund	<u>74,693</u>	<u>3,206</u>	<u>77,899</u>
Total Awards & Financial Assistance	<u>\$373,053</u>	<u>\$4,240,223</u>	<u>\$4,613,276</u>

Berlin Borough School District
Notes to the Schedules of Expenditures
of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2011
(Continued)

4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the State for the School District's share of social security contributions for TPAF members for the year ended June 30, 2011.

6. MAJOR PROGRAMS

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

**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Section II -- Schedule of Financial Statement Findings

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

No findings identified.

**BERLIN BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

This section identifies audit findings required to be reported by section .510(a) Circular A-133 and NJOMB Circular Letter 04-04.

FEDERAL AWARDS:

A federal single audit was not required.

STATE AWARDS:

No findings and/or questioned costs identified.

**BERLIN BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings

FEDERAL AWARDS

There were no prior year audit findings.

STATE AWARDS

There were no prior year audit findings.