

# BERNARDS PUBLIC SCHOOLS

Township of Bernards  
Board of Education  
Basking Ridge  
County of Somerset  
New Jersey

*Comprehensive Annual Financial Report  
For the Year Ended  
June 30, 2012*

# **Township of Bernards Board of Education**

## **Basking Ridge, New Jersey**

Comprehensive Annual Financial Report  
For the Year Ended June 30, 2012

Prepared by:

Business Office

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**BERNARDS TOWNSHIP PUBLIC SCHOOLS**

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November 20, 2012

Members of the Board of Education  
Bernards Township School District  
101 Peachtree Road  
Basking Ridge, N.J. 07920

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report of the Bernards Township School District (District) as of and for the year ended June 30, 2012, is hereby submitted. 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 (Board). 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 of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended. 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 includes this transmittal letter (designed to complement Management's discussion and analysis and should be read in conjunction with it), the District's organizational chart, and a list of principal officials and professionals. The financial section includes Management's discussion and analysis, the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section, which is unaudited, 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 Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non Profit Organizations," and the New Jersey State Treasury Circular Letter O4-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditors' 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 Audit Standards* and an independent auditors' 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 Circular 04-04 are included in the single audit section of this report.

**1. REPORTING ENTITY AND ITS SERVICES:**

The Bernards Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and the District-wide financial statements of the District are included in this year's report. The Bernards Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels kindergarten through twelve. These include regular, as well as, special education for handicapped youngsters. The District completed the 2011/12 fiscal year with an average daily enrollment of 5,687 students, which is 22 students more than the previous year's enrollment. The following details the changes in average daily enrollment in the District over the last five years.

<b>Average Daily Enrollment</b>		
<b><u>Fiscal</u></b>	<b><u>Student</u></b>	<b><u>Percent</u></b>
<b><u>Year</u></b>	<b><u>Enrollment</u></b>	<b><u>Change</u></b>
2011-12	5,687	0.38%
2010-11	5,665	(0.67)%
2009-10	5,703	1.26%
2008-09	5,632	2.08%
2007-08	5,517	0.95%

**2. ECONOMIC CONDITIONS AND OUTLOOK:**

Clearly, the School District has not been unaffected by the financial times. The immediate future would seem to hold continuing financial and budgeting challenges for the District and as such the Bernards Township School District is working under conservative assumptions with respect to the economic outlook. The Board of Education has resolved to create and fund capital and maintenance reserves in an effort to support this philosophy and as a way to anticipate fluctuations in future revenues

Current demographic data suggest that total student enrollment is expected to remain about flat with only minor fluctuations over the next two years with notable decline beginning in the 2014-2015 school year. The current trend is for slight growth at the high school, offset by small decreases at the elementary level while the middle school remains level. The decline in enrollment is consistent with the end of residential development. The uncertain factor is the possibility of a turnover in home ownership from aging residents to potential new families. In the event that enrollment does in fact begin to decline at a significant rate, there may be an opportunity to reevaluate the collection and allocation of resources.

### 3. MAJOR INITIATIVES:

The Board of Education met in July, 2011 to review the issue of student stressors and their impact on student achievement, academic integrity, and family life. After viewing clips of the independently produced film *Race to Nowhere*, the Board and members of the administration discussed various concerns and established an initiative to address student stressors at all school levels. The topic of Student Stressors was listed on each agenda for Board of Education meetings and status updates were provided. Several actions occurred over the course of the school year.

- ❖ On the District Professional Development Day in September, faculty and staff members viewed *Race to Nowhere*. Following the viewing, breakout discussion sessions were facilitated by various members of the administration and faculty. In November, the film was shown to an audience of approximately 400 parents. Student assistance counselors and the high school principal addressed questions from the audience regarding a range of issues presented in the film. Rutgers Professor and Director of the Social-Emotional Learning Lab Maurice Elias addressed an audience of approximately 300 parents in March on these same issues.
- ❖ A survey of students, teachers and parents on the subject of homework was administered in the fall of 2011. 1,931 parents, 2,756 students in grades 6-12, and 236 teachers participated. Parents posted 913 comments as part of the survey. The survey sought opinions on both the quantity and quality of assignments. Some of the issues identified were with individual/group projects: excessive length of time to complete, lack of follow-up in class, loss of family time during school recess periods, “island projects” that lack connection to current curriculum, time spent trying to locate materials, parents completing assignments, recycling of old projects from siblings/friends, and too much emphasis on artistic ability.
- ❖ An immediate response to the survey results and parental comments was the discontinuation of homework assignments during school recess periods which took effect during the December recess. After consultation with teachers, the administration developed new homework guidelines which became effective in February. For students in kindergarten through second grade, the guidelines require minimal math work and 15 minutes of reading per night. Suggested time allotments are addressed for all other grades as well. Additionally, Board Policy 2330 Student Homework was revised to allow a minimum of two days for students to make up work missed as a result of absence for any reason.
- ❖ A committee of high school teachers studied assessment practices as they relate to stress and academic integrity. The determination was made to eliminate mid-term and final exams beginning in 2012-13 for several reasons, including many hours

of review time restored to instruction, and alignment of high school assessment timelines with college testing timelines. As a result, the decision was made to incorporate quarterly assessments (at the end of each marking period) which will review material covered by marking period to allow for more frequent assessment of content acquisition.

- ❖ A tutorial center was established in a central location in Ridge High School ensuring that students at any free time during the day would have access to teachers in all content areas. Additionally, all freshmen study halls were scheduled as single grade classes without upperclassmen, allowing students to focus with less distraction.
- ❖ The multi-year District Goal is to understand the philosophy of differentiated instruction through the examination of learning styles of students and their teachers, instructional strategies, and assessments. Students come to school with different family environments, learning experiences, and readiness levels. The differentiated instruction process requires teachers to ascertain how each student learns, and how a student shows that he/she has mastery of a concept. Throughout the summer and school year, staff development during faculty meetings and departmental meetings, as well as individual coaching by Curriculum Supervisors stressed the essential elements of differentiated instruction. Staff College courses such as *Teaching Styles*, *Learning Styles* and *Differentiation of Instruction for the Special Needs Child* also advanced differentiated strategies and teaching modifications. In addition, staff was encouraged to identify differentiated instructional strategies in their lesson plans, which were then often the subject of lesson studies at various grade levels and content areas.
- ❖ To gain a deeper understanding of parental concerns, the Board's Community Relations Committee attended most PTO meetings over the course of the year, and met monthly with PTO leadership and the administration. The Superintendent highlighted critical Board agenda items on the website prior to Board meetings, and summaries of Board meetings were posted on the District website following each Board meeting.

## FINANCE

Governor Christie reduced the level of education funding beginning in the 2010-11 school year. In that year, the District received only 17% of its entitlement in accordance with the School Funding Reform Act of 2008. In 2011-12, it was scheduled to receive 34% of its entitlement, and in 2012-13 it is scheduled to receive 64%. Total aid lost as a result of not fully funding the SFRA is \$9,517,291. Consequently, this amount was levied on the taxpayers of Bernards Township.

In July 2011, the District unexpectedly received an additional \$777,421 in state aid for use during the 2011-12 school year, which brought its funding level to 50%. The Board used this additional aid to fund full, rather than half day, kindergarten, and re-instate nine coaching positions that had been eliminated in the prior year. The *Public School Initiative*, formed to raise money to fund full day kindergarten, returned the funds collected to donors. The implementation of an activity fee at Ridge High School was also postponed. The balance of the aid was appropriated for capital projects addressed in the Long Range Facility Plan.

In accordance with new legislation approved in January 2012, the Board of Education voted to move the school election for board members to November, and to keep the tax levy that supports the annual budget at or below the 2% cap. This eliminated the requirement to vote on the tax levy for 2012-13 fiscal year. Following a public hearing on the budget, the Board adopted this new legislation in March 2012.

All PowerPoint presentations regarding the preparation of the 2012-13 budget can be accessed on the District website.

A portion of the 2005 bond was refunded in April 2012, yielding a savings over 20 years of approximately \$800,000. The District anticipates an additional bond refunding during the 2012-13 school year, with an anticipated savings over 16 years of approximately \$700,000.

The auditing firm of Wiss & Company completed the 2010-11 Comprehensive Annual Financial Report and was appointed to perform the audit for the 2011-2012 fiscal year. The 2011-12 Comprehensive Annual Financial Report will be linked to our website upon completion.

The District participated in Gov Deals, an online auction that can be used to sell items or equipment that are being retired. The first sale was a 1995 courier van for \$1,700.

The New Jersey Department of Education released its 2010-11 School Report Card in May, 2012. It calculates per pupil expenditures in several categories, including classroom instruction, support services, administration, extracurricular activities, plant operations and maintenance, and total budget. It compares a districts cost in each area to the state average. The following compares our District with the State Average.

	<b>Bernards Township</b>	<b>State Average</b>
<b>Classroom Instruction</b>	\$7,272	\$7,919
<b>Support Services</b>	\$1,833	\$2,051
<b>Administration</b>	\$1,080	\$1,369
<b>Extracurricular</b>	\$270	\$225
<b>Plant operations/maintenance</b>	\$1,267	\$1,604
<b>Total Cost Per Pupil</b>	\$15,671	\$17,469

## **TRANSPORTATION**

District busing is administered by the Somerset County Educational Services Commission (SCESC). It is responsible for the management and daily operation of all transportation needs. This year there were 149 routes servicing all regular, special education (including extended summer period), subscription and non-public students.

During the summer of 2011, SCESC purchased new routing software. The software changed several of the existing routes and pick-up times, resulting in many problems. Students had different walks to their bus stops, were on the bus for a much longer period of time, had earlier pick-up times, were not picked up at all, etc. In addition to an overwhelming number of phone calls and e-mails, parents voiced their dissatisfaction at Board meetings. The Business Administrator directed the software vendor and the SCESC to correct the problems and by the end of September busing was running very smoothly. The Commission also hired an additional transportation supervisor to solely manage the District's busing operation.

The subscription busing fee remained at the 2010 level of \$690.

Traffic congestion and safety concerns surrounding morning arrival at Ridge High School continued to worsen. In an effort to relieve some of the safety issues, representatives of the Board of Education and Township Committee met to discuss alternative arrival patterns, and methods of ingress/egress. The Board believed that an entrance through the municipal complex for either buses or cars would alleviate much of the problem. Citing conflicts with police and other emergency vehicles as well as surface capability to handle additional traffic, the Township Committee did not endorse its use. Beginning February 1, the administration directed that Ridge buses enter the Ridge/Cedar Hill campus through the Homestead Village neighborhood, utilizing either Winding Lane or Homestead Road, and proceeding either one or two blocks up Peachtree Road, exiting students at the Cedar Hill path to the high school. Separating the buses from the parent drop-off and student car arrivals afforded noticeable relief. Students, parents, and staff reported much shorter wait time on car lines. Residents of the Homestead neighborhood voiced strong objection to the revised bus routes and sent e-mails and a petition to the Board of Education. Attending two Board meetings, residents urged the Board to direct the re-routing of the buses. The Township Committee recommended an alternative entrance design be explored. The Board commissioned a traffic study which would include all alternatives. The traffic study was completed in late June. The Board scheduled a special meeting on June 25<sup>th</sup> to begin review of the study.

## **CURRICULUM**

In addition to the adoption of some new curricula and textbooks, several programmatic changes occurred. Along with 46 other states, New Jersey adopted the Common Core Standards for Language Arts and Math. These standards began a three year phase in this year. The changes to the Common Core standards in mathematics more closely align the math curricula with the *Singapore Math* program. This program encourages a more

thorough review of individual concepts with significant practice built in. The changes to the Language Arts curriculum will focus on improving non-fiction reading skills as well as more phonics integration at the primary grades. A new assessment tool was initiated this year for placement in 7<sup>th</sup> grade algebra. Measures of Academic Progress (MAP) is an adaptive test taken online. As a student answers questions, the test adjusts to the student's performance level and then continues to ask more challenging questions until the student achieves at his/her highest level. The benefits of this test over the formerly used IOWA Algebra and Arlin Reasoning tests, is that a student cannot be tutored in the test content as has happened in past years. A student's current knowledge is gauged. Results are available in three days for analysis both in placement and in instructional needs. Beginning in the fall, the test will be administered twice a year in the 5<sup>th</sup> and 8<sup>th</sup> grades for language arts and math.

The alternative path for 8<sup>th</sup> grade geometry will be eliminated after this year. Currently, this path allows students who earned an A in 7<sup>th</sup> grade math to enroll in a summer program for Algebra 1 and if they receive a B or better in the course they are allowed to take a test that equates to the District's algebra final. A grade of B or better on that test permits the student to be placed in geometry. Of students who enter geometry through this alternative path, approximately 50% pass the course. Due to the wide range of summer courses available, quality is inconsistent, particularly with online courses. Often, students who take an online course are not prepared for certain skills required in geometry, such as graphing. This alternative path will be replaced by analysis on an individual basis and will allow more dialogue with parents who are considering it.

Currently, students study American History in 5<sup>th</sup> grade, switch to Ancient Civilizations in 6<sup>th</sup>, Geography in 7<sup>th</sup>, return to American History in 8<sup>th</sup>, World History in 9<sup>th</sup>, and again return to American History in 11<sup>th</sup> grade. This random order of learning, coupled with the NJ Social Studies Standards changed emphasis on 21<sup>st</sup> century skills, necessitates a revision of scope and sequence (i.e. the periods of history and the order in which they are taught), which will provide a better transition from 5<sup>th</sup> to 6<sup>th</sup> grade and from 8<sup>th</sup> to 9<sup>th</sup> grade. The new sequence will be phased in beginning with next year's 4<sup>th</sup>, 5<sup>th</sup>, and 6<sup>th</sup> graders. Current 7<sup>th</sup> – 9<sup>th</sup> grade students will continue in the current sequence.

<u>Current Sequence</u>	<u>New Sequence</u>
Grade 4 – U.S. History I	N.J. History and Colonial America
Grade 5 – U.S. History II	Early American History (through Civil War)
Grade 6 – Ancient Civilizations	American History (reconstruction (through present)
Grade 7 – Geography	Global Studies (includes geography)
Grade 8 – American History	World History I
Grade 9 – World History	World History II

### Examples of new or revised courses

- ❖ *Italian Regionalism* replaces *Italian V*. This course will be run every other year, alternating with *Topics in Italian Culture* and will be offered to juniors and seniors so they can take both courses. These courses will study the diversity of Italian culture as a result of regionalization and will be taught in Italian, reinforcing correct grammar and language usage.
- ❖ *Latin America Culture and Society* replaces *Spanish V*. This course will be run every other year, alternating with *Spanish Culture and Society*, also offered to juniors and seniors. These courses will explore themes of history, arts, social issues, and literature of Latin American countries.
- ❖ *Dance III* is a new course developed to accommodate the students who have been part of the growing dance program, currently in its third year. This upper level course will provide students with advanced techniques in ballet, modern, jazz, and multi-cultural dance. Students will be prepared for and encouraged to audition for dance performance opportunities and/or college dance programs.
- ❖ *Go Math* replaces *Chicago Math* in grades K-2. American math curriculum has been criticized for being ‘a mile wide and an inch thick’, meaning it covers a vast range of material, but not in enough depth. New Jersey has followed the national trend towards revising its curriculum standards in math as well as other content areas. Its recently enacted Core Content Standards meet the criteria of The Council of Chief State School Officers and The National Governors Association Center for Best Practices. The curriculum is internationally benchmarked, so that all students are prepared for succeeding in a global economy and society. *Go Math* aligns with the new standards.

Academic student achievement as measured by standardized testing can be viewed in District testing reports. Because the state releases testing data at different times throughout the year, it can be difficult to compare results. As an example, general NJASK data is released in July, but the more detailed testing results including No Child Left Behind (NCLB) adequate yearly progress (AYP) status are not released until the fall. A report is given to the Board on state assessments in the fall and all other assessments in the winter. In addition, NJASK scores are reviewed with parents at all elementary and middle schools in the fall. These reports can be accessed at Director of Curriculum Sean Siet’s website. The Department of Education releases comparative results for all districts’ AP and SAT results in its School Report Card in December of the year following the testing.

The 2011 Testing Report examines results from testing in the 2010-11 school year. The Post Secondary Report analyzes the most recent data received in each of the specific areas, and cites multi-year comparisons. The report shows large increases from 2008 in the number of college acceptances in every category, ranging from Ivy League and the

different degrees of competitive schools. For example, in 2008, 164 students were accepted to ‘highly competitive’ schools. In 2011, 489 students were accepted into this same category of colleges. There was a slight increase in the SAT reading and writing mean scores and a slight decrease in the math mean score. A notable achievement is the increase in the Advanced Placement Excellence and Equity percentage. Excellence and Equity scoring reflects the percentage of students that score a 3 or higher on at least one AP test. In 2008, 19.8% of 11<sup>th</sup> graders accomplished this compared to 49.1% in 2011. In 2008, 30.0% of 12<sup>th</sup> graders scored well on at least one AP test compared to 48.1% in 2011. Testing data from the 2011-12 school year will be reported in fall 2012.

Gender differences in middle and high school academic performance were reviewed and were found reflective of national trends. Boys tend to outperform girls on the math portion of the SAT and to a lesser degree on the reading portion. Girls outperform boys on the writing section of the SAT. Girls are enrolled at a higher proportion than boys in accelerated (honors and AP) language arts, social studies, and world language courses. Boys have higher participation in accelerated math and science courses. The average GPA of male students is 3.3; 3.5 is the average for females.

## **FACILITIES**

A Feasibility Study Review and attending cost estimates were developed and presented to the public at a meeting of the Board of Education. The study conducted by the Spiegle Architectural Group considered enrollment and capacity, educational space and program, physical plant and systems, and budgets by school. The work deemed necessary was rated within four priority tiers, and totaled almost \$14M worth of repair and replacement projects. Monies were appropriated from the 2011-12 budget to address the most critical areas, notably repairs and maintenance to several of the District roofs. Some projects were completed in the summer of 2011 and others are scheduled for summer 2012, including the Liberty Corner retaining wall, and an assortment of exterior and interior renovation projects.

Multiple concerns regarding Ridge athletic field drainage problems, Annin field improvements, Lee field turf replacement, and projects proposed by the Ridge High Sports Foundation, led to a recommendation to form an Athletic Facilities Ad Hoc Committee with stakeholders from multiple perspectives to inform the Facilities Committee when evaluating needs of the long range District plan. The Committee began to meet in September.

Several operational initiatives were instituted this year. Focusing on energy conservation, the District participated in Direct Install, a state program that finances 60% of approved projects. A Power Purchase Agreement (PPA) was explored as was an Energy Savings Improvement Plan (ESIP). Three options were considered: contracting with an Energy Savings Company (ESCO), managing the projects in-house, or a hybrid of both methods. Ultimately, the District approved participation in the Somerset County Improvement Authority’s Power Purchase Agreement (PPA) project and is also embarking on an assortment of lighting conservation measures.

A request was made from the community to begin participation in the Adult School of the Chatham, Madison, and Florham Park using Ridge High School. A pilot offering a few classes was approved to begin in fall 2012.

## **POLICY**

Discussion of including Diwali in the school calendar as a result of requests and a petition from members of the Indian community was reviewed by the Policy Committee. The Committee recommended to the Board that the issue be included in the strategic planning process that began in September, and that the Board vote on the Strategic Planning Committee's recommendations with respect to Diwali.

Several Board of Education policies were adopted or revised during the school year, mostly as a result of state mandates. Those policies are as follows:

Policy 0142 Board Member Qualification and Code of Ethics - - revision incorporates the newly mandated criminal background checks of members of a board of education.

Policy M0144 Board Member Orientation and Training - - mandated revision to include the annual training of Board members on harassment, intimidation and bullying.

Policy 2330 Student Homework - - revised to state that homework should be meaningful and intended to further learning or instructional concepts presented in class, and that students be given two days, rather than one, to make up homework after an absence.

Policy M2412 Home Instruction Due to Health Condition - - mandated revision covering students without disabilities who are at home due to a health condition that requires an Individualized Program Plan (IPP) when an absence exceeds 30 days. Also states that the refusal of parents to participate in the plan or to be present in the home during instruction may be deemed a violation of compulsory education and neglect laws.

Policy M2431.4 Prevention and Treatment of Sports Related Concussions and Head Injuries - - mandated new policy designed to protect students and reflects recent advances in the understanding of head injuries.

Policy M2481 Home or Out-of-school Instruction for General Education Pupils - - mandated revision covering students not at school as a result of suspension, criminal offenses, or court order requiring an IPP after 30 days.

Policy M5512 Harassment, Intimidation, Bullying and Hazing - - minor changes reflecting latest state regulations.

Policy M5519 Dating Violence At School - - new policy mandating school staff members to report any acts or incidents of dating violence at school, whether they are verbal, sexual, physical, or emotional.

Policy M5516 Personal Technology - - newly mandated policy covering use of personal technology in classroom instruction, addressing teacher discretion in permitting students to use personal devices in class.

Policy M5600 Pupil Discipline/Code of Conduct - - mandated revision to reflect additional bullying legislation.

Policy 6631 Funding for Current and New Athletic Teams and Extracurricular Clubs - - allows for the institution of user fees determined on an annual basis.

Policy M6820 Finance Reports - - mandated revision that prohibits expenditures in excess of budget appropriations and cites consequences for violation or failure to file monthly financial reports.

Policy M8461 Reporting Incidents of Violence, Vandalism, Harassment, Intimidation, Bullying, Hazing, Alcohol, and Other Drug Abuse - - reflects legislation requiring semi-annual reporting.

## **HUMAN RESOURCES**

During the 2011-2012 school year the district hired 86 teachers: 49 veterans and 37 people new to the profession of teaching. The openings occurred as a result of one teacher whose contract was not renewed, two teachers whose positions were eliminated, 34 maternity leave openings, two retirements, three transfers, three medical issues, 16 growth positions, 24 resignations and one death.

To recruit new staff, curriculum supervisors attend the job fairs at The College of New Jersey (TCNJ) and Rutgers. Because of the strong education programs at these colleges, their graduates have been found to be well prepared to teach. Of the 86 new teachers hired last year, nine were Rutgers graduates and six attended TCNJ. Other degrees include: Montclair, Drew, Caldwell and Kean. Approximately \$26,600 or 59% of the Human Resources budget is spent on advertising. The Sunday Star Ledger (NJ.com) and NJhire.com generate the greatest number of resumes. The District website has also proven very effective in listing vacancies. Many candidates reported that they found openings on the District website along with much useful information about the District.

New staff had varying educational and professional backgrounds and levels of teaching experience. Forty three teachers holding bachelor's degrees had up to 21 years of experience. Three teachers had BA+30. Thirty four teachers holding master's degrees had up to 18 years of experience, and six teachers holding master's degrees with an additional 30 graduate credits had up to 20 years of teaching experience.

Last year 34 staff advanced in their degree attainment: eight attained 30 credits beyond their bachelor's degree; 18 received a master's, and eight attained 30 credits beyond their master's degree. For these advancements the district met the budget cap of \$225,000 in tuition reimbursement.

Sadly, a science teacher at Ridge High School, Dan Friedman passed away during the school year. He served the students of Bernards Township well, and will be missed.

The administrative team changed during the 2011-12 school year, welcoming Katherine Stotler as the new Supervisor of World Languages and ESL replacing Mary Asfendis who left to become an Assistant Principal at Westfield High School.

The in-house professional development program continued to flourish in 2011-12. One hundred nine courses were offered to staff during the school year. While some teachers took one class, others took as many as four. In 2011 the District provided an extensive New Teacher Orientation program. Four days during the last week of August, the Assistant Superintendent, Directors of Curriculum and Special Education, Assistant Principals and the Technology Manager met with new staff to review curriculum and teaching strategies. New staff attended workshops on classroom management, technology, special education, crisis management, lesson planning, and observation and evaluation. Time was also provided for new teachers to visit their individual schools and to work with principals and assistant principals. During the school year, curriculum supervisors, directors and building administrators continued New Teacher Orientation by working with our new teachers on Monday afternoons from September through November. Topics included: preparation for Back to School Night, completing progress reports and report cards, lesson planning, curriculum pacing, developing and administering assessments, technology, special education, character education, goal setting, differentiation of instruction, constructing open ended questions with rubrics, and the writing process.

The Local Professional Development Committee (LPDC) created, implemented and facilitated a mentoring program for the 29 new teachers, eight of whom were certified through the New Jersey Department of Education's alternate route program. Six mentoring workshops were held from August through April and included topics as: The "Why of Mentoring," roles and responsibility of mentors and mentorees, N.J. Professional Standards for Teachers, beginning teacher needs, self-reflective journals, pre-conferencing, adult learners, observing and post conferencing and an end of the year reflection.

The Board of Education and the Bernards Township Association of Administrators reached a settlement that included salary increases of 1%, 1.5% and 2% for the respective years of 2012-2015. In accordance with P.L.78, administrators began to contribute towards the cost of their health insurance. The legislation lays out a four year phase in of contributions based upon salary and type of coverage. In most cases, in the final year of the phase-in, administrators will contribute 35% of the cost of their coverage premium.

In October, Superintendent Valerie Goger and Assistant Superintendent Regina Rudolph announced their intention to retire effective June 30, 2012. The Board of Education advertised the anticipated superintendent vacancy. Nineteen letters of interest were received, and the Board of Education interviewed five candidates. Internal candidate

Nick Markarian, who was in the role of the District Business Administrator, was chosen unanimously to assume the role of District superintendent. The assistant superintendent vacancy was posted internally. Director of Curriculum Sean Siet was unanimously appointed in January. Mr. Markarian and Mr. Siet began the transition into their new roles by working closely with Dr. Goger and Ms. Rudolph throughout the spring.

In accordance with Policy 1300, the Superintendent is directed to annually develop or review the long- range administrative structure. The Board is then to review the structure to insure a) appropriate funding to support the structure, and b) alignment with the changing circumstances and goals of the district. Facing changing circumstances with the retirement of the Superintendent and Assistant Superintendent, the beginning of a declining enrollment period, as well as the limitations of the 2% budget cap, made this review timely and critical.

Working now for two years under the most recently revised structure created in 2010, which includes ten month supervisors and elementary assistant principals, as well as the extra duty stipends, and after much discussion with principals and directors about the current model, the central administration determined five goals that would drive the review of that model. After the loss of state aid, the 2010 model was created in order to save money; but the workload was not lessened. The work formerly performed by the elementary assistant principals over the summer wound up being completed by the elementary principals themselves, increasing their responsibilities. Some of the work formerly performed by the supervisors was completed by the Director of Curriculum and the middle and high school principals. Supervisors were not present in the District to interview new hires in the summer, and they were not available to make placement decisions for honors and AP courses, as well as instructional support classes. Additionally, they could not do the research and development work that forms the basis of curriculum reviews. So for reasons of fairness and equity, the goals that drove the development of a new structure were:

- revert the ten month positions back to twelve months,
- eliminate all stipends for administrators completing additional duties,
- create the position of assistant business administrator,
- reinstate a Guidance administrative position (supervisor, at a slightly lower salary than a director), and
- no increase in administrative costs or ratios.

The Administrative Cabinet met three times to work on structural review. Administrators met as homogenous groups (assistant principals, supervisors, principals, directors) to first document responsibilities, and then in heterogeneous groups to brainstorm structural needs and develop scenarios. From those scenarios, the Superintendent, Assistant Superintendent, and Business Administrator developed a final structure. The structure then was brought back to the Cabinet to work on the equitable distribution of responsibilities. In addition to meeting the goals of the review, the final reorganization included the consolidation of the positions of Director of Curriculum and Instruction, and

Assistant Superintendent for Human Resources. With the creation of the Supervisor of Guidance position, one high school guidance counselor position was eliminated. A clerical position funded through the ARAMARK contract was eliminated, and the business office assumed responsibility for the duties of that position. While the plan recommended the contraction of supervisory positions and an elementary assistant principal position over the next two years, because elementary enrollment remains static and secondary enrollment continues to increase, that piece of the plan was delayed at least for the 2012-13 school year. The savings covered all aspects of the final structural change. Further review of the plan will occur in preparation of the 2013-14 budget.

## **END OF YEAR**

Ridge High School held graduation for its 443 members of the Class of 2012 in a wonderful commencement on June 22, 2012. Graduates received numerous academic awards and hundreds of scholarships. Twenty four Ridge students were named National Merit Society commended students. Ten were named semi-finalists, and nine students then rose to finalist status. There were three National Merit Scholarship winners: Alexander Liao, Laurence Liao, and Samuel Sharer - A first in the history of Ridge High School. Eric Wei was awarded the National Merit Novartis Scholarship. Jeffrey Cai was selected for the U.S. traveling team to compete in the International Physics Olympiad in Estonia in mid-July 2012.

In three ceremonies on the evening before high school graduation, William Annin Middle School promoted 476 students to the ninth grade. Liberty Corner student Katelyn King was one of only two elementary students from Somerset County to have her work displayed in the State Youth Art Exhibit. Several students at the elementary, middle, and high school levels were chosen to perform in the New Jersey All State Chorus. At its June 11 and 18 meetings, the Board of Education recognized several groups of staff and students:

### **Student Championships**

New Jersey Tournament of Champions Girls Golf  
New Jersey Junior Classical League State Convention  
New Jersey State Champion Forensics Team  
NJSIAA Individual State Champion Boys Swimming – Bradley Wachenfeld  
NJSIAA State Squad Championship Girls EPEE Fencing  
New Jersey Science League Chemistry I First Place  
Destination Imagination Global Qualifiers

## **Retirees**

Valerie Goger	Superintendent of Schools
Regina Rudolph	Assistant Superintendent
Charles Bene	Ridge High School Math
Carol Marin	Ridge High School Social Studies
Beth Bierbower	Liberty Corner School Reading Specialist
Cheryl White	William Annin Middle School Secretary

## **Teachers of the Year**

Sloan Castleman	Mount Prospect School Instructional Support
Wendell Jeffrey	Ridge High School Art
Heather Ray	Liberty Corner School Grade 2
Chris Swanson	William Annin Middle School Science
Krissy Uhler	Cedar Hill School Grade 3
Betsy Wallace	Oak Street School Kindergarten

## **Service Awards as of September 1, 2011**

### **15 Years**

Debbie Bove	Secretary, William Annin Middle and Ridge High School
Marcy DiEduardo	Kindergarten Teacher, Oak Street School
Renee Kiernan	Special Education Teacher, William Annin Middle School
Barbara Kwityn	Kindergarten Teacher, Mount Prospect School
Carol Marin	Social Studies Teacher, Ridge High School
Dave Yastremski	Language Arts Teacher, Ridge High School

### **20 Years**

Connie Rose	Media Specialist, Cedar Hill School
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### **25 Years**

Barbara Bush	Student Assistance Counselor, William Annin Middle School
Janet Marino	Social Studies Teacher, William Annin Middle School
Betsy Wallace	Kindergarten Teacher, Oak Street School

## **PARENTAL SUPPORT**

The PTOs and parents were again very generous in their fund raising attempts to support school activities. A great deal of financial support was provided by parents at the middle and high school for individual athletic teams and school clubs.

- ❖ As a result of a budget defeat 20 years ago, the District was unable to fund middle school athletics. There was no organized middle school program for many years. In 2006 parents organized the William Annin Middle School Athletics Organization (WAMS AO) and assumed full responsibility for the funding and operation of middle school sports. This past year, 13 sports were offered, with a total participation of 324 students. In addition to organizing

and operating car pools for interscholastic competitions, the parents contributed \$71,000 for coaching stipends, uniforms, and fees.

- ❖ Cedar Hill PTO raised over \$120,000 to completely renovate the Cedar Hill media center over the course of two years.
- ❖ Mount Prospect PTO gifted \$30,000 for classroom technology and additional funds for garden fencing.
- ❖ Liberty Corner PTO contributed \$45,000 to air condition the classrooms that were in the older sections of the school, some exceeding 90 degrees on even temperate days.
- ❖ William Annin PTO dedicated \$30,000 towards classroom technology.
- ❖ Ridge Runners donated \$4,200 for a field storage shed.
- ❖ Ridge High Band Parents purchased a \$6,000 equipment trailer.
- ❖ Parents Art Advisory Board donated almost \$4,000 towards the purchase of art display panels.
- ❖ All PTOs funded numerous student assemblies and field trips. Without their financial backing, most of these opportunities could not have been provided using District funds. Elementary parents also gave liberally of their time and effort in working with students in the classrooms, media centers, and at outdoor field days.

The District wishes to thank the community of Bernards Township for its support, and renews the commitment to provide services that are in concert with the District's philosophy.

- ❖ Education is our first priority.
- ❖ Intellectual, social, physical and emotional developments are essential to a student's education.
- ❖ Children learn in different ways; we have a responsibility to help all students maximize their potential. Students will benefit from a challenging curriculum with high standards.
- ❖ Individual student achievement is maximized by high expectations.
- ❖ Co-curricular and community service activities are important components of effective education.
- ❖ Education provides a foundation for life-long learning, critical and analytical thinking, problem solving, decision-making and respect for the individual.

**4. INTERNAL CONTROL:** Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America as they pertain to governmental entities. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance 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 awards and state financial assistance, the District also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the District management.

As part of the District's single audit, described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal awards 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 controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service 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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance, assigned to other purposes at June 30, 2012.

**6. ACCOUNTING SYSTEM AND REPORTS:** The District's financial statements are presented in conformity with generally accepted accounting principles in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and a district-wide presentation is also included. These funds and district-wide statements are explained in "Notes to the Basic 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 Basic Financial Statements," Note 3. 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

Government 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. For the 2011-12 fiscal year, the District continued participation in the Blue Cross / Blue Shield Cash Management / Minimum Premium Program for its health insurance that it commenced participation in the 2010-2011 fiscal year.

**9. OTHER INFORMATION:** Independent Audit - State statutes require an annual audit by independent certified public accountants. The accounting firm of Wiss & Company, LLP, 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 1996 Amendments and the related OMB Circular A-133 and New Jersey State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

**10. ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Bernards Township School Board 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.

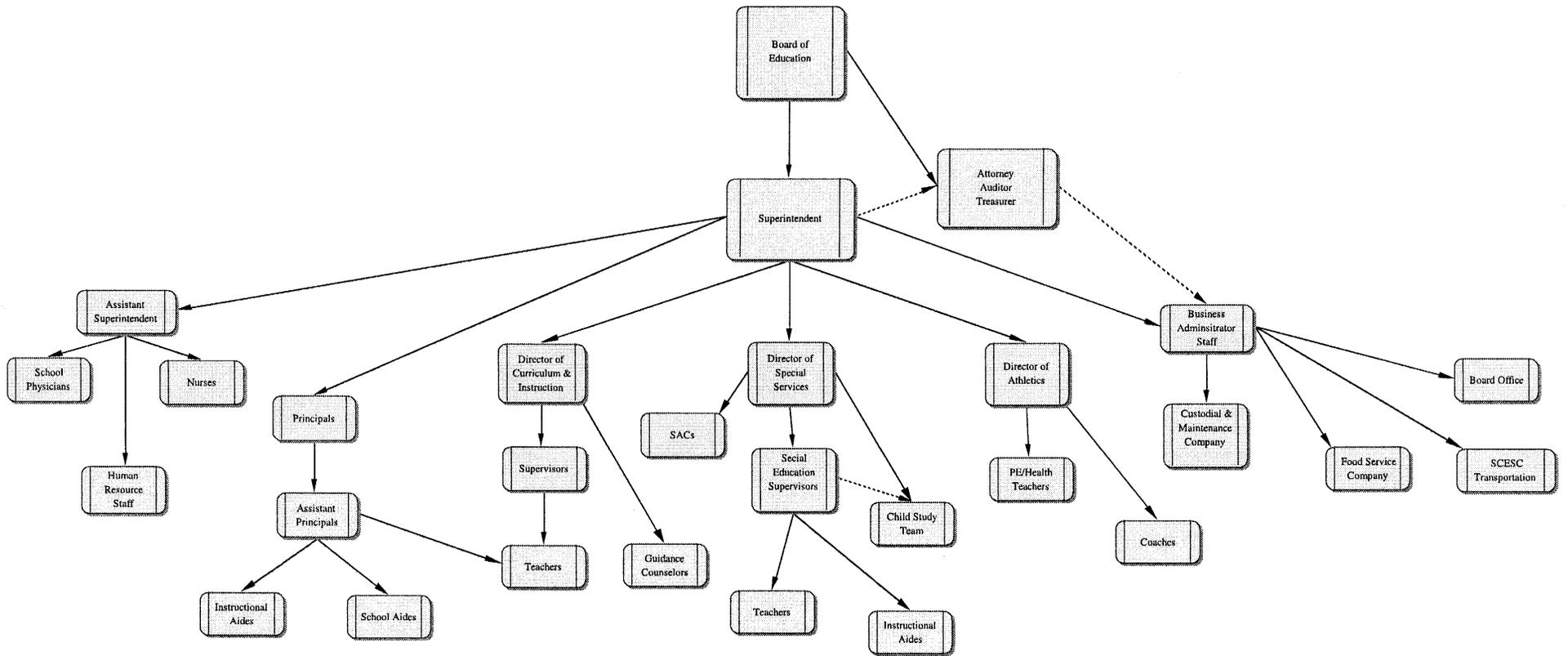
Respectfully submitted,



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**NICK MARKARIAN**  
**BUSINESS ADMINISTRATOR/BOARD SECRETARY**

BERNARDS TOWNSHIP PUBLIC SCHOOLS  
 ORGANIZATIONAL CHART  
 JUNE 30, 2012



Township of Bernards Board of Education  
Basking Ridge, New Jersey

Roster of Officials

June 30, 2012

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Susan McGowan, President	January 2015
Audrey Cohen Sherwyn, Vice President	January 2013
Michael Byrne	January 2014
William Koch	January 2014
Elaine Kusel	January 2014
Robin McKeon	January 2013
Priti Shah	January 2015
Linda Wooldridge	January 2015
Beverly Darvin Cwerner	January 2013
<b><u>Other Officials</u></b>	
Valerie A. Goger, Superintendent (retired effective June 30, 2012)	
Regina Rudolph, Assistant Superintendent (retired effective June 30, 2012)	
Sean Siet, Assistant Superintendent (effective July 1, 2012)	
Nick Markarian, School Business Administrator/Board Secretary (Appointed as Superintendent effective July 1, 2012)	
Roderic McLaughlin, School Business Administrator/ Board Secretary (effective July 1, 2012)	
Michael Petrizzo, Treasurer	

Township of Bernards Board of Education  
Basking Ridge, New Jersey

Independent Auditors and Advisors

**Independent Auditors**

Wiss & Company, LLP  
485C Route 1 South  
Iselin, NJ 08830

**Attorney**

Phillip Stern, Esq.  
Adams, Stern, Gutierrez, & Lattiboudere, LLC  
744 Broad Street, Suite 1600  
Newark, NJ 07102

**Official Depository**

Wells Fargo  
59 South Finley Avenue  
Basking Ridge, NJ 07920

## Financial Section



## Independent Auditors' Report

Honorable President and Members  
of the Board of Education  
Bernards Township School District  
County of Somerset  
Basking Ridge, 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 Bernards Township School District, County of Somerset, New Jersey (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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.

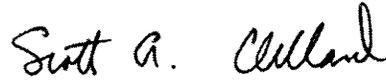
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the 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 November 20, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 on pages 25-34 and 74-81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.



Scott A. Clelland

Licensed Public School Accountant

No. 1049



WISS & COMPANY, LLP

November 20, 2012  
Iselin, New Jersey

Required Supplementary Information – Part I  
Management’s Discussion and Analysis

## Township of Bernards Board of Education

### Management's Discussion and Analysis Year Ended June 30, 2012 (Unaudited)

As management of the Bernards Township School District (the "District"), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the year ended June 30, 2012. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

Management's Discussion and Analysis ("MD&A") is Required Supplementary Information as required by the Governmental Accounting Standards Board. Certain comparative information between the current year and the prior year is presented in this MD&A.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required and other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

The district-wide financial statements can be found on pages 35-36 of this report.

**Fund financial statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund, capital projects fund and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund, special revenue fund and debt service fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 37-39 of this report.

**Proprietary funds.** The District maintains one proprietary fund type. Proprietary funds are used to report the same functions presented as business-type activities in the district-wide financial statements. The District uses enterprise funds to account for the operations of its food service, after school enrichment, project jump start, and before and after school care programs, each of which are considered major funds of the District.

The basic proprietary fund financial statements can be found on pages 40-42 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses trust funds to account for the activity of the private-purpose scholarship fund and unemployment compensation trust fund.

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 43-44 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 45-73 of this report.

**Other information.** The combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 74-92 of this report.

## **Financial Highlights**

### **District-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$16,006,659 (net assets) at the close of 2012 and our overall financial position has remained stable in the current year. Of this amount, the District currently has an unrestricted balance of net assets in the amount of \$3,465,732.

Key financial highlights for the 2011-2012 fiscal year include the following:

- The State withheld both of the June fiscal year state aid payments until July 2012.
- Subsequent to the adoption of the District's 2011/2012 annual budget, the State approved additional state aid to the District for 2011/2012 in the amount of \$777,421.
- The final approved extraordinary aid awarded to the District for 2011/2012 of \$2,157,896 exceeded the amount budgeted for by the District by \$457,896.

The following table provides a summary of net assets relating to the District's governmental and business-type activities as of June 30, 2012 and 2011:

Township of Bernards Board of Education  
Basking Ridge, New Jersey

Net Assets

June 30,

	2012			2011		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$15,580,828	\$1,199,724	\$ 16,780,552	\$14,642,266	\$ 1,225,539	\$ 15,867,805
Capital assets, net	84,448,210	98,714	84,546,924	86,462,390	109,708	86,572,098
Total assets	100,029,038	1,298,438	101,327,476	101,104,656	1,335,247	102,439,903
Current liabilities	7,167,417	299,178	7,466,595	8,258,846	292,054	8,550,900
Long-term liabilities outstanding	77,838,156	16,066	77,854,222	80,395,520	34,362	80,429,882
Total liabilities	85,005,573	315,244	85,320,817	88,654,366	326,416	88,980,782
Net assets:						
Invested in capital assets, net of related debt	4,428,832	64,559	4,493,391	4,266,351	56,950	4,323,301
Restricted	8,047,536		8,047,536	3,899,177		3,899,177
Unrestricted	2,547,097	918,635	3,465,732	4,284,762	951,881	5,236,643
Total net assets, as restated	\$ 15,023,465	\$ 983,194	\$ 16,006,659	\$ 12,450,290	\$ 1,008,831	\$ 13,459,121

A large portion of the District's net assets is the amount invested in capital assets net of related debt (e.g. land, building and building improvements and machinery, vehicles and equipment), net of related debt. The balance of invested in capital assets, net of related debt is the carrying value of capital assets less the amount of the outstanding debt used to finance those assets.

The balance of restricted net assets consists of the excess surplus-current year of \$1,570,576, excess surplus-designated for subsequent year's expenditures of \$1,648,001, \$3,400,000 for a maintenance reserve, \$862,246 for a capital reserve, \$565,314 reserved for capital projects and \$1,399 is reserved for debt service. The remaining balance represents an unrestricted balance of \$3,465,732.

The increase in current and other assets is mainly attributable to the increase is cash that was generated from excess revenues received and unexpended appropriations due to conservative budget management. The decrease in capital assets, net is the result of current year depreciation expense exceeding current year capital asset additions. This is mainly attributed to the large scale of projects that have been completed and capitalized in the prior years. The decrease in both current and long-term liabilities is mainly the result of the paydown and refinancing of prior year liabilities relating school bonds and payment of compensated absences for retired employees. The increase in restricted net assets is mainly attributable to the District approving transfers of unexpended fund balances during the year into the maintenance and capital reserves of \$2,400,000 and \$800,000, respectively.

**District activities.** The key elements of the District's changes in net assets for the years ended June 30, 2012 and 2011 are as follows:

Township of Bernards Board of Education  
Basking Ridge, New Jersey  
Changes in Net Assets

Year ended June 30,

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,491,437	\$ 3,527,876	\$ 5,019,313	\$ 1,250,067	\$ 3,398,304	\$ 4,648,371
Operating grants and contributions	1,698,237	124,916	1,823,153	1,446,222	134,876	1,581,098
Capital grants and contributions				1,765		1,765
General revenues:						
Property taxes	80,135,119		80,135,119	78,501,965		78,501,965
Federal and State aid not restricted to specific purposes	11,210,045		11,210,045	8,622,247		8,622,247
Investment income	13,873		13,873	42,182		42,182
Miscellaneous	421,748		421,748	154,079		154,079
Total revenues	94,970,459	3,652,792	98,623,251	90,018,527	3,533,180	93,551,707
Expenses:						
Instructional services	51,490,483		51,490,483	48,795,613		48,795,613
Support services	37,321,508		37,321,508	35,048,055		35,048,055
Interest and other charges on Long term debt	3,585,293		3,585,293	3,845,737		3,845,737
Business type activities		3,678,429	3,678,429		3,316,496	3,316,496
Total expenses	92,397,284	3,678,429	96,075,713	87,689,405	3,316,496	91,005,901
Increase (Decrease) in net assets	2,573,175	(25,637)	2,547,538	2,329,122	216,684	2,545,806
Net assets – beginning of year	12,450,290	1,008,831	13,459,121	10,121,168	792,147	10,913,315
Net assets – end of year	\$ 15,023,465	\$ 983,194	\$ 16,006,659	\$ 12,450,290	\$ 1,008,831	\$ 13,459,121

The decrease in governmental activities revenues of approximately \$4.95 million is mainly the result of the increase in in the local tax levy of approximately \$1.6 million and the increase in federal and state aid, not restricted for specific purposes of approximately \$2.6 million. The increase in unrestricted federal and state aid is mainly the result of approximately \$1.5 million of additional general state aid awarded than in the prior year, approximately \$200,000 of additional extraordinary aid awarded than in the prior year and approximately \$950,000 more TPAF pension contributions made by the State of New Jersey on-behalf of the District during 2011/12 than in the prior year.

The increase in instruction and support service expenditures is mainly the result of the District receiving increases in state aids awarded to the District, allowing the District to re-implement certain positions and programs that they were forced to eliminate in the prior years due to state budgetary cuts imposed during the previous years.

Business-type revenue increased by approximately 3.3% and this fluctuation is minimal and current year activity is comparable to the prior year. Business type expenses increased by approximately 10.9% mostly as the result of increased costs in the food service and the before and after school care enterprise funds, resulting from increased salaries and wage expenses required to fully staff the programs.

**Financial Analysis of the District’s Funds**

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

**Governmental funds.** The focus of the 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 District’s financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain district-wide liabilities that are not recognized in the governmental funds.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the year ended June 30, 2012, and the increases and decreases in relation to the prior year:

<b>Revenue</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase from 2011</b>	<b>Percent of Increase</b>
Local sources	\$ 82,199,920	86.6 %	\$ 2,120,184	2.6 %
State sources	11,206,655	11.8 %	2,346,118	26.5 %
Federal sources	1,563,747	1.6 %	487,340	45.3 %
<b>Total</b>	<b>\$ 94,970,322</b>	<b>100.0 %</b>	<b>\$ 4,953,642</b>	<b>5.5 %</b>

The increase in local sources from the prior year was the result of an increase in the taxes levied during the annual budget process to help offset increase in budgeted expenditures.

The increase in state sources is mainly attributable to the State of New Jersey’s awarding of additional general state aid and extraordinary aid during 2011/12 than in the prior year.

The increase in federal sources is mainly attributable the District receiving and expending federal funds in the current year relating to the new funding available from the Education Jobs Fund program as well as expending additional funds during 2011/12 relating to the federal IDEIA program funds.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the year ended June 30, 2012 and the increases and decreases in relation to the prior year:

<b>Expenditures</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2011</b>	<b>Percent of Increase (Decrease)</b>
Current expenditures:				
Instruction	\$ 37,508,323	40.3 %	\$ 2,036,360	5.7 %
Undistributed	49,023,888	52.6 %	3,838,060	8.5 %
Capital outlay	425,472	0.5 %	(642,612)	(60.2) %
Charter School	9,765	0.0 %	9,765	100.0 %
Debt service:				
Principal	2,380,000	2.5 %	305,000	14.7 %
Interest and other charges	3,834,319	4.1 %	1,004	0.0 %
<b>Total</b>	<b>\$ 93,181,767</b>	<b>100.0 %</b>	<b>\$ 5,547,577</b>	<b>6.3 %</b>

The increase in instruction and undistributed expenditures is mainly the result of the increases in state aid awarded to the District, allowing the District to re-implement certain positions and programs that they were forced to eliminate in the prior years due to state budgetary cuts. The decrease in capital outlay expenditures is mainly attributable to timing of funds expended for capital purposes, for which the District began, completed and paid for certain capital projects in the prior year that were not required to be budgeted for and expended again in the current year. The increase in principal payments are attributed to the principal repayment schedule for outstanding debt and the overall reduction in the outstanding debt balances resulting from the current year debt payments.

**Business-Type Activities.** The focus of the District's business-type activities is to provide information on near-term inflows, outflows, and balances of spendable resources related to the operations of its food service and other enterprise fund programs.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the enterprise fund revenues for the year ended June 30, 2012, and the increases and decreases in relation to the prior year:

<b>Revenue</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2011</b>	<b>Percent of Increase Decrease</b>
Local sources	\$ 3,527,876	96.6 %	\$ 129,572	3.8 %
State sources	9,662	0.3 %	(245)	(2.5) %
Federal sources	115,254	3.1 %	(9,715)	(7.8) %
<b>Total</b>	<b>\$ 3,652,792</b>	<b>100.0 %</b>	<b>\$ 119,612</b>	<b>3.4 %</b>

The revenues for Business Type Services are comparable to the prior year.

The following schedule presents a summary of the enterprise fund operating expenses for the year ended June 30, 2012, and the increases and decreases in relation to the prior year:

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>	<u>Percent of Increase (Decrease)</u>
Salaries	\$ 2,336,449	63.5 %	\$ 166,403	7.7 %
Employee benefits	24,131	0.7 %	(9,244)	(27.7) %
Other purchased services	266,620	7.2 %	70,022	35.6 %
Supplies and materials	146,772	4.0 %	95,012	183.6 %
Depreciation	29,207	0.8 %	62	0.2 %
Cost of sales	743,809	20.2 %	49,130	7.1 %
Management Fee	56,053	1.5 %	(5,887)	(9.5) %
Miscellaneous expenses	75,388	2.1 %	(3,565)	(4.5) %
Total	<u>\$ 3,678,429</u>	<u>100.0 %</u>	<u>\$ 361,933</u>	<u>10.9 %</u>

The increase in other purchased services and supplies and materials is the result of several one-time expenses made during 2011/2012 required in order to maintain sufficient operations.

### **Capital Assets and Debt Administration**

*Capital Assets.* At June 30, 2012, the District's governmental funds had capital assets of \$84,448,210 (net of accumulated depreciation), including land, school buildings and improvements, machinery, equipment and vehicles. The District's governmental funds' capital assets, net of depreciation consisted of the following at June 30, 2012 and 2011:

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 5,277,400	\$ 5,277,400
Buildings and building improvements	77,108,519	79,192,090
Machinery, equipment and vehicles	2,062,291	1,992,900
Total capital assets, net	<u>\$ 84,448,210</u>	<u>\$ 86,462,390</u>

The decrease in capital assets is mainly due to the increase in current year depreciation expense exceeding the costs of current year additions. Business-type activity capital assets, net of accumulated depreciation were \$98,714 and \$109,708 at June 30, 2012 and 2011, respectively. For more detailed information, please refer to Note 4 to the basic financial statements.

*Debt Administration and Long Term Liabilities.*

At June 30, 2012 and 2011, the District's governmental activity long-term liabilities consisted of:

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Bonds payable (net)	\$ 79,787,465	\$ 82,017,369
Obligations under capital leases	231,913	178,670
Compensated absences payable	463,086	589,377
Total long-term liabilities	<u>\$ 80,482,464</u>	<u>\$ 82,785,416</u>

Additionally, the District has business-type long term liabilities relating to a purchase agreement payable for equipment of \$34,155 and \$52,758 at June 30, 2012 and 2011, respectively.

Additional information on the Districts long- term liabilities can be found in Note 5 to the basic financial statements.

**General Fund Budgetary Highlights**

Budgetary transfers were made between budgetary line items and approved by the Board for various reasons including the following more significant transfers:

- Special education instruction – Autism – an increase of \$579,868 and Special education instruction – Preschool Disabilities – fulltime - are the result of additional students enrolled in the Autism program than were originally anticipated caused by new students entering the District and the movement of students from various other programs in the District to the autism program due age, as certain of the preschool disabled students have moved up into the autism program. IEP program requirements increased the need for aide support.
- School sponsored athletics – instruction – an increase of \$184,556 is the result of additional salary costs required during the current year as a result of additional coaching instruction and supervision required for larger athletic rosters and additional financial support of the middle school athletic association.
- Instruction (tuition) – an increase of \$300,930 is the result of additional students during the year that required external placement at private schools for the disabled than were included in the original budgeted figures.
- Undistributed Expenditures – Required Maintenance for School Facilities – a decrease of \$891,000, Undistributed Expenditures – Custodial Services – a decrease of \$145,765 are the result of the reallocation of funds budgeted for in the current year and rolled over from the prior year encumbrances for roof maintenance costs that were in excess of the actual costs required to complete the updates and maintenance.

- Unallocated benefits were decreased by \$383,785 mainly due to budgeted unemployment funds and excess funds budgeted for health benefits that were no longer needed and were utilized for other appropriations.

### **Economic Factors and Next Year's Budget**

- The District budgeted \$3,928,526 of its 2012 fund balance to partially fund the 2012/2013 operations, an increase of \$869,448 from the prior year.
- The 2012/2013 tax levy was increased in accordance with state regulations.

All of these factors were considered in preparing the District's budget for the 2012 fiscal year.

### **Requests for Information**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional information, please contact Mr. Nick Markarian, Superintendent of Schools or Mr. Roderic McLaughlin, School Business Administrator/Board Secretary at Township of Bernards Board of Education, 101 Peachtree Road, Basking Ridge, NJ 07920 or email at [nmarkarian@bernardsboe.com](mailto:nmarkarian@bernardsboe.com).

## Basic Financial Statements

## District-wide Financial Statements

The district-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2012.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Statement of Net Assets**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,773,667	\$ 1,170,207	\$ 7,943,874
Receivables, Net	3,266,657	18,805	3,285,462
Deferred Charges	214,460		214,460
Inventories		10,712	10,712
Restricted assets:			
Cash Held with Fiscal Agents	1,063,798		1,063,798
Cash and Cash Equivalents	4,262,246		4,262,246
Capital Assets, Non-Depreciable	5,277,400		5,277,400
Capital Assets, Depreciable, Net	<u>79,170,810</u>	<u>98,714</u>	<u>79,269,524</u>
<b>Total Assets</b>	<u>100,029,038</u>	<u>1,298,438</u>	<u>101,327,476</u>
<b>LIABILITIES</b>			
Accounts Payable	1,372,396	187,760	1,560,156
Accrued Liability for Insurance Claims	1,161,429		1,161,429
Accrued Interest Payable	1,556,652		1,556,652
Payable to State Government	61,782		61,782
Unearned Revenue	370,850	93,329	464,179
Noncurrent Liabilities:			
Due Within One Year	2,644,308	18,089	2,662,397
Due Beyond One Year	<u>77,838,156</u>	<u>16,066</u>	<u>77,854,222</u>
<b>Total Liabilities</b>	<u>85,005,573</u>	<u>315,244</u>	<u>85,320,817</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,428,832	64,559	4,493,391
Restricted For:			
Debt Service	1,399		1,399
Capital Projects	565,314		565,314
Other Purposes	7,480,823		7,480,823
Unrestricted	<u>2,547,097</u>	<u>918,635</u>	<u>3,465,732</u>
<b>Total Net Assets</b>	<u>\$ 15,023,465</u>	<u>\$ 983,194</u>	<u>\$ 16,006,659</u>

See independent auditors' report and accompanying notes to the basic financial statements.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Statement of Activities**  
**Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$ 35,050,837		\$ 208,324	\$ (34,842,513)		\$ (34,842,513)
Special Education	12,941,908		564,294	(12,377,614)		(12,377,614)
Other Special Instruction	1,684,511			(1,684,511)		(1,684,511)
School Sponsored/Other Instructional	1,813,227			(1,813,227)		(1,813,227)
Support Services:						
Tuition	3,477,234	\$ 1,268,721		(2,208,513)		(2,208,513)
Student and Instruction Related Services	12,811,041		925,619	(11,885,422)		(11,885,422)
General Administrative Services	1,036,011			(1,036,011)		(1,036,011)
School Administrative Services	4,391,229			(4,391,229)		(4,391,229)
Central Administrative Services	734,577			(734,577)		(734,577)
Administrative Information Technology	771,620			(771,620)		(771,620)
Plant Operations and Maintenance	8,824,096			(8,824,096)		(8,824,096)
Pupil Transportation	5,275,700	222,716		(5,052,984)		(5,052,984)
Interest and Other Charges on Long-Term Debt	3,585,293			(3,585,293)		(3,585,293)
<b>Total Governmental Activities</b>	<b>92,397,284</b>	<b>1,491,437</b>	<b>1,698,237</b>	<b>(89,207,610)</b>		<b>(89,207,610)</b>
<b>Business-type Activities:</b>						
Food Service	2,184,302	2,140,832	124,916		\$ 81,446	81,446
After School Enrichment	162,681	171,084			8,403	8,403
Project Jump Start	98,082	106,760			8,678	8,678
Before and After School Care	1,233,364	1,109,200			(124,164)	(124,164)
<b>Total Business-type Activities</b>	<b>3,678,429</b>	<b>3,527,876</b>	<b>124,916</b>		<b>(25,637)</b>	<b>(25,637)</b>
<b>Total Primary Government</b>	<b>\$ 96,075,713</b>	<b>\$ 5,019,313</b>	<b>\$ 1,823,153</b>	<b>(89,207,610)</b>	<b>(25,637)</b>	<b>(89,233,247)</b>
<b>General Revenues:</b>						
Taxes:						
Property Taxes, Levied for General Purposes				74,368,937		74,368,937
Property Taxes, Levied for Debt Service				5,766,182		5,766,182
State Aid Not Restricted				11,048,367		11,048,367
Federal Aid Not Restricted				161,678		161,678
Interest on Investments				13,873		13,873
Miscellaneous				421,748		421,748
<b>Total General Revenues</b>				<b>91,780,785</b>	<b>-</b>	<b>91,780,785</b>
<b>Changes in Net Assets</b>				<b>2,573,175</b>	<b>(25,637)</b>	<b>2,547,538</b>
<b>Net Assets - Beginning</b>				<b>12,450,290</b>	<b>1,008,831</b>	<b>13,459,121</b>
<b>Net Assets - Ending</b>				<b>\$ 15,023,465</b>	<b>\$ 983,194</b>	<b>\$ 16,006,659</b>

See independent auditors' report and accompanying notes to the basic financial statements.

## Fund Financial Statements

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,543,224		\$ 229,044	\$ 1,399	\$ 6,773,667
Intergovernmental Receivable - State	2,375,840	\$ 2,202	336,270		2,714,312
Intergovernmental Receivable - Federal	52,305	416,501			468,806
Intergovernmental Receivable - Local	27,849	8,110			35,959
Interfund Receivable	26,227				26,227
Other Accounts Receivable	47,580				47,580
Restricted assets:					
Restricted Cash	4,262,246				4,262,246
Cash Held With Fiscal Agents	1,063,798				1,063,798
<b>Total Assets</b>	<b><u>\$ 14,399,069</u></b>	<b><u>\$ 426,813</u></b>	<b><u>\$ 565,314</u></b>	<b><u>\$ 1,399</u></b>	<b><u>\$ 15,392,595</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 1,242,016	\$ 130,380			\$ 1,372,396
Accrued Liability for Insurance Claims	1,161,429				1,161,429
Interfund Payable		26,227			26,227
Payable to State Government		61,782			61,782
Deferred Revenue	162,426	208,424			370,850
<b>Total Liabilities</b>	<b><u>2,565,871</u></b>	<b><u>426,813</u></b>			<b><u>2,992,684</u></b>
<b>Fund Balances:</b>					
<b>Restricted for:</b>					
Excess Surplus - Current Year	1,570,576				1,570,576
Excess Surplus - Designated for Subsequent Year's Expenditures	1,648,001				1,648,001
Capital Reserve	862,246				862,246
Maintenance Reserve	3,400,000				3,400,000
Capital Projects			\$ 565,314		565,314
Debt Service				\$ 1,399	1,399
<b>Assigned to:</b>					
Designated for Subsequent Year's Expenditures	2,280,525				2,280,525
Other Purposes	191,468				191,468
<b>Unassigned Reported In:</b>					
General Fund	1,880,382				1,880,382
<b>Total Fund Balances</b>	<b><u>11,833,198</u></b>	<b><u>-</u></b>	<b><u>565,314</u></b>	<b><u>1,399</u></b>	<b><u>12,399,911</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 14,399,069</u></b>	<b><u>\$ 426,813</u></b>	<b><u>\$ 565,314</u></b>	<b><u>\$ 1,399</u></b>	

Amounts reported for *governmental activities* in the Statement of Net Assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the net assets is \$114,980,470 and the accumulated depreciation is \$30,532,260 (See Note 4).	84,448,210
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(1,556,652)
Unamortized portion of debt issuance costs is not reported as an asset in the funds.	214,460
Long-term liabilities, including bonds payable and related unamortized premiums, and deferred interest costs, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5).	<u>(80,482,464)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 15,023,465</u></b>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2012**

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 74,368,937			\$ 5,766,182	\$ 80,135,119
Tuition from Other LEA's	1,223,461				1,223,461
Tuition from Other Sources	45,260				45,260
Transportation Fees from Individuals	222,716				222,716
Interest Revenue	13,736		\$ 137		13,873
Miscellaneous	421,748	\$ 137,880			559,628
<b>Total - Local Sources</b>	<b>76,295,858</b>	<b>137,880</b>	<b>137</b>	<b>5,766,182</b>	<b>82,200,057</b>
State Sources	10,705,927	158,288		342,440	11,206,655
Federal Sources	161,678	1,402,069			1,563,747
<b>Total Revenues</b>	<b>87,163,463</b>	<b>1,698,237</b>	<b>137</b>	<b>6,108,622</b>	<b>94,970,459</b>
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	25,227,679	208,324			25,436,003
Special Education Instruction	8,914,967	564,294			9,479,261
Other Special Instruction	1,187,619				1,187,619
School Sponsored	1,405,440				1,405,440
Support Services and Undistributed Costs:					
Tuition	3,467,469				3,467,469
Student and Instruction Related Services	9,053,711	908,251			9,961,962
General Administrative Services	888,616				888,616
School Administrative Services	3,229,189				3,229,189
Central Administrative Services	558,173				558,173
Administrative Information Technology	578,041				578,041
Plant Operations and Required Maintenance	8,324,895				8,324,895
Pupil Transportation	5,097,286				5,097,286
Unallocated Benefits	10,721,473				10,721,473
On-behalf TPAF FICA and Pension	6,196,784				6,196,784
Debt Service:					
Principal				2,380,000	2,380,000
Interest				3,727,224	3,727,224
Bond Issuance Costs				107,095	107,095
Charter School	9,765				9,765
Capital Outlay	408,104	17,368			425,472
<b>Total Expenditures</b>	<b>85,269,211</b>	<b>1,698,237</b>	<b>-</b>	<b>6,214,319</b>	<b>93,181,767</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,894,252	-	137	(105,697)	1,788,692
<b>OTHER FINANCING SOURCES (USES)</b>					
Payment to Escrow Agent				(9,651,344)	(9,651,344)
Refunding Bonds Issued				9,700,000	9,700,000
Premium on Bond Refunding				58,439	58,439
Capital Leases (non-budgeted)	96,589				96,589
Transfers In	137				137
Transfers Out			(137)		(137)
<b>Total Other Financing Sources (Uses)</b>	<b>96,726</b>	<b>-</b>	<b>(137)</b>	<b>107,095</b>	<b>203,684</b>
<b>Net Change in Fund Balances</b>	<b>1,990,978</b>	<b>-</b>	<b>-</b>	<b>1,398</b>	<b>1,992,376</b>
Fund Balance - July 1	9,842,220	-	565,314	1	10,407,535
Fund Balance - June 30	<u>\$ 11,833,198</u>	<u>\$ -</u>	<u>\$ 565,314</u>	<u>\$ 1,399</u>	<u>\$ 12,399,911</u>

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the statement of activities is presented in the accompanying schedule (B-3).

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2012**

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ 1,992,376

Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital asset additions in the period.

Depreciation Expense	\$ (2,315,241)	
Capital Asset Additions	<u>301,061</u>	(2,014,180)

The issuance of long-term debt for general and refunding purposes provides current financial resources to governmental funds, however has no effect on net assets.

Refunding Bond Issued	(9,700,000)	
Bonds refunded	<u>8,440,000</u>	(1,260,000)

Repayments of bond principal and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.

Serial Bonds Payable	2,380,000	
Obligations Under Capital Leases	<u>43,346</u>	2,423,346

Governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.

Premium on Bond Issuance	(58,439)	
Amortization of Premium on Bonds	3,227	
Deferred Interest Costs on Bond Refunding	1,211,344	
Amortization of Deferred Interest Costs	(46,228)	
Payment of Bond Issuance Costs	107,095	
Amortization of Deferred Issuance Costs	<u>(6,875)</u>	1,210,124

Proceeds from capital leases are a financing source in the governmental funds. They are not revenue in the statement of activities; capital leases increase long-term liabilities in the statement of net assets.

(96,589)

Interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.

191,807

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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

126,291

Change in Net Assets of Governmental Activities (A-2)

\$ 2,573,175

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	<b>Major Funds</b>				<b>Totals</b>
	<b>Business-type Activities</b>		<b>Enterprise Funds</b>		
	<b>Food Service</b>	<b>After School Enrichment</b>	<b>Project Jump Start</b>	<b>Before and After School Care</b>	
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 648,520	\$ 7,673	\$225,077	\$288,937	\$ 1,170,207
Intergovernmental Accounts Receivable:					
Federal	16,806				16,806
State	1,999				1,999
Inventories	10,712				10,712
<b>Total Current Assets</b>	<b>678,037</b>	<b>7,673</b>	<b>225,077</b>	<b>288,937</b>	<b>1,199,724</b>
Noncurrent Assets:					
Furniture, Machinery and Equipment	261,514				261,514
Less Accumulated Depreciation	(162,800)				(162,800)
<b>Total Noncurrent Assets</b>	<b>98,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,714</b>
<b>Total Assets</b>	<b>776,751</b>	<b>7,673</b>	<b>225,077</b>	<b>288,937</b>	<b>1,298,438</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	182,911	1,140		3,709	187,760
Unearned Revenue			93,329		93,329
Purchase Agreement Payable	18,089				18,089
<b>Total Current Liabilities</b>	<b>201,000</b>	<b>1,140</b>	<b>93,329</b>	<b>3,709</b>	<b>299,178</b>
Noncurrent Liabilities:					
Purchase Agreement Payable	16,066				16,066
<b>Total Noncurrent Liabilities</b>	<b>16,066</b>				<b>16,066</b>
<b>Total Liabilities</b>	<b>217,066</b>	<b>1,140</b>	<b>93,329</b>	<b>3,709</b>	<b>315,244</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	64,559				64,559
Unrestricted, (Deficit)	495,126	6,533	131,748	285,228	918,635
<b>Total Net Assets</b>	<b>\$ 559,685</b>	<b>\$ 6,533</b>	<b>\$131,748</b>	<b>\$285,228</b>	<b>\$ 983,194</b>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

	Major Funds				Totals
	Business-type Activities		Enterprise Funds		
	Food Service	After School Enrichment	Project Jump Start	Before and After School Care	
Operating Revenues:					
Charges for Services:					
Daily Sales - Reimbursable Programs	\$2,140,832				\$2,140,832
Tuition and fees		\$ 171,084	\$ 106,760	\$ 1,109,200	1,387,044
Total Operating Revenues	<u>2,140,832</u>	<u>171,084</u>	<u>106,760</u>	<u>1,109,200</u>	<u>3,527,876</u>
Operating Expenses:					
Salaries	945,419	157,065	72,730	1,161,235	2,336,449
Employee Benefits	24,131				24,131
Other Purchased Services	247,925		18,695		266,620
Supplies and Materials	65,464	5,616	6,657	69,035	146,772
Depreciation	29,207				29,207
Cost of Sales	743,809				743,809
Management Fee	56,053				56,053
Miscellaneous	72,294			3,094	75,388
Total Operating Expenses	<u>2,184,302</u>	<u>162,681</u>	<u>98,082</u>	<u>1,233,364</u>	<u>3,678,429</u>
Operating (Loss) Income	<u>(43,470)</u>	<u>8,403</u>	<u>8,678</u>	<u>(124,164)</u>	<u>(150,553)</u>
Nonoperating Revenues:					
State Sources:					
State School Lunch Program	9,662				9,662
Federal Sources:					
National School Lunch Program	80,181				80,181
Food Donation Program	35,073				35,073
Total Nonoperating Revenues	<u>124,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,916</u>
Change in net assets	<u>81,446</u>	<u>8,403</u>	<u>8,678</u>	<u>(124,164)</u>	<u>(25,637)</u>
Total Net Assets (Deficit) - Beginning	<u>478,239</u>	<u>(1,870)</u>	<u>123,070</u>	<u>409,392</u>	<u>1,008,831</u>
Total Net Assets - Ending	<u>\$ 559,685</u>	<u>\$ 6,533</u>	<u>\$ 131,748</u>	<u>\$ 285,228</u>	<u>\$ 983,194</u>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

	Major Funds				Totals
	Business-type Activities - Enterprise Funds				
	Food Service	After School Enrichment	Project Jump Start	Before and After School Care	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 2,140,832	\$ 171,084	\$ 99,914	\$ 1,109,200	\$ 3,521,030
Payments to employees	(945,419)	(157,065)	(72,730)	(1,161,235)	(2,336,449)
Payments for employee benefits	(24,131)				(24,131)
Payments to suppliers	(1,148,672)	(7,004)	(25,352)	(78,138)	(1,259,166)
Net cash provided by (used for) operating activities	<u>22,610</u>	<u>7,015</u>	<u>1,832</u>	<u>(130,173)</u>	<u>(98,716)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Cash received from state and federal reimbursements		89,385			89,385
Receipts from Food Donation Program	31,618				31,618
Net cash provided by non-capital financing activities	<u>121,003</u>				<u>121,003</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Payment of purchase agreement payable	(18,603)				(18,603)
Purchases of capital assets	(18,213)				(18,213)
Net cash (used for) capital and related financing activities	<u>(36,816)</u>				<u>(36,816)</u>
Net increase (decrease) in cash and cash equivalents	106,797	7,015	1,832	(130,173)	(14,529)
Cash and cash equivalents, beginning of year	541,723	658	223,245	419,110	1,184,736
Cash and cash equivalents, end of year	<u>\$ 648,520</u>	<u>\$ 7,673</u>	<u>\$ 225,077</u>	<u>\$ 288,937</u>	<u>\$ 1,170,207</u>
<b>Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:</b>					
Operating (loss) income	\$ (43,470)	\$ 8,403	\$ 8,678	\$ (124,164)	\$ (150,553)
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:					
Depreciation	29,207				29,207
(Decrease) in inventories	11,744				11,744
(Decrease) in unearned revenue			(6,846)		(6,846)
Increase (decrease) in accounts payable	25,129	(1,388)		(6,009)	17,732
Net cash provided by (used for) operating activities	<u>\$ 22,610</u>	<u>\$ 7,015</u>	<u>\$ 1,832</u>	<u>\$ (130,173)</u>	<u>\$ (98,716)</u>

**Noncash noncapital financing activities:**

The District received \$31,618 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2012.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 437,093	\$ 2,237	\$ 687,534
Interfunds Receivable	<u>23,616</u>	<u>          </u>	<u>          </u>
Total Current Assets	<u>460,709</u>	<u>2,237</u>	<u>\$ 687,534</u>
<b>LIABILITIES</b>			
Accounts Payable	60,154		
Interfunds Payable			\$ 23,616
Due to Student Groups			650,180
Payroll Deductions and Withholdings Payable	<u>          </u>	<u>          </u>	<u>13,738</u>
Total Liabilities	<u>60,154</u>	<u>-</u>	<u>\$ 687,534</u>
<b>NET ASSETS</b>			
Held in Trust for Unemployment Claims	<u>\$ 400,555</u>		
Held in Trust for Scholarship Awards		<u>\$ 2,237</u>	

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2012**

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Plan Members	\$ 74,346	
Donations		\$ 980
Total Additions	<u>74,346</u>	<u>980</u>
<b>DEDUCTIONS</b>		
Payment of Unemployment Claims	304,952	
Payment of Scholarship Awards and other expenses		3,436
Total Deductions	<u>304,952</u>	<u>3,436</u>
Change in Net Assets	(230,606)	(2,456)
Net Assets - Beginning of the Year	<u>631,161</u>	<u>4,693</u>
Net Assets - End of the Year	<u>\$ 400,555</u>	<u>\$ 2,237</u>

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements

Year ended June 30, 2012

### **1. Summary of Significant Accounting Policies**

The financial statements of the Bernards Township School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

#### **A. Reporting Entity**

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Bernards Township School District in Basking Ridge, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **1. Summary of Significant Accounting Policies (continued)**

#### **B. Government-wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency among school districts in the State of New Jersey.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, claims, and postemployment healthcare benefits, are recorded only when payment is due.

Property taxes, interest and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the District receives cash.

The District has reported the following major governmental funds:

*General Fund:* The general fund is the general operating fund of the 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, which are classified in the capital outlay subfund.

*Special Revenue Fund:* The District maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects.

*Capital Projects Fund:* The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds and state aid that 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 accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

The District reports the following major proprietary fund:

*Enterprise Funds:* The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the 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 District's Enterprise Funds are comprised of the Food Service Fund, After School Enrichment Program, Project Jump Start and Before and After School Care.

Additionally, the District reports the following fiduciary fund types:

*Trust Funds:* The unemployment compensation trust fund is used to account for contributions from the District, employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private-purpose scholarship trust fund is utilized to provide scholarships to students and to account for the related transactions.

*Agency Funds (Payroll and Student Activity Fund):* Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

In its accounting and financial reporting, the District follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's business-type and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the Government-wide financial statements.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

Amounts reported as program revenues include 1) fees charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for sales of food, tuition and program fees. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports deferred/unearned revenue on its balance sheets and statements of net assets. Deferred/unearned revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred/unearned revenue also arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue/unearned is removed from the balance sheet and statements of net assets and revenue is recognized.

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 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 District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable."

The County Board of Taxation is responsible for the assessment of properties, and the Township Tax Collector is responsible for collection of taxes. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

#### D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds and submitted to the county office. In accordance with P.L. 2011, c. 202, which became effective January 17, 2012, the District elected to move the April school Board election to the date of the November general election thereby eliminating the vote on the annual base budget. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). 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 referred in N.J.A.C. 6A:23. All budget amendments must be approved by School Board resolution and certain others require approval by the County Superintendent of Schools. Budgetary transfers were made during the current year in accordance with statutory guidelines. The amendments made by the District were part of the normal course of operations. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the 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 in the general fund of the last two state aid payments for budgetary purposes and the treatment of encumbrances in 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 grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting 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.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **1. Summary of Significant Accounting Policies (continued)**

#### **E. Interfund Receivables/Payables**

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

#### **F. Inventories**

Inventories, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expense during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2012, the District had inventories in the Food Service Enterprise Fund of \$10,712 and did not include any U.S.D.A. commodities on hand.

#### **G. Tuition**

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined. Tuition charges for the 2011-2012 fiscal year were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

#### **H. Capital Assets**

Capital assets, which include land, property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the Government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**1. Summary of Significant Accounting Policies (continued)**

**H. Capital Assets (Continued)**

Property, plant and equipment of the District is depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Athletic Equipment	10
Audio Visual Equipment	10
School Buildings	50
Business Machines (Other than Copiers)	10
Carpeting	7
Communications Equipment	10
Computer Hardware	5
Computer Software (Administrative)	15
Computer Software (Instructional)	7.5
Copiers	5
Custodial Equipment	15
Fire Suppression/Sprinklers	25
Classroom and Office Furniture	20
Grounds Equipment	15
Construction Equipment	10
HVAC Systems	20
Interior Construction	25
Kitchen Equipment	15
Library Books	6
Machinery and Shop Tools	15
Musical Instruments	10
Outdoor Equipment	20
Plumbing and Electrical	30
Portable Classrooms	25
Roofing	20
Science and Laboratory Equipment	10
Site Improvements	20
On-Road Vehicles	8

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**1. Summary of Significant Accounting Policies (continued)**

**H. Capital Assets (Continued)**

Depreciation of all exhaustive capital assets used by enterprise funds is charged as an expense against their operations. Accumulated depreciation is reported in the enterprise fund statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Enterprise Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

There are no capital assets maintained in any of the other District Enterprise funds.

**I. Compensated Absences**

A liability for compensated absences that is attributable to services already rendered and that is 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. The District uses the “vesting method” for estimating its accrued sick and vacation leave liability.

District employees are granted vacation and sick leave in varying amounts under the District’s personnel policies and collective bargaining agreements. In the event of termination, an employee is reimbursed for accumulated vacation. The District’s policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District’s agreements with the various employee unions.

Under terms of association agreements, employees earn vacation and sick leave in amounts varying with tenure and classification.

The liability for vested compensated absences of the District is recorded in the Government-wide financial statements and includes salary related payments.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, a liability existed for compensated absences in the Government-wide financial statements in the amount of \$463,086 and no liability existed for compensated absences in the enterprise funds.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**1. Summary of Significant Accounting Policies (continued)**

**J. Deferred Revenue**

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances.

**K. Long-Term Obligations**

In the Government-wide financial statements and enterprise funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and unamortized loss on a refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as either capital projects fund or debt service fund expenditures in the year of issuance.

The District has no arbitrage rebate liability at June 30, 2012.

**L. Fund Balances**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 1. Summary of Significant Accounting Policies (continued)

#### L. Fund Balances (continued)

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **1. Summary of Significant Accounting Policies (continued)**

#### **L. Fund Balances (continued)**

Of the \$11,833,198 of fund balances in the General Fund, \$191,468 of encumbrances is assigned to other purposes, \$1,570,576 has been restricted for excess surplus-current year, \$1,648,001 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$862,246 has been restricted for the capital reserve, \$3,400,000 has been restricted for the maintenance reserve, \$2,280,525 has been classified as assigned fund balance designated for subsequent years expenditures and \$1,880,382 is classified as unassigned.

#### **M. Net Assets**

Net assets represent the difference between assets and liabilities in the Government-wide financial statements. 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 long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the Government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

#### **N. Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **O. On-Behalf Payments**

Revenues and expenditures of the general fund include payments made or reimbursed by the State of New Jersey for social security and post-retirement pension and medical contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the District's annual budget.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**1. Summary of Significant Accounting Policies (continued)**

**P. Calculation of Excess Surplus**

The designation for restricted fund balance - excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve 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, 2012 was \$3,218,577. Of this amount, \$1,648,001 has been appropriated in the 2012/13 budget and the remaining \$1,570,576 will be appropriated in the 2013/14 budget.

**Q. Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2012 and November 20, 2012, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

**2. Reconciliation of Government-wide and Fund Financial Statements**

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the Government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable and related deferred interest costs and un-amortized premiums, capital leases and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$80,482,464 difference are as follows:

Bonds payable	\$ 81,455,000
Unamortized deferred interest costs	(1,774,909)
Unamortized premium on bonds	107,374
Capital leases payable	231,913
Compensated absences payable	<u>463,086</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$ 80,482,464</u>

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 3. Deposits and Investments

Cash and cash equivalents include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and 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. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that 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.

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 Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, 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.

#### Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund, M.B.I.A. CLASS and the New Jersey Asset and Rebate Management Fund.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 3. Deposits and Investments (continued)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

The District's cash and cash equivalents are classified below to inform financial statement users about the extent to which the District's deposits and investments are exposed to custodial credit risk.

At June 30, 2012, the carrying amount of the District's deposits for all funds was \$13,332,984 and the bank balance was \$15,181,804. Of the bank balances, \$500,000 of the District's cash deposits on June 30, 2012 were secured by federal depository insurance and \$14,681,804 was covered by GUDPA. In addition, there is cash held with CIGNA for health insurance claims in the amount of \$1,063,798, which is classified as cash held by fiscal agents.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

The District does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**3. Deposits and Investments (continued)**

**Investments**

New Jersey statutes permit the District to purchase the following types of securities:

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank, which have a maturity date not greater than twelve months from the date of purchase.
- c. New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and MBIA CLASS.

*Custodial Credit Risk:* The District does not have a policy for custodial credit risk other than to maintain a safekeeping account for the securities at a financial institution.

*Credit Risk:* The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

*Concentration of Credit Risk:* The District places no limit on the amount the District may invest in any one issuer. At June 30, 2012, the District had no investments.

*Interest Rate Risk:* The District does not have a policy to limit interest rate risk. The District did not have any funds held as investments during the year ended June 30, 2012.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**4. Capital Assets**

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2012:

	Beginning Balance	Increases	Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,277,400			\$ 5,277,400
Total capital assets, not being depreciated	5,277,400	-	-	5,277,400
Capital assets, being depreciated:				
Buildings and building improvements	102,891,387			102,891,387
Machinery, equipment and vehicles	6,510,622	\$ 301,061		6,811,683
Total capital assets, being depreciated	109,402,009	301,061	-	109,703,070
Less accumulated depreciaiton for:				
Buildings and building improvements	(23,699,297)	(2,000,965)	\$ (82,606)	(25,782,868)
Machinery, equipment and vehicles	(4,517,722)	(314,276)	82,606	(4,749,392)
Total accumulated depreciation	(28,217,019)	(2,315,241)	-	(30,532,260)
Total capital assets, being depreciated, net	81,184,990	(2,014,180)	-	79,170,810
Governmental activities capital assets, net	\$ 86,462,390	\$ (2,014,180)	\$ -	\$ 84,448,210

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**4. Capital Assets (continued)**

Depreciation expense was charged to functions/programs of the District for the year ended June 30, 2012 as follows:

Instruction:	
Regular	\$ 890,304
Special education	331,790
Other special instruction	41,569
School sponsored/ other instructional	49,193
Support Services:	
Student and instruction related services	348,686
General administrative services	31,103
School administrative services	113,027
Central administrative services	19,537
Administrative information technology	20,232
Plant operations and maintenance	291,386
Pupil transportation	178,414
Total	<u>\$ 2,315,241</u>

The following schedule is a summarization of the business-type changes in capital assets for the year ended June 30, 2012:

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>
Capital assets, being depreciation:			
Machinery and equipment	\$ 243,301	\$18,213	\$261,514
Less accumulated depreciation for:			
Machinery and equipment	(133,593)	(29,207)	(162,800)
Total business-type activities capital assets, net	<u>\$ 109,708</u>	<u>(\$10,994)</u>	<u>\$98,714</u>

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**5. Long-Term Liabilities**

During the year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
School bonds	\$ 82,575,000	\$ 9,700,000	\$ (10,820,000)	\$ 81,455,000	\$ 2,645,000
Unamortized premium on bonds	52,162	58,439	(3,227)	107,374	5,933
Unamortized deferred interest costs	(609,793)	(1,211,344)	46,228	(1,774,909)	(102,309)
Obligations under capital leases	178,670	96,589	(43,346)	231,913	58,652
Compensated absences payable	589,377	148,515	(274,806)	463,086	37,032
<b>Total governmental activity long-term liabilities</b>	<b>\$ 82,785,416</b>	<b>\$ 8,792,199</b>	<b>\$ (11,095,151)</b>	<b>\$ 80,482,464</b>	<b>\$ 2,644,308</b>
<b>Business-Type Activities</b>					
Purchase agreement payable	\$ 52,758	\$ -	\$ (18,603)	\$ 34,155	\$ 18,089
<b>Total BusinessType activity long-term liabilities</b>	<b>\$ 52,758</b>	<b>\$ -</b>	<b>\$ (18,603)</b>	<b>\$ 34,155</b>	<b>\$ 18,089</b>

The District expects to liquidate the compensated absences and capital leases with payments made from the District's general fund and the bonds payable from the debt service fund. The District expects to liquidate the purchase agreement payable with payments made from the District's food service enterprise fund.

**Bonds Payable**

Bonds are authorized in accordance with State law or by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds. Principal and interest due on all bonds outstanding is as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 2,645,000	\$ 3,406,864	\$ 6,051,864
2014	2,655,000	3,381,740	6,036,740
2015	2,790,000	3,248,891	6,038,891
2016	2,920,000	3,114,841	6,034,841
2017	3,070,000	2,973,816	6,043,816
2018 - 2022	17,675,000	12,564,949	30,239,949
2023 - 2027	25,010,000	7,753,180	32,763,180
2028 - 2031	24,690,000	1,995,562	26,685,562
	<b>\$ 81,455,000</b>	<b>\$ 38,439,843</b>	<b>\$ 119,894,843</b>

All bonds outstanding are presented on schedule I-1 in this report.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**5. Long-Term Liabilities (continued)**

In December 2006, the District issued \$10,000,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. As of June 30, 2012, \$9,273,000 of defeased debt remains outstanding.

In April 2012, the District issued \$9,700,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. As a result, \$8,440,000 of refunded bonds are considered defeased and the liability has been removed from the basic financial statements. This advance refunding was undertaken to reduce total debt service payments over the next twenty years by \$797,845 and resulted in a net present value savings of \$617,463. As of June 30, 2012, \$8,440,000 of defeased debt remains outstanding. The difference between the re-acquisition price of the defeased debt of \$9,651,344 and the net carrying amount of the old bonds of \$8,440,000 is being amortized over the remaining life of the defeased debt.

**Capital Leases Payable**

The District is leasing several copiers totaling \$305,669 under capital leases. The following is a schedule of the future minimum lease payments under these capital leases and the net minimum lease payments at June 30, 2012:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2013	\$ 58,652	\$ 10,021	\$ 68,673
2014	61,990	6,993	68,983
2015	65,502	3,808	69,310
2016	29,378	1,253	30,631
2017	16,391	293	16,684
Total	<u>\$ 231,913</u>	<u>\$ 22,368</u>	<u>\$ 254,281</u>

All capital leases outstanding are presented on schedule I-2 in this report.

Assets capitalized through capital leases at June 30, 2012 are as follows:

Machinery, equipment and vehicles	\$ 305,669
Less accumulated depreciation	<u>(90,071)</u>
Total	<u>\$ 215,598</u>

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**5. Long-Term Liabilities (continued)**

**Purchase Agreement Payable – Enterprise Fund**

During the fiscal year ended June 30, 2009, the District contracted with Aramark, a third-party food management company, to operate the District's food service program. As part of the contract, Aramark agreed to expend up to \$125,000 for facility renovations and food service equipment to be used on the District's premises. After completion of the purchase of the renovations and equipment, the District is required to reimburse Aramark monthly, on a straight line basis for a term of five years interest free.

The following is a schedule of payments due related to the purchase agreement:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Payments</u>
2013	\$ 18,089
2014	<u>16,066</u>
	<u>\$ 34,155</u>

**6. Pension Plans**

**Description of Systems**

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **6. Pension Plans (continued)**

#### **Teachers' Pension and Annuity Fund**

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

#### **Public Employee's Retirement System**

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available for these systems to those employees under age 55 participating in TPAF or PERS with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **6. Pension Plans (continued)**

#### **Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2012, the State of New Jersey contributed \$3,437,564 to the TPAF for on-behalf medical and pension contributions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$2,759,220 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the Government-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2012, 2011 and 2010 were \$836,157, \$767,682 and \$532,933, respectively, equal to the required contributions for each year.

#### **Post-Retirement Benefits**

##### ***Plan Description***

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

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### 6. Pension Plans (continued)

#### Post-Retirement Benefits (continued)

##### *Funding Policy*

P.L. 1987, chapter 384 and P.L. 1990, Chapter 6 required Teachers' Pension 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, Chapter 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, 2011, there were 93,323 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 is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2012, 2011 and 2010 were \$2,295,615, \$2,357,992, and \$2,212,875 respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**7. Interfund Receivables and Payables**

The total interfund accounts receivable and payable balances for the District amounted to the following as of June 30, 2012:

<b>Fund</b>	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General Fund	\$ 26,227	
Special Revenue Fund		\$ 26,227
Payroll Agency Fund		23,616
Unemployment Compensation Trust Fund	23,616	
	<u>\$ 49,843</u>	<u>\$ 49,843</u>

The interfund between the General Fund and the Special Revenue Fund represents a payable to the Special Revenue Fund to cover a cash deficit. The interfund between the Payroll Agency Fund and the Unemployment Compensation Trust Fund represents employee deductions withheld for unemployment during the second Quarter 2012 that were not transferred over to the Unemployment Compensation Trust Fund before year end. All interfunds are expected to be liquidated within one year.

**8. Economic Dependency**

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the District's programs and activities.

**9. Contingent Liabilities**

The District is a defendant in several legal proceedings that are in various stages of litigation. In the opinion of management and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2012 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA), in connection with its capital projects. The costs associated with the funding received from the NJSDA are subject to final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**9. Contingent Liabilities (continued)**

final eligible requirements, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 may be impaired.

In the opinion of the District's management, there are no significant contingent liabilities relating to compliance with rules and regulations or final eligible cost requirements governing the respective grants or funding; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

**10. Capital Reserve Account**

A capital reserve account was established by the Township of Bernards Board of Education by inclusion of \$1 on September 25, 2000 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 District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by the transfer by Board resolution at year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A 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. 6A: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, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance, July 1, 2011	\$ 62,246
Deposits:	
Approved by Resolution at the June 29, 2012 meeting	<u>800,000</u>
Ending balance, June 30, 2012	<u>\$ 862,246</u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects exceeded the amount in capital reserve.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **11. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

#### **Property and Liability Insurance**

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years. A complete schedule of insurance coverage can be found in the statistical section of this report.

#### **New Jersey Unemployment Compensation Insurance**

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is 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 is billed quarterly for amounts due to the State.

#### **Health Insurance**

During the 2011 fiscal year, the District commenced participation in the Blue Cross / Blue Shield Cash (BC/BS) Management/Minimum Premium Program, which provides for the District's employees' health benefits. Under the program, annual rates are established with the insurance carrier based on expenses, projected claims and a margin for fluctuation, thereby providing a predictable monthly premium. The claims are filed with and paid by BC/BS and on a weekly basis BC/BS bills the District for actual claims paid.

This activity is reported in the General Fund and includes an accrual for health insurance claims incurred but not reported in the amount of \$1,161,429 at June 30, 2012. This represents the amount estimated by categorizing the various claims and reviewing past history primarily on actual claims during the previous fiscal year, for which information was available and supplemental information with respect to certain other individual claims and proceedings. The stated liability is the District's best estimate based on currently known information and application of the foregoing procedures and management believes that funded amount is adequate to cover this liability at June 30, 2012.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

**11. Risk Management (continued)**

Changes in the funds incurred but not reported claims liability amount for health insurance for the years ended June 30, 2012 and 2011 were:

	<b>Beginning of Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments / Reductions</b>	<b>Balance at End of Year</b>
2011-12	\$ 1,561,424	\$ 9,723,883	\$ 10,123,878	\$ 1,161,429
2011-12	-	9,841,680	8,280,256	1,561,424

**12. Transfers – Reconciliation**

The following represents a reconciliation of transfers made during the 2012 fiscal year:

	<b>In</b>	<b>Out</b>
General Fund	\$ 137	
Capital Projects Fund		\$ 137
	<u>\$ 137</u>	<u>\$ 137</u>

The transfer from the capital projects fund to the general fund represents interest earned in the capital projects fund due to the general fund.

**13. Deferred Compensation**

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by Lincoln Investment Planning, VALIC, Thomas Seely Agency, Security First Group and the Equitable, 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. Since the District does not hold the assets in a trustee capacity, the related assets are not included in the District’s fiduciary fund financial statements.

**14. Commitments**

The District has contractual commitments at June 30, 2012 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$191,468.

# Township of Bernards Board of Education

## Notes to the Basic Financial Statements (continued)

Year ended June 30, 2012

### **15. Deferred Charges**

The deferred charges recorded in the Government-wide statement of net assets represents debt issuance costs that are being amortized using the straight line method over the life of the related bonds. The unamortized costs associated with the issues of the various bonds amounts to \$214,460 at June 30, 2012. As a result of the bond refunding issuance during 2011-2012 fiscal year the District incurred current year issuance costs of \$107,095. The amortization expense for the year ended June 30, 2012 amounted to \$6,875. In governmental funds, debt issuance costs are recognized in the current period.

### **16. Excess of Expenditures over Appropriations**

The District did not have any excess expenditures over appropriations of budgetary line-items as part of its June 30, 2012 Board Secretary Report. However, the financial statements reflect an excess of expenditures over appropriations in the general fund – Other Support Services Students – Related Services – Purchased Professional and Educational Services in the amount of \$14,000. The excess expenditure is the result of the District not properly recording the State of New Jersey General State Aid reduction for the commission for the blind deduction and an audit adjustment being required to charge out an expense to a line item appropriation that did not have sufficient funds available at June 30, 2012.

Required Supplementary Information – Part II

Budgetary Comparison Schedules

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**Budgetary Basis**  
**General Fund**  
**Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>Revenues</b>					
<b>Local Sources</b>					
Local Tax Levy	\$ 74,368,937		\$ 74,368,937	\$ 74,368,937	
Tuition from other LEA's	816,111		816,111	1,223,461	\$ 407,350
Tuition from Individuals				45,260	45,260
Transportation Fees from Individuals	275,000		275,000	222,716	(52,284)
Interest Revenue	48,120		48,120	13,736	(34,384)
Miscellaneous	383,560		383,460	421,748	(38,288)
<b>Total - Local Sources</b>	<b>75,891,728</b>		<b>75,891,628</b>	<b>76,295,858</b>	<b>404,230</b>
<b>Federal Sources</b>					
Education Jobs Fund Program Aid	156,767	\$ 4,911	161,678	161,678	
<b>Total - Federal Sources</b>	<b>156,767</b>	<b>4,911</b>	<b>161,678</b>	<b>161,678</b>	
<b>State Sources</b>					
Special Education Aid	1,625,312	453,745	2,079,057	2,402,733	323,676
Extraordinary Aid	1,700,000		1,700,000	2,157,896	457,896
Additional Nonpublic Transportation Aid		40,116	40,116	116,358	76,242
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				3,437,564	3,437,564
TPAF Social Security (Reimbursed - Non-Budgeted)				2,759,220	2,759,220
<b>Total - State Sources</b>	<b>3,325,312</b>	<b>493,861</b>	<b>3,819,173</b>	<b>10,873,771</b>	<b>7,054,598</b>
<b>Total Revenues</b>	<b>79,373,807</b>	<b>498,772</b>	<b>79,872,479</b>	<b>87,331,307</b>	<b>7,458,828</b>
<b>Expenditures</b>					
<b>Current Expenditures</b>					
<b>Instruction - Regular Programs</b>					
<b>Salaries of Teachers</b>					
Preschool	46,663	4,602	51,265	51,265	
Kindergarten	984,773	(1,073)	983,700	983,700	
Grades 1-5	7,348,415	242,416	7,590,831	7,581,875	8,956
Grades 6-8	6,305,383	107,134	6,412,517	6,361,141	51,376
Grades 9-12	7,354,989	277,595	7,632,584	7,600,881	31,703
<b>Home Instruction</b>					
Salaries of Teachers	52,000	58,365	110,365	110,365	
Purchased Professional-Educational Services	28,184	(5,877)	22,307	22,307	
<b>Undistributed Instruction</b>					
Other Salaries for Instruction	25,785	(25,785)			
Purchased Professional-Educational Services	9,995	(1,345)	8,650	6,975	1,675
Other Purchased Services	256,292	(33,092)	223,200	202,193	21,007
General Supplies	1,893,791	(146,497)	1,747,294	1,660,022	87,272
Textbooks	699,917	(3,982)	695,935	646,955	48,980
<b>Total Regular Programs - Instruction</b>	<b>25,006,187</b>	<b>472,461</b>	<b>25,478,648</b>	<b>25,227,679</b>	<b>250,969</b>
<b>Special Education</b>					
<b>Cognitive - Moderate</b>					
Salaries of Teachers	245,069	18,147	263,216	263,216	
Other Salaries for Instruction	298,533	(26,198)	272,335	254,147	18,188
General Supplies	11,215	4,113	15,328	15,328	
Textbooks	4,216	(3,612)	604	453	151
<b>Total Cognitive - Moderate</b>	<b>559,033</b>	<b>(7,550)</b>	<b>551,483</b>	<b>533,144</b>	<b>18,339</b>
<b>Learning and/or Language Disabilities</b>					
Salaries of Teachers	419,146	60,359	479,505	479,505	
Other Salaries for Instruction	461,940	56,782	518,722	518,298	6,424
General Supplies	12,176		12,176	11,214	962
Textbooks	1,500		1,500	641	859
<b>Total Learning and/or Language Disabilities</b>	<b>894,762</b>	<b>117,141</b>	<b>1,011,903</b>	<b>1,003,658</b>	<b>8,245</b>
<b>Resource Room/Resource Center</b>					
Salaries of Teachers	3,929,425	(113,102)	3,816,323	3,816,323	
Other Salaries for Instruction	38,858	167,934	206,792	206,792	
General Supplies	6,000	252	6,252	5,406	846
<b>Total Resource Room/Resource Center</b>	<b>3,974,283</b>	<b>55,084</b>	<b>4,029,367</b>	<b>4,028,521</b>	<b>846</b>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**Budgetary Basis**  
**General Fund**  
**Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>Expenditures (continued)</b>					
Current Expenditures (continued)					
Autism					
Salaries of Teachers	\$ 590,340	\$ 135,696	\$ 726,036	\$ 726,036	
Other Salaries for Instruction	1,843,340	444,392	2,287,732	2,287,732	
General Supplies	23,517	(220)	23,297	23,297	
Total Autism	2,457,197	579,868	3,037,065	3,037,065	
Preschool Disabilities-Part-Time					
Salaries of Teachers	102,511	2,659	105,170	105,170	
Other Salaries for Instruction	112,513		112,513	109,516	\$ 2,997
General Supplies	5,000	(500)	4,500	4,495	5
Total Preschool Disabilities-Part-Time	220,024	2,159	222,183	219,181	3,002
Preschool Disabilities-Full-Time					
Salaries of Teachers	192,071	(112,348)	79,723	79,723	
Other Salaries for Instruction	76,473	(76,473)			
General Supplies	320	13,500	13,820	13,675	145
Textbooks	13,500	(13,500)			
Total Preschool Disabilities-Full-Time	282,364	(188,821)	93,543	93,398	145
Total Special Education - Instruction	8,387,663	557,881	8,945,544	8,914,967	30,577
Basic Skills/Remedial - Instruction					
Salaries of Teachers	521,515	(716)	520,799	520,799	
General Supplies		500	500	445	55
Total Basic Skills/Remedial - Instruction	521,515	(216)	521,299	521,244	55
Bilingual Education - Instruction					
Salaries of Teachers	150,940	7,335	158,275	158,275	
Other Purchased Services		1,000	1,000	562	438
General Supplies		500	500	125	375
Total Bilingual Education - Instruction	150,940	8,835	159,775	158,962	813
School-Sponsored Cocurricular Activities - Instruction					
Salaries	277,235	(5,967)	271,268	271,268	
Supplies and Materials	49,668		49,668	44,719	4,949
Other Objects	1,000		1,000	241	759
Total School-Sponsored Cocurricular Activities - Instruction	327,903	(5,967)	321,936	316,228	5,708
School-Sponsored Athletics - Instruction					
Salaries	625,051	206,348	831,399	831,399	
Purchased Services	37,500	(8,679)	28,821	26,993	1,828
Other Purchased Services		11,078	11,078	11,078	
Supplies and Materials	112,314	(17,008)	95,306	94,246	1,060
Other Objects	25,000	13,000	38,000	35,496	2,504
Transfers to Cover Deficit (Agency Funds)	120,000	(20,183)	99,817	90,000	9,817
Total School-Sponsored Athletics - Instruction	919,865	184,556	1,104,421	1,089,212	15,209
Other Supplemental / At-Risk Programs - Instruction					
Salaries of Reading Specialists	545,674	(21,497)	524,177	507,413	16,764
Total Other Supplemental / At Risk Programs - Instruction	545,674	(21,497)	524,177	507,413	16,764
Total Instruction	35,859,747	1,196,053	37,055,800	36,735,705	320,095
Undistributed Expenditures - Instruction					
Instruction:					
Tuition To Other LEAs Within the State - Regular	30,000	(9,765)	20,235	6,270	13,965
Tuition To Other LEAs Within the State - Special	575,625	79,000	654,625	615,903	38,722
Tuition To Private Schools for the Disabled Within State	2,089,330	418,695	2,508,025	2,481,798	26,227
Tuition To Private Schools for the Disabled and Other LEAs	551,991	(187,000)	364,991	363,498	1,493
Total Undistributed Instruction	3,246,946	300,930	3,547,876	3,467,469	80,407
Health Services:					
Salaries	593,877	15,411	609,288	598,245	11,043
Purchased Professional and Technical Services	15,500	(500)	15,000	6,170	8,830
Other Purchased Services	2,500		2,500	1,679	821
Supplies and Materials	20,525	500	21,025	20,808	217
Total Health Services	632,402	15,411	647,813	626,902	20,911
Other Support Services Students - Related Services					
Salaries	1,016,719	(88,144)	928,575	912,116	16,459
Purchased Professional-Educational Services	56,179	38,522	94,701	108,701	(14,000)
Supplies and Materials	5,452		5,452	3,043	2,409
Total Other Support Services Students - Related Services	1,078,350	(49,622)	1,028,728	1,023,860	4,868

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**Budgetary Basis**  
**General Fund**  
**Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>Expenditures (continued)</b>					
Current Expenditures (continued):					
Undistributed Expenditures (continued):					
Other Support Services Students - Extra Services					
Salaries	\$ 550,721	\$ (339)	\$ 550,382	\$ 550,382	
Purchased Professional-Educational Services	50,000	713	50,713	41,345	\$ 9,368
Supplies and Materials	400	3,600	4,000	1,998	2,002
Total Other Support Services Students - Extra Services	601,121	3,974	605,095	593,725	11,370
Guidance					
Salaries of Other Professional Staff	1,514,556	42,542	1,557,098	1,557,098	
Salaries of Secretarial and Clerical Assistants	411,584	62,332	473,916	442,569	31,347
Purchased Professional-Educational Services	13,640	15,000	28,640	19,371	9,269
Other Purchased Prof. and Tech. Services	131,875	(15,056)	116,819	113,207	3,612
Other Purchased Services	1,500		1,500	1,477	23
Supplies and Materials	14,180		14,180	6,213	7,967
Other Objects	125	(5)	120	100	20
Total Guidance	2,087,460	104,813	2,192,273	2,140,035	52,238
Child Study Teams					
Salaries of Other Professional Staff	1,629,279	(3,547)	1,625,732	1,577,157	48,575
Salaries of Secretarial and Clerical Assistants	97,261	13,603	110,864	110,864	
Other Purchased Prof. and Tech. Services	180,000	85,000	265,000	236,842	28,158
Misc Purchased Services	7,700		7,700	5,250	2,450
Supplies and Materials	28,760	(8,000)	20,760	17,755	3,005
Other Objects	2,000		2,000	1,694	306
Total Child Study Teams	1,945,000	87,056	2,032,056	1,949,562	82,494
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	545,581	(34,166)	511,415	511,415	
Salaries of Secretarial and Clerical Assistants	89,113	5,816	94,929	94,929	
Other Salaries	134,255	35,069	169,324	167,196	2,128
Other Purchased Services	300		300		300
Supplies and Materials	6,000	8,000	14,000	7,368	6,632
Other Objects		8,000	8,000	7,688	312
Total Improvement of Instructional Services	775,249	22,719	797,968	788,596	9,372
Educational Media Serv./School Library					
Salaries	621,702	7,232	628,934	628,934	
Salaries of Technology Coordinators	69,565	1,925	71,490	71,490	
Purchased Professional and Technical Services	124,630	4,049	128,679	122,837	5,842
Supplies and Materials	41,567	38,388	79,955	78,940	1,015
Total Educational Media Serv./School Library	857,464	51,594	909,058	902,201	6,857
Instructional Staff Training Services					
Salaries of Supervisors of Instruction	694,364	(17,736)	676,628	676,628	
Salaries of Secretarial and Clerical Assistants	239,262	5,130	244,392	244,392	
Other Salaries	45,523	2,677	48,200	38,133	10,067
Purchased Professional-Educational Services	7,000		7,000		7,000
Other Purchased Prof. and Tech. Services	16,915	(5,000)	11,915	9,951	1,964
Other Purchased Services	31,968	(4,000)	27,968	13,923	14,045
Supplies and Materials	41,350	4,378	45,728	43,861	1,867
Other Objects	2,395	300	2,695	1,942	753
Total Instructional Staff Training Services	1,078,777	(14,251)	1,064,526	1,028,830	35,696
Support Services - General Administration					
Salaries	374,077	5,834	379,911	379,911	
Professional Services	153,207	28,000	181,207	136,749	44,458
Other Purchased Prof Services	76,898	5,084	81,982	81,982	
Communications/Telephone	125,300	14,500	139,800	133,060	6,740
BOE Other Purchased Services	5,000		5,000	2,304	2,696
Miscellaneous Purchased Services	100,100	8,700	108,800	105,337	3,463
General Supplies	11,736	10,000	21,736	19,470	2,266
Judgments Against the District	5,500	(5,500)			
Miscellaneous Expenditures	45,000	9,184	54,184	29,803	24,381
Total Support Services - General Administration	896,818	75,802	972,620	888,616	84,004

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**Budgetary Basis**  
**General Fund**  
**Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>Expenditures (continued)</b>					
Current Expenditures (continued):					
Undistributed Expenditures (continued):					
Support Services - School Administration					
Salaries of Principals/Asst. Principals	\$ 2,015,006	\$ (4,553)	\$ 2,010,453	\$ 2,010,453	
Salaries of Other Professional Staff	142,183		142,183	142,183	
Salaries of Secretarial and Clerical Assistants	897,033	85,543	982,576	905,937	\$ 76,639
Other Purchased Services	156,753	5,000	161,753	146,259	15,494
Supplies and Materials	19,380	120	19,500	15,063	4,437
Other Objects	11,860	154	12,014	9,294	2,720
<b>Total Support Services - School Administration</b>	<b>3,242,215</b>	<b>86,264</b>	<b>3,328,479</b>	<b>3,229,189</b>	<b>99,290</b>
Central Services					
Salaries	453,877	17,725	471,602	471,602	
Purchased Professional Services	31,506	13,247	44,753	44,753	
Miscellaneous Purchased Services	21,800	3,293	25,093	25,093	
Supplies and Materials	17,116	(1,855)	15,261	15,261	
Miscellaneous Expenditures	2,183	(719)	1,464	1,464	
<b>Total Central Services</b>	<b>526,482</b>	<b>31,691</b>	<b>558,173</b>	<b>558,173</b>	
Admin. Info. Tech.					
Salaries	559,575	30,594	590,169	566,302	23,867
Purchased Technical Services	8,355		8,355	7,912	443
Supplies and Materials	9,414		9,414	3,827	5,587
<b>Total Admin. Info. Tech.</b>	<b>577,344</b>	<b>30,594</b>	<b>607,938</b>	<b>578,041</b>	<b>29,897</b>
Required Maint. For School Facilities					
Cleaning, Repair, and Maintenance Services	4,429,191	(900,500)	3,528,691	3,121,142	407,549
General Supplies	221,559	9,500	231,059	230,129	930
<b>Total Required Maint. For School Facilities</b>	<b>4,650,750</b>	<b>(891,000)</b>	<b>3,759,750</b>	<b>3,351,271</b>	<b>408,479</b>
Custodial Services					
Purchased Professional and Technical Services	125,000	(31,933)	93,067	84,691	8,376
Cleaning, Repair, and Maintenance Services	2,374,853	(50,000)	2,324,853	2,317,144	7,709
Other Purchased Property Services	190,000	10,442	200,442	200,442	
Insurance	322,400		322,400	314,088	8,312
General Supplies	112,424	10,000	122,424	94,229	28,195
Energy (Electricity)	1,312,580	(102,000)	1,210,580	796,356	414,224
Salaries of Non-Instructional Aides	298,426	17,726	316,152	316,152	
Energy (Natural Gas)	559,692		559,692	271,145	288,547
<b>Total Custodial Services</b>	<b>5,295,375</b>	<b>(145,765)</b>	<b>5,149,610</b>	<b>4,394,247</b>	<b>755,363</b>
Care and Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services	605,389		605,389	579,377	26,012
<b>Total Care and Upkeep of Grounds</b>	<b>605,389</b>		<b>605,389</b>	<b>579,377</b>	<b>26,012</b>
Student Transportation Services					
Management Fee - ESC & CTSA Transportation Prog.	145,509	(14,489)	131,020	131,020	
Cleaning, Repair and Maint. Services	1,000	3,486	4,486	4,486	
Contracted Services (Between Home and School)-Vendors	2,732,826	(94,651)	2,638,175	2,638,175	
Contracted Services (Other Than Between Home and School) - Vendors	264,591	(28,431)	236,160	236,152	8
Contracted Services (Spec. Ed. Students)-Vendors	10,000	(5,236)	4,764	1,764	3,000
Contracted Services (Spec. Ed. Students)-ESCs and CTSA	1,800,000	177,919	1,977,919	1,906,605	71,314
Contracted Services-Aid in Lieu of Payments	182,000	(4,000)	178,000	178,000	
Miscellaneous Purchased Services-Transportation	15,288	(15,288)			
Miscellaneous Expenditures	2,080		2,080	1,084	996
<b>Total Student Transportation Services</b>	<b>5,153,294</b>	<b>19,310</b>	<b>5,172,604</b>	<b>5,097,286</b>	<b>75,318</b>
Unallocated Benefits					
Social Security Contributions	879,800	36,300	916,100	916,030	70
Other Retirement Contributions - Regular	879,702	(35,969)	843,733	843,733	
Unemployment Compensation	82,800	(82,800)			
Workmen's Compensation	225,950	17,967	243,917	243,917	
Health Benefits	10,003,845	(379,466)	9,624,379	8,098,392	1,525,987
Tuition Reimbursement	660,930		660,930	381,855	279,075
Other Employee Benefits	177,363	60,183	237,546	237,546	
<b>Total Unallocated Benefits</b>	<b>12,910,390</b>	<b>(383,785)</b>	<b>12,526,605</b>	<b>10,721,473</b>	<b>1,805,132</b>
On-Behalf TPAF Pension Contributions				3,437,564	(3,437,564)
Reimbursed TPAF Social Security Contributions				2,759,220	(2,759,220)
<b>Total On-Behalf and Reimbursed Contributions</b>				<b>6,196,784</b>	<b>(6,196,784)</b>
<b>Total Undistributed Expenditures</b>	<b>46,160,826</b>	<b>(654,265)</b>	<b>45,506,561</b>	<b>48,115,637</b>	<b>(2,609,076)</b>
<b>Total Current Expenditures</b>	<b>82,020,573</b>	<b>541,788</b>	<b>82,562,361</b>	<b>84,851,342</b>	<b>(2,288,981)</b>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**Budgetary Basis**  
**General Fund**  
**Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>Expenditures (continued)</b>					
Current Expenditures (continued):					
Capital Outlay:					
Equipment:					
Instruction Expenditures					
Grade 9-12	\$ 47,260	\$ 136,749	\$ 184,009	\$ 175,029	\$ 8,980
Undistributed Expenditures					
Required Maintenance	84,663	(47,750)	36,913	24,663	12,250
Care and Upkeep of Grounds		29,750	29,750		29,750
Total Equipment	<u>131,923</u>	<u>118,749</u>	<u>250,672</u>	<u>199,692</u>	<u>50,980</u>
Facilities Acquisition and Construction Services					
Legal Services	80,000		80,000		80,000
Architectural/Engineering Services	220,000		220,000	71,793	148,207
Construction Services	<u>2,338,379</u>	<u>67,712</u>	<u>2,406,091</u>	<u>40,030</u>	<u>2,366,061</u>
Total Facilities Acquisition and Construction Services	<u>2,638,379</u>	<u>67,712</u>	<u>2,706,091</u>	<u>111,823</u>	<u>2,594,268</u>
Assets Acquired Under Capital leases (non-budgeted)					
				96,589	(96,589)
Total Expenditures - Capital Outlay	<u>2,770,302</u>	<u>186,461</u>	<u>2,956,763</u>	<u>408,104</u>	<u>2,548,659</u>
Transfer of funds to Charter Schools		<u>9,765</u>	<u>9,765</u>	<u>9,765</u>	
Total Expenditures	<u>84,790,875</u>	<u>738,014</u>	<u>85,528,889</u>	<u>85,269,211</u>	<u>259,678</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	(5,417,068)	(239,242)	(5,656,410)	2,062,096	7,718,506
Other Financing Sources:					
Capital Leases (non-budgeted)				96,589	96,589
Transfers In - Capital Projects Fund				<u>137</u>	<u>137</u>
Total Other Financing Sources				<u>96,726</u>	<u>96,726</u>
(Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures	(5,417,068)	(239,242)	(5,656,310)	2,158,822	7,815,232
Fund Balances, July 1	<u>9,907,649</u>		<u>9,907,649</u>	<u>9,907,649</u>	
Fund Balances, June 30	<u>\$ 4,490,581</u>	<u>\$ (239,242)</u>	<u>\$ 4,251,339</u>	<u>\$ 12,066,471</u>	<u>\$ 7,815,132</u>
<b>Recapitulation of (Deficiency) excess of revenues and other financing sources (under) over expenditures</b>					
Budgeted Fund Balance	\$ (3,059,078)	\$ (239,242)	\$ (3,298,320)	\$ 4,516,812	\$ 7,815,132
Adjustment for Prior Year Encumbrances	<u>(2,357,990)</u>		<u>(2,357,990)</u>	<u>(2,357,990)</u>	
Total	<u>\$ (5,417,068)</u>	<u>\$ (239,242)</u>	<u>\$ (5,656,310)</u>	<u>\$ 2,158,822</u>	<u>\$ 7,815,132</u>
<b>Recapitulation of Fund Balance:</b>					
Restricted Fund Balance:					
Reserved - Excess Surplus Designated for Subsequent Year's Expenditures				\$ 1,648,001	
Reserved - Excess Surplus				1,570,576	
Capital Reserve				862,246	
Maintenance Reserve				3,400,000	
Committed Fund Balance:					
Year End Encumbrances				191,468	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				2,280,525	
Unassigned Fund Balance				<u>2,113,655</u>	
				12,066,471	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payments not recognized on GAAP Basis				<u>(233,273)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 11,833,198</u>	

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**Budgetary Basis**  
**Education Jobs Fund Program**  
**Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Revenues:					
Federal sources:					
Education Jobs Fund Program Aid	\$ 156,767	\$ 4,911	\$ 161,678	\$ 161,678	
Total revenues	<u>156,767</u>	<u>4,911</u>	<u>161,678</u>	<u>161,678</u>	
Expenditures:					
Current Expenditures:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Grades 1-5	156,767	4,911	161,678	161,678	
Total expenditures	<u>156,767</u>	<u>4,911</u>	<u>161,678</u>	<u>161,678</u>	
Excess of Revenues Over Expenditures	-	-	-	-	-
Fund Balance, July 1					
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**Budgetary Basis**  
**Special Revenue Fund**  
**Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>REVENUES:</b>					
Local Sources		\$ 277,000	\$ 277,000	\$ 81,276	\$ (195,724)
State Sources		216,352	216,352	158,288	(58,064)
Federal Sources	\$ 1,050,000	1,411,792	2,461,792	1,403,024	(1,058,768)
<b>Total Revenues</b>	<u>1,050,000</u>	<u>1,905,144</u>	<u>2,955,144</u>	<u>1,642,588</u>	<u>(1,312,556)</u>
<b>EXPENDITURES</b>					
<b>Instruction:</b>					
Salaries of Teachers		\$ 508,315	\$ 508,315	\$ 255,558	\$ 252,757
Purchased Professional and Technical Services		42,174	42,174	42,174	
Purchased Professional-Educational Services		188,197	188,197	132,199	55,998
Other Purchased Services		442	442		442
General Supplies		684,700	684,700	294,199	390,501
Textbooks		28,155	28,155	26,089	2,066
Other Objects		800	800		800
<b>Total Instruction</b>		<u>1,452,783</u>	<u>1,452,783</u>	<u>750,219</u>	<u>702,564</u>
<b>Support Services:</b>					
Salaries of Other Professional Staff	\$ 1,050,000	(524,609)	525,391	439,670	85,721
Personal Services - Employee Benefits		89,057	89,057	42,491	46,566
Purchased Professional and Technical Services		475,730	475,730	244,864	230,866
Other Purchased Services		22,627	22,627	22,109	518
Supplies and Materials		261,842	261,842	141,585	120,257
<b>Total Support Services</b>	<u>1,050,000</u>	<u>324,647</u>	<u>1,374,647</u>	<u>890,719</u>	<u>483,928</u>
<b>Facilities Acquisition and Construction Services:</b>					
Noninstructional Equipment		127,714	127,714	1,650	126,064
<b>Total Facilities Acquisition and Construction Services</b>		<u>127,714</u>	<u>127,714</u>	<u>1,650</u>	<u>126,064</u>
<b>Total Expenditures</b>	<u>1,050,000</u>	<u>1,905,144</u>	<u>2,955,144</u>	<u>1,642,588</u>	<u>1,312,556</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Note to Required Supplementary Information**  
**Budget to GAAP Reconciliation**  
**Year Ended June 30, 2012**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules (C-1, C-2)	\$ 87,331,307	\$ 1,642,588
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year (net of cancellations)		(10,599)
Prior Year (net of cancellations)		66,248
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	65,429	
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(233,273)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (B-2)	<u>\$ 87,163,463</u>	<u>\$ 1,698,237</u>
<b>Uses/Outflows of Resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 85,269,211	\$ 1,642,588
Difference - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year		(10,599)
Prior Year (net of Cancellations)		66,248
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 85,269,211</u>	<u>\$ 1,698,237</u>

## Special Revenue Fund Detail Statements

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures**  
**Budgetary Basis**  
**Year Ended June 30, 2012**

	NJ Nonpublic Auxiliary Services, Ch. 192			NJ Nonpublic Handicapped Services, Ch. 193			Nonpublic Nursing Services	Local Grants
	Nonpublic Textbooks	Nonpublic Comp. Education	Home Instruction	E.S.L.	Nonpublic Exam and Class.	Nonpublic Corrective Speech		
<b>REVENUES:</b>								
State Sources	\$ 26,089	\$ 17,584	\$ 2,202	\$ 1,458	\$ 27,216	\$ 28,962	\$ 19,073	\$ 35,704
Federal Sources								
Other Sources								\$ 81,276
<b>Total Revenues</b>	<b>\$ 26,089</b>	<b>\$ 17,584</b>	<b>\$ 2,202</b>	<b>\$ 1,458</b>	<b>\$ 27,216</b>	<b>\$ 28,962</b>	<b>\$ 19,073</b>	<b>\$ 35,704</b>
<b>EXPENDITURES:</b>								
<b>Instruction:</b>								
Salaries of Teachers								
Purchased Prof. - Educ. Services		\$ 17,584	\$ 2,202	\$ 1,458	\$ 27,216	\$ 28,962	\$ 19,073	\$ 35,704
Purchased Prof. and Tech. Services								
General Supplies								\$ 6,312
Textbooks	\$ 26,089							
<b>Total Instruction</b>	<b>26,089</b>	<b>17,584</b>	<b>2,202</b>	<b>1,458</b>	<b>27,216</b>	<b>28,962</b>	<b>19,073</b>	<b>6,312</b>
<b>Support Services:</b>								
Salaries of Other Professional Staff								
Personal Svcs. - Employee Benefits								8,224
Purchased Prof. and Tech. Svcs.								
Other Purchased Services								
Supplies and Materials								65,090
<b>Total Support Services</b>								<b>73,314</b>
<b>Facilities Acquisition and Construction Services:</b>								
Noninstructional Equipment								1,650
<b>Total Facilities Acquisition and Construction Services</b>								<b>1,650</b>
<b>Total Expenditures</b>	<b>\$ 26,089</b>	<b>\$ 17,584</b>	<b>\$ 2,202</b>	<b>\$ 1,458</b>	<b>\$ 27,216</b>	<b>\$ 28,962</b>	<b>\$ 19,073</b>	<b>\$ 35,704</b>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures**  
**Budgetary Basis**  
**Year Ended June 30, 2012**

	I.D.E.A. Part B	I.D.E.A Part B Carryover	ARRA I.D.E.A Part B	I.D.E.A Part B Preschool	I.D.E.A Part B Preschool Carryover	Title III	Title III Carryover	Title III Immigrant	Title IIA	Title IIA Carryover	Totals
<b>REVENUES:</b>											
State Sources											\$ 158,288
Federal Sources	\$ 676,283	\$ 381,288	\$ 224,370	\$ 660	\$ 21,374	\$ 13,066	\$ 344	\$ 19,792	\$ 59,518	\$ 6,329	1,403,024
Other Sources											81,276
<b>Total Revenues</b>	<b>\$ 676,283</b>	<b>\$ 381,288</b>	<b>\$ 224,370</b>	<b>\$ 660</b>	<b>\$ 21,374</b>	<b>\$ 13,066</b>	<b>\$ 344</b>	<b>\$ 19,792</b>	<b>\$ 59,518</b>	<b>\$ 6,329</b>	<b>\$ 1,642,588</b>
<b>EXPENDITURES:</b>											
<b>Instruction:</b>											
Salaries of Teachers		\$ 226,075		\$ 660	\$ 18,938			\$ 9,885			\$ 255,558
Purchased Prof.- Educ. Services											132,199
Purchased Prof. and Tech. Svcs.		42,174									42,174
General Supplies	\$ 9,216	63,235	\$ 189,683		2,436	\$ 13,066	\$ 344	9,907			294,199
Textbooks											26,089
<b>Total Instruction</b>	<b>9,216</b>	<b>331,484</b>	<b>189,683</b>	<b>660</b>	<b>21,374</b>	<b>13,066</b>	<b>344</b>	<b>19,792</b>			<b>750,219</b>
<b>Support Services:</b>											
Salaries of Other Prof. Staff	389,544	19,433							\$ 30,693		439,670
Personal Svcs-Employee Benefits	42,491										42,491
Purchased Prof. and Tech. Svcs.	191,058	16,302	19,280						10,000		244,864
Other Purchased Services	3,466	12,327								\$ 6,316	22,109
Supplies and Materials	40,508	1,742	15,407						18,825	13	141,585
<b>Total Support Services</b>	<b>667,067</b>	<b>49,804</b>	<b>34,687</b>						<b>59,518</b>	<b>6,329</b>	<b>890,719</b>
<b>Facilities Acquisition and Construction Services:</b>											
Noninstructional Equipment											1,650
Total Facilities Acquisition and Construction Services											1,650
<b>Total Expenditures</b>	<b>\$ 676,283</b>	<b>\$ 381,288</b>	<b>\$ 224,370</b>	<b>\$ 660</b>	<b>\$ 21,374</b>	<b>\$ 13,066</b>	<b>\$ 344</b>	<b>\$ 19,792</b>	<b>\$ 59,518</b>	<b>\$ 6,329</b>	<b>\$ 1,642,588</b>

## Capital Projects Fund Detail Statement

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Capital Projects Fund**  
**Summary Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgetary Basis**  
**Year Ended June 30, 2012**

Revenues:	
Local Sources:	
Interest on Investments	\$ 137
Total Local Source	<u>137</u>
Total Revenues	<u>137</u>
Excess of Revenues Over Expenditures	<u>137</u>
Other Financing (Uses):	
Transfers Out	<u>(137)</u>
Total Other Financing (Uses)	<u>(137)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	-
Fund Balance - Beginning of Year	<u>565,314</u>
Fund Balance - End of Year	<u><u>\$ 565,314</u></u>

## Fiduciary Funds Detail Statements

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Combining Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 437,093	\$ 2,237	\$ 687,534
Interfund Receivable	<u>23,616</u>		
Total Current Assets	<u>460,709</u>	<u>2,237</u>	<u>\$ 687,534</u>
<b>LIABILITIES</b>			
Accounts Payable	60,154		
Interfund Payable			\$ 23,616
Due to Student Groups			650,180
Payroll Deductions and Withholdings Payable			<u>13,738</u>
Total Liabilities	<u>60,154</u>	<u>-</u>	<u>\$ 687,534</u>
<b>NET ASSETS</b>			
Held in Trust for Unemployment Claims	<u>\$ 400,555</u>		
Held in Trust for Scholarship Awards		<u>\$ 2,237</u>	

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2012**

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Plan Members	\$ 74,346	
Donations		\$ 980
Total Additions	<u>74,346</u>	<u>980</u>
<b>DEDUCTIONS</b>		
Payment of Unemployment Claims	304,952	
Payment of Scholarship Awards and other expenses		3,436
Total Deductions	<u>304,952</u>	<u>3,436</u>
Change in Net Assets	(230,606)	(2,456)
Net Assets - Beginning of the Year	<u>631,161</u>	<u>4,693</u>
Net Assets - End of the Year	<u>\$ 400,555</u>	<u>\$ 2,237</u>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Fiduciary Funds**  
**Schedule of Cash Receipts and Disbursements**  
**Student Activity Agency Fund**  
**Year Ended June 30, 2012**

	<u>Balance</u> <u>June 30,2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30,2012</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	<u>\$ 594,928</u>	<u>\$ 1,479,410</u>	<u>\$ 1,424,158</u>	<u>\$ 650,180</u>
Total Assets	<u>\$ 594,928</u>	<u>\$ 1,479,410</u>	<u>\$ 1,424,158</u>	<u>\$ 650,180</u>
<b>LIABILITIES:</b>				
Due to Student Groups	<u>\$ 594,928</u>	<u>\$ 1,479,410</u>	<u>\$ 1,424,158</u>	<u>\$ 650,180</u>
Total Liabilities	<u>\$ 594,928</u>	<u>\$ 1,479,410</u>	<u>\$ 1,424,158</u>	<u>\$ 650,180</u>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Fiduciary Funds**  
**Schedule of Cash Receipts and Disbursements**  
**Student Activity Agency Fund**  
**Year Ended June 30, 2012**

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Elementary Schools:</b>				
Liberty Corner	\$ 9,565	\$ 43,843	\$ 41,090	\$ 12,318
Oak Street	19,323	43,953	43,685	19,591
Cedar Hill	17,074	57,534	47,393	27,215
Mount Prospect	<u>7,220</u>	<u>44,377</u>	<u>43,705</u>	<u>7,892</u>
Total Elementary Schools	<u>53,182</u>	<u>189,707</u>	<u>175,873</u>	<u>67,016</u>
 <b>Middle School:</b>				
William Annin	<u>64,331</u>	<u>256,995</u>	<u>255,113</u>	<u>66,213</u>
 <b>High School:</b>				
Athletic Fund	12,834	126,025	130,602	8,257
Performing Arts	44,349	118,300	87,547	75,102
Ridge High School	<u>420,232</u>	<u>788,383</u>	<u>775,023</u>	<u>433,592</u>
Total High School	<u>477,415</u>	<u>1,032,708</u>	<u>993,172</u>	<u>516,951</u>
Totals	<u><u>\$594,928</u></u>	<u><u>\$1,479,410</u></u>	<u><u>\$ 1,424,158</u></u>	<u><u>\$ 650,180</u></u>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Fiduciary Funds**  
**Schedule of Cash Receipts and Disbursements**  
**Payroll Agency Fund**  
**Year Ended June 30, 2012**

	<u>Balance</u> <u>June 30, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	<u>\$ 300,858</u>	<u>\$54,438,884</u>	<u>\$54,702,388</u>	<u>\$ 37,354</u>
Total Assets	<u><u>\$ 300,858</u></u>	<u><u>\$54,438,884</u></u>	<u><u>\$54,702,388</u></u>	<u><u>\$ 37,354</u></u>
<b>LIABILITIES:</b>				
Interfund Payable	\$ 22,369	\$ 23,616	\$ 22,369	\$ 23,616
Payroll Deductions and Withholdings Payable	<u>278,489</u>	<u>54,415,268</u>	<u>54,680,019</u>	<u>13,738</u>
Total Liabilities	<u><u>\$ 300,858</u></u>	<u><u>\$54,438,884</u></u>	<u><u>\$54,702,388</u></u>	<u><u>\$ 37,354</u></u>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Long-Term Debt**  
**Schedule of Serial Bonds Payable**  
**Year Ended June 30, 2012**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012		
			Date	Amount							
Refunding School Bonds	03/15/02	\$ 15,035,000	02/01/13	\$1,975,000	5.375 %	\$ 5,930,000	\$ 1,870,000	\$ 4,060,000			
			02/01/14	2,085,000	5.375						
Refunding School Bonds	03/15/04	25,955,000	01/01/13	45,000	3.250	25,955,000		25,955,000			
			01/01/14	120,000	3.400						
			01/01/15	2,345,000	5.000						
			01/01/16	2,465,000	5.000						
			01/01/17	2,590,000	5.000						
			01/01/18	2,720,000	5.000						
			01/01/19	2,860,000	5.000						
			01/01/20	3,005,000	4.100						
			01/01/21	3,130,000	4.200						
			01/01/22	3,265,000	4.250						
			01/01/23	3,410,000	4.300						
School Bonds	12/01/05	44,648,000	07/15/12	420,000	4.000				34,705,000	8,820,000	25,885,000
			07/15/13	360,000	4.000						
			07/15/14	355,000	4.000						
			07/15/15	365,000	4.000						
			07/15/16	380,000	4.000						
			07/15/17	400,000	4.000						
			07/15/18	415,000	4.000						
			07/15/19	430,000	4.125						
			07/15/20	450,000	4.250						
			07/15/21	465,000	4.250						
			07/15/22	480,000	4.500						
			07/15/23	4,145,000	4.500						
			07/15/24	4,335,000	4.500						
			07/15/25	4,540,000	4.500						
			07/15/26	4,750,000	4.500						
			07/15/27	3,595,000	4.500						
Refunding School Bonds	12/1/06	10,000,000	07/15/13	30,000	4.000	9,955,000		9,955,000			
			07/15/14	30,000	4.000						
			07/15/15	30,000	4.000						
			07/15/16	35,000	4.000						
			07/15/17	35,000	4.000						
			07/15/18	35,000	4.000						
			07/15/19	35,000	4.000						
			07/15/20	40,000	4.000						
			07/15/21	40,000	4.000						
			07/15/22	40,000	4.000						
			07/15/23	45,000	4.000						
			07/15/24	45,000	4.000						
			07/15/25	50,000	4.000						
			07/15/26	50,000	4.000						
			07/15/27	50,000	4.000						
			07/15/28	55,000	4.000						
			07/15/29	3,615,000	4.000						
			07/15/30	5,695,000	4.375						
School Bonds	7/31/08	6,500,000	07/15/12	45,000	4.250	6,030,000	130,000	5,900,000			
			07/15/23	870,000	4.250						
			07/15/24	330,000	4.250						
			07/15/25	830,000	4.250						
			07/15/26	670,000	4.250						
			07/15/27	745,000	4.250						
			07/15/28	750,000	4.250						
			07/15/29	790,000	4.250						
			07/15/30	870,000	4.250						
Refunding School Bonds	5/22/12	9,700,000	07/15/12	160,000	2.000				\$ 9,700,000		9,700,000
			7/15/13-7/15/15	60,000	2.000						
			7/15/16-7/15/17	65,000	3.000						
			7/15/18-7/15/19	70,000	3.000						
			07/15/20	70,000	4.000						
			07/15/21	75,000	4.000						
			07/15/22	80,000	4.000						
			07/15/23	80,000	2.375						
			07/15/24	85,000	2.500						
			07/15/25	85,000	2.750						
			07/15/26	90,000	3.000						
			07/15/27	1,455,000	3.000						
			07/15/28	5,230,000	3.000						
			07/15/29	1,840,000	3.000						
						<u>\$ 82,575,000</u>	<u>\$ 9,700,000</u>	<u>\$ 10,820,000</u>			

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Long-Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**Year Ended June 30, 2012**

Series	Date of Lease	Term of Lease	Amount of Original Lease		Interest Rate	Balance July 1, 2011	Additions	Retired	Balance June 30, 2012
			Principal	Interest					
2010 Savin Copier - William Annin Middle School	7/1/2010	5 Years	\$ 153,873	\$ 20,264	13.20 %	\$ 133,158		\$28,847	\$ 104,311
2010 Savin Copier - Oak Street School	7/1/2010	5 Years	13,911	2,352	17.00	11,468		2,602	8,866
2010 Savin Copier - Ridge High School	7/1/2010	5 Years	14,026	2,369	17.00	11,563		2,623	8,940
2010 Savin Copier - William Annin Middle School	7/1/2010	5 Years	14,378	2,429	17.00	11,854		2,689	9,165
2010 Savin Copier - Cedar Hill School	7/1/2010	5 Years	12,892	2,181	17.00	10,627		2,410	8,217
2012 Savin Copier - Ridge High School	3/7/2012	5 Years	26,300	4,156	15.80		\$26,300	1,138	25,162
2012 Savin Copier - Ridge High School Guidance	3/7/2012	5 Years	15,458	2,611	16.89		15,458	663	14,795
2012 Savin Copier - Board of Education Office	3/7/2012	5 Years	28,244	4,463	15.80		28,244	1,223	27,021
2012 Savin Copier - Board of Education Office	3/7/2012	5 Years	26,587	4,201	15.80		26,587	1,151	25,436
						<u>\$ 178,670</u>	<u>\$96,589</u>	<u>\$43,346</u>	<u>\$ 231,913</u>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Debt Service Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Local Sources:				
Local Tax Levy	<u>\$5,766,182</u>	<u>\$5,766,182</u>	<u>\$ 5,766,182</u>	
Total Local Source Revenues	5,766,182	5,766,182	5,766,182	
State Sources-Debt Service Aid	<u>342,440</u>	<u>342,440</u>	<u>342,440</u>	
Total Revenue Sources	<u>6,108,622</u>	<u>6,108,622</u>	<u>6,108,622</u>	
<b>EXPENDITURES:</b>				
Regular Debt Service:				
Redemption of Principal	2,380,000	2,380,000	2,380,000	
Interest	3,728,622	3,728,622	3,727,224	\$ 1,398
Cost of Issuance			<u>107,095</u>	<u>(107,095)</u>
Total Expenditures	<u>6,108,622</u>	<u>6,108,622</u>	<u>6,214,319</u>	<u>(105,697)</u>
Deficiency of Revenues under Expenditures	-	-	(105,697)	(105,697)
<b>OTHER FINANCING SOURCES (USES)</b>				
Payment to Escrow Agent			(9,651,344)	(9,651,344)
Refunding Bonds Issued			9,700,000	9,700,000
Premium on Bond Refunding			<u>58,439</u>	<u>58,439</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>107,095</u>	<u>107,095</u>
Net Change in Fund Balances	-	-	1,398	1,398
Fund Balance, July 1	<u>1</u>	<u>1</u>	<u>1</u>	
Fund Balance, June 30	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1,399</u>	<u>\$ 1,398</u>

Statistical Section  
(Unaudited)

**Statistical Section**  
**Unaudited**

**Contents**

**Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.

**Revenue Capacity**

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the district provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Net Assets By Component**  
**Last Ten Fiscal Years**  
 (Accrual Basis of Accounting)  
**Unaudited**

	Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009 (as Restated)	2010	2011	2012
Governmental Activities:										
Invested in capital assets, Net of Related Debt	\$ 20,195,411	\$ 19,389,614	\$ 17,575,118	\$ 11,045	\$ 2,569,015	\$ 2,812,148	\$ 4,996,379	\$ 4,504,723	\$ 4,266,351	\$ 4,428,832
Restricted	478,783	963,522	729,716	2,767,502	4,501,931	4,229,149	2,934,632	3,780,705	3,899,177	8,047,536
Unrestricted (deficit)	665,121	943,266	1,127,309	(922,252)	(372,787)	1,606,902	1,375,005	1,835,740	4,284,762	2,547,097
<b>Total Governmental Activities Net Assets</b>	<b><u>\$ 21,339,315</u></b>	<b><u>\$ 21,296,402</u></b>	<b><u>\$ 19,432,143</u></b>	<b><u>\$ 1,856,295</u></b>	<b><u>\$ 6,698,159</u></b>	<b><u>\$ 8,648,199</u></b>	<b><u>\$ 9,306,016</u></b>	<b><u>\$ 10,121,168</u></b>	<b><u>\$ 12,450,290</u></b>	<b><u>\$ 15,023,465</u></b>
Business-type Activities:										
Invested in capital assets, Net of Related Debt	\$ 119,228	\$ 100,939	\$ 91,914	\$ 73,287	\$ 77,357	\$ 69,094	\$ 52,700	\$ 54,958	\$ 56,950	\$ 64,559
Unrestricted	88,198	127,453	170,798	179,670	225,616	323,954	407,256	737,189	951,881	918,635
<b>Total Business-type Activities Net Assets</b>	<b><u>\$ 207,426</u></b>	<b><u>\$ 228,392</u></b>	<b><u>\$ 262,712</u></b>	<b><u>\$ 252,957</u></b>	<b><u>\$ 302,973</u></b>	<b><u>\$ 393,048</u></b>	<b><u>\$ 459,956</u></b>	<b><u>\$ 792,147</u></b>	<b><u>\$ 1,008,831</u></b>	<b><u>\$ 983,194</u></b>
District-wide:										
Invested in capital assets, Net of Related Debt	\$ 20,314,639	\$ 19,490,553	\$ 17,667,032	\$ 84,332	\$ 2,646,372	\$ 2,881,242	\$ 5,049,079	\$ 4,559,681	\$ 4,323,301	\$ 4,493,391
Restricted	478,783	963,522	729,716	2,767,502	4,501,931	4,229,149	2,934,632	3,780,705	3,899,177	8,047,536
Unrestricted (deficit)	753,319	1,070,719	1,298,107	(742,582)	(147,171)	1,930,856	1,782,261	2,572,929	5,236,643	3,465,732
<b>Total District Net Assets</b>	<b><u>\$ 21,546,741</u></b>	<b><u>\$ 21,524,794</u></b>	<b><u>\$ 19,694,855</u></b>	<b><u>\$ 2,109,252</u></b>	<b><u>\$ 7,001,132</u></b>	<b><u>\$ 9,041,247</u></b>	<b><u>\$ 9,765,972</u></b>	<b><u>\$ 10,913,315</u></b>	<b><u>\$ 13,459,121</u></b>	<b><u>\$ 16,006,659</u></b>

Source: District CAFR A-1

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**Unaudited**

	Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
<b>Governmental Activities:</b>										
<b>Instruction:</b>										
Regular	\$ 25,096,406	\$ 26,925,528	\$ 28,765,765	\$ 28,741,378	\$ 30,534,516	\$ 32,110,702	\$ 33,905,897	\$ 34,797,822	\$ 33,204,783	\$ 35,050,837
Special Education	5,467,155	6,259,900	7,746,670	8,975,858	10,102,520	11,336,917	11,539,915	13,146,006	12,209,009	12,941,908
Other Special Instruction				947,528	1,320,658	1,309,818	1,280,227	1,753,775	1,711,885	1,684,511
Other Instruction	2,225,638	2,360,657	2,468,799	1,537,578	1,416,919	1,711,342	1,963,708	1,668,722	1,669,936	1,813,227
<b>Support Services:</b>										
Tuition	1,590,499	1,802,592	1,910,583	2,029,238	2,199,570	2,362,867	2,303,699	2,680,778	3,109,736	3,477,234
Related Services	8,687,915	9,733,382	10,707,833	9,984,617	11,058,793	11,098,225	11,776,754	13,480,530	12,125,105	12,811,041
General Administration Services	996,442	910,478	1,041,458	983,963	1,113,947	1,088,805	1,101,854	1,078,925	986,457	1,036,011
School Administration Services	3,357,684	3,303,266	3,401,405	3,697,976	3,787,151	3,740,792	3,749,775	4,170,456	4,268,077	4,391,229
Central Services			721,843	637,512	678,965	626,904	641,946	692,996	706,896	734,577
Administrative Information Technology			374,101	423,631	551,973	504,806	669,800	754,135	772,235	771,620
Plant Operations and Maintenance	5,693,922	5,919,187	6,558,595	7,372,857	7,794,911	9,205,253	8,950,358	7,444,538	8,107,321	8,824,096
Pupil Transportation	3,127,991	3,579,070	3,591,818	3,686,570	4,012,105	4,212,269	5,049,825	4,112,652	4,972,228	5,275,700
Capital outlay						265,159				
Other Support Services	381,886	403,831								
Interest and other charges on Long-Term De	2,158,963	2,186,187	1,756,113	1,941,100	3,696,376	4,051,794	4,009,003	3,926,665	3,845,737	3,585,293
<b>Total Governmental Activities Expenses</b>	<b>58,784,501</b>	<b>63,384,078</b>	<b>69,044,983</b>	<b>70,959,806</b>	<b>78,268,404</b>	<b>83,625,653</b>	<b>86,942,761</b>	<b>89,708,000</b>	<b>87,689,405</b>	<b>92,397,284</b>
<b>Business-type Activities:</b>										
Food Service	1,198,956	1,281,619	1,471,187	1,703,726	1,788,270	1,972,075	1,962,215	1,911,960	1,944,455	2,184,302
After School Enrichment	70,509	108,436	135,192	163,693	148,688	216,126	210,271	258,311	204,180	162,681
Project Jump Start		3,996	33,112	63,326	50,325	52,215	76,115	91,640	82,501	98,082
Camp Bridge				10,096	20,611	43,783				
Before and After School Care			43,858	350,657	446,502	434,770	545,341	1,034,402	1,085,360	1,233,364
<b>Total Business-type Activities Expense</b>	<b>1,269,465</b>	<b>1,394,051</b>	<b>1,683,349</b>	<b>2,299,498</b>	<b>2,454,396</b>	<b>2,718,969</b>	<b>2,793,942</b>	<b>3,296,313</b>	<b>3,316,496</b>	<b>3,678,429</b>
<b>Total District Expenses</b>	<b>\$ 60,053,966</b>	<b>\$ 64,778,129</b>	<b>\$ 70,728,332</b>	<b>\$ 73,259,304</b>	<b>\$ 80,722,800</b>	<b>\$ 86,344,622</b>	<b>\$ 89,736,703</b>	<b>\$ 93,004,313</b>	<b>\$ 91,005,901</b>	<b>\$ 96,075,713</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Changes for Services:</b>										
Instruction (Tuition)	\$ 254,468	\$ 316,600	\$ 305,283	\$ 499,848	\$ 860,467	\$ 502,434	\$ 748,296	\$ 691,186	\$ 1,020,789	\$ 1,268,721
Pupil Transportation	217,947	226,553	228,985	273,825	205,974	251,257	235,341	272,498	229,278	222,716
Operating Grants and Contributions	3,763,525	4,129,763	4,446,311	5,101,146	1,486,333	1,536,043	1,489,669	2,706,434	1,446,222	1,698,237
Capital Grants and Contributions							145,287	-	1,765	
<b>Total Governmental Activities Program Revenues</b>	<b>4,235,940</b>	<b>4,672,916</b>	<b>4,980,579</b>	<b>5,874,819</b>	<b>2,552,774</b>	<b>2,289,734</b>	<b>2,618,593</b>	<b>3,670,118</b>	<b>2,698,054</b>	<b>3,189,674</b>
<b>Business-type Activities:</b>										
<b>Charges for Services:</b>										
Food Service	1,083,057	1,200,534	1,362,213	1,561,470	1,581,523	1,749,572	1,876,347	2,007,314	1,970,688	2,140,832
After School Enrichment	105,881	79,845	128,088	150,855	161,235	231,969	216,580	233,410	186,759	171,084
Project Jump Start		27,525	77,945	72,370	52,448	120,604	119,946	112,687	112,105	106,760
Camp Bridge			9,350	10,450	48,319	1,075				
Before and After School Care			48,836	359,065	483,347	534,432	648,639	1,155,211	1,128,752	1,109,200
Operating Grants and Contributions	66,929	93,844	91,237	135,533	123,447	131,197	118,668	119,882	134,876	124,916
<b>Total Business-type Activities Program Revenues</b>	<b>1,255,867</b>	<b>1,401,748</b>	<b>1,717,669</b>	<b>2,289,743</b>	<b>2,450,319</b>	<b>2,768,849</b>	<b>2,980,180</b>	<b>3,628,504</b>	<b>3,533,180</b>	<b>3,652,792</b>
<b>Total District Program Revenues</b>	<b>\$ 5,491,807</b>	<b>\$ 6,074,664</b>	<b>\$ 6,698,248</b>	<b>\$ 8,164,562</b>	<b>\$ 5,003,093</b>	<b>\$ 5,058,583</b>	<b>\$ 5,598,773</b>	<b>\$ 7,298,622</b>	<b>\$ 6,231,234</b>	<b>\$ 6,842,466</b>
<b>Net (Expense) Revenue</b>										
Governmental Activities	\$ (54,548,561)	\$ (58,711,162)	\$ (64,064,404)	\$ (65,084,987)	\$ (75,715,630)	\$ (81,335,919)	\$ (84,324,168)	\$ (86,037,882)	\$ (84,991,351)	\$ (89,207,610)
Business-type Activities	(13,598)	7,697	34,320	(9,755)	(4,077)	49,880	186,238	332,191	216,684	(25,637)
<b>Total District-wide Net Expense</b>	<b>\$ (54,562,159)</b>	<b>\$ (58,703,465)</b>	<b>\$ (64,030,084)</b>	<b>\$ (65,094,742)</b>	<b>\$ (75,719,707)</b>	<b>\$ (81,286,039)</b>	<b>\$ (84,137,930)</b>	<b>\$ (85,705,691)</b>	<b>\$ (84,774,667)</b>	<b>\$ (89,233,247)</b>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
 (Accrual Basis of Accounting)  
 Unaudited

	Year Ended June 30,									
	2004	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenues and Other</b>										
<b>Changes in Net Assets</b>										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$ 46,138,805	\$ 49,846,708	\$ 54,373,909	\$ 58,065,146	\$ 61,313,765	\$ 63,779,923	\$ 66,837,438	\$ 70,156,926	\$ 72,910,723	\$ 74,368,937
Taxes Levied for Debt Service	3,388,024	3,444,720	3,104,825	3,361,148	5,661,267	5,461,181	5,243,925	5,500,706	5,591,242	5,766,182
Unrestricted Grants and Contributions	3,097,334	4,321,373	4,217,473	13,368,307	10,488,375	10,878,874	12,539,127	10,864,349	8,622,247	11,210,045
Investment Earnings	81,449	48,352	163,098	978,574	3,040,622	1,036,083	129,895	63,067	42,182	13,873
Miscellaneous Income	429,808	925,197	340,840	452,088	53,466	2,799,935	231,600	267,986	154,079	421,748
Transfers						(40,195)				
Prior Year Adjustment	(158,481)	81,899								
<b>Total Governmental Activities</b>	<b>52,976,939</b>	<b>58,668,249</b>	<b>62,200,145</b>	<b>76,225,263</b>	<b>80,557,495</b>	<b>83,915,801</b>	<b>84,981,985</b>	<b>86,853,034</b>	<b>87,320,473</b>	<b>91,780,785</b>
Business-type Activities:										
Miscellaneous Income	6,413	13,269			54,093					
Transfers						40,195				
<b>Total Business-type Activities</b>	<b>6,413</b>	<b>13,269</b>	<b>-</b>	<b>-</b>	<b>54,093</b>	<b>40,195</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Prior Period Restatement				(28,716,125)						
<b>Total District-wide</b>	<b>\$ 52,983,352</b>	<b>\$ 58,681,518</b>	<b>\$ 62,200,145</b>	<b>\$ 47,509,138</b>	<b>\$ 80,611,588</b>	<b>\$ 83,955,996</b>	<b>\$ 84,981,985</b>	<b>\$ 86,853,034</b>	<b>\$ 87,320,473</b>	<b>\$ 91,780,785</b>
<b>Change in Net Assets</b>										
Governmental Activities	\$ (1,571,622)	\$ (42,913)	\$ (1,864,259)	\$ (17,575,849)	\$ 4,841,865	\$ 2,579,882	\$ 657,817	\$ 815,152	\$ 2,329,122	\$ 2,573,175
Business-type Activities	(7,185)	20,966	34,320	(9,755)	50,016	90,075	186,238	332,191	216,684	(25,637)
<b>Total District</b>	<b>\$ (1,578,807)</b>	<b>\$ (21,947)</b>	<b>\$ (1,829,939)</b>	<b>\$ (17,585,604)</b>	<b>\$ 4,891,881</b>	<b>\$ 2,669,957</b>	<b>\$ 844,055</b>	<b>\$ 1,147,343</b>	<b>\$ 2,545,806</b>	<b>\$ 2,547,538</b>

Source: District CAFR A-2

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
 (Modified Accrual Basis of Accounting)  
**Unaudited**

	Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved	\$ 209,707	\$ 430,837	\$ 55,067	\$ 1,543,118	\$ 4,771,640	\$ 4,250,314	\$ 3,192,027	\$ 3,985,240		
Unreserved	1,647,904	1,970,220	2,207,652	1,529,902	1,538,095	3,947,427	3,156,914	3,265,329		
Restricted for									\$ 3,333,862	\$ 7,480,823
Assigned to									4,793,453	2,471,993
Unassigned									1,714,905	1,880,382
<b>Total General Fund</b>	<b><u>\$ 1,857,611</u></b>	<b><u>\$ 2,401,057</u></b>	<b><u>\$ 2,262,719</u></b>	<b><u>\$ 3,073,020</u></b>	<b><u>\$ 6,309,735</u></b>	<b><u>\$ 8,197,741</u></b>	<b><u>\$ 6,348,941</u></b>	<b><u>\$ 7,250,569</u></b>	<b><u>\$ 9,842,220</u></b>	<b><u>\$ 11,833,198</u></b>
All Other Governmental Funds:										
Reserved						\$ 2,839,671	\$ 4,000			
Unreserved, Reported In:										
Special Revenue Fund (deficit)	\$ (9,921)									
Capital Projects Fund *	220,967	\$ 503,805	\$ 664,696	\$ 51,014,766	\$ 24,207,584	237,506	563,549	\$ 563,549		
Debt Service Fund	58,030	28,880	9,953	1	1	1				
Restricted for:										
Capital Projects Fund *									\$ 565,314	\$ 565,314
Debt Service Fund									1	1,399
<b>Total All Other Governmental Funds</b>	<b><u>\$ 269,076</u></b>	<b><u>\$ 532,685</u></b>	<b><u>\$ 674,649</u></b>	<b><u>\$ 51,014,767</u></b>	<b><u>\$ 24,207,585</u></b>	<b><u>\$ 3,077,178</u></b>	<b><u>\$ 567,549</u></b>	<b><u>\$ 563,549</u></b>	<b><u>\$ 565,315</u></b>	<b><u>\$ 566,713</u></b>

Source: District CAFR B-1

\* The substantial increases and decreases in the Capital Projects Fund fund balance are due to a construction bond referendum.

GASB # 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years (See footnote 1.L. in the basic financial statements). Prior years have not been restated above.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
 (Modified Accrual Basis of Accounting)  
**Unaudited**

	Year ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Tax Levy	\$ 49,526,829	\$ 53,291,428	\$ 57,478,734	\$ 61,426,294	\$ 66,975,032	\$ 69,241,104	\$ 72,081,363	\$ 75,657,632	\$ 78,501,965	\$ 80,135,119
Tuition Charges	254,468	316,600	305,283	499,848	860,467	502,434	748,296	691,186	1,020,789	1,268,721
Interest Earnings	81,449	48,352	163,098	978,574	3,040,622	1,036,083	129,895	63,067	42,182	13,873
Miscellaneous	360,567	1,151,750	502,184	650,371	327,757	3,184,338	565,167	632,321	514,882	782,344
State Sources	6,081,770	7,607,853	7,708,853	17,534,132	10,723,172	11,131,142	12,931,937	11,093,362	8,862,302	11,206,655
Federal Sources	779,089	843,283	954,643	935,321	1,183,219	1,150,629	1,143,920	2,385,584	1,076,407	1,563,747
<b>Total Revenues</b>	<b>57,084,172</b>	<b>63,259,266</b>	<b>67,112,795</b>	<b>82,024,540</b>	<b>83,110,269</b>	<b>86,245,730</b>	<b>87,600,578</b>	<b>90,523,152</b>	<b>90,018,527</b>	<b>94,970,459</b>
<b>Expenditures</b>										
<b>Instruction:</b>										
Regular Instruction	19,080,694	20,380,535	21,423,665	22,032,344	22,365,402	23,763,583	25,112,992	24,835,229	24,070,737	25,436,003
Special Education Instruction	4,059,646	4,612,268	5,612,599	6,724,715	7,312,819	8,471,628	8,659,776	9,453,524	8,893,940	9,479,261
Other Special Instruction	834,574	822,701	718,794	708,573	943,809	926,385	931,147	1,221,772	1,217,099	1,187,619
School-sponsored/Other Instructional	881,460	1,004,722	1,169,773	1,245,086	1,103,475	1,386,510	1,542,525	1,275,094	1,290,187	1,405,440
<b>Support Services:</b>										
Tuition	1,590,499	1,802,592	1,910,583	2,029,238	2,152,476	2,313,922	2,303,699	2,680,778	3,109,736	3,467,469
Student and Instruction Related Servi	6,748,142	7,514,171	8,035,678	7,732,169	8,359,544	8,351,266	9,326,920	10,470,913	9,259,142	9,961,962
General Administrative Services	813,938	713,961	709,897	882,112	969,360	942,838	977,098	926,229	832,971	888,616
School Administrative Services	2,444,895	2,541,161	2,512,091	2,802,219	2,723,995	2,659,460	2,835,015	3,011,454	3,137,486	3,229,189
Central Services			721,843	514,769	561,064	508,263	501,705	516,161	532,298	558,173
Admin. Information Technology			374,101	316,558	414,537	365,946	511,976	550,664	571,542	578,041
Plant Operations and Maintenance	5,623,747	5,840,100	6,458,845	7,287,982	7,633,494	9,282,058	8,442,915	7,101,641	7,287,634	8,324,895
Pupil Transportation	3,125,953	3,579,070	3,591,818	3,685,264	3,926,203	4,125,016	4,946,968	3,976,834	4,784,527	5,097,286
Other Support Services	381,886	403,831								
Employee Benefits	7,407,591	8,664,459	10,133,043	11,555,745	14,905,089	15,277,194	15,312,735	17,421,783	15,868,492	16,918,257
Charter Schools										9,765
Capital Outlay	1,224,916	1,170,714	680,616	4,709,789	18,108,798	28,075,456	4,270,907	315,596	860,359	425,472
Cost of issuance										107,095
<b>Debt Service:</b>										
Principal	1,392,639	1,297,638	1,367,639	1,430,000	1,500,000	1,655,000	2,155,000	1,940,000	2,075,000	2,380,000
Interest and Other Charges	2,158,963	2,186,187	1,756,113	1,941,100	4,112,475	3,843,411	4,127,629	3,927,852	3,843,040	3,727,224
<b>Total Expenditures</b>	<b>57,769,543</b>	<b>62,534,110</b>	<b>67,177,098</b>	<b>75,597,663</b>	<b>97,092,540</b>	<b>111,947,936</b>	<b>91,959,007</b>	<b>89,625,524</b>	<b>87,634,190</b>	<b>93,181,767</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(685,371)	725,156	(64,303)	6,426,877	(13,982,271)	(25,702,206)	(4,358,429)	897,628	2,384,337	1,788,692
<b>Other Financing Sources (Uses)</b>										
Proceeds from Borrowing				44,648,000		6,500,000				
Capital Leases (Non-budgeted)	287,188	71,944	67,929	75,542					209,080	96,589
Refunding Bonds Issued		27,077,561			10,000,000					9,700,000
Payments to Escrow Agent		(27,067,606)			(10,113,265)					(9,651,344)
Premium on Bonds Refunded					64,473					58,439
Prior Year Adjustment	(158,481)									
Transfers In	48,339	863,734	392,988	664,304	2,607,177	658,508	38,787	209	82	137
Transfers Out	(48,339)	(863,734)	(392,988)	(664,304)	(2,607,177)	(698,703)	(38,787)	(209)	(82)	(137)
<b>Total Other Financing Sources (Uses)</b>	<b>128,707</b>	<b>81,899</b>	<b>67,929</b>	<b>44,723,542</b>	<b>(48,792)</b>	<b>6,459,805</b>	<b>-</b>	<b>-</b>	<b>209,080</b>	<b>203,684</b>
<b>Net Change in Fund Balances</b>	<b>\$ (556,664)</b>	<b>\$ 807,055</b>	<b>\$ 3,626</b>	<b>\$ 51,150,419</b>	<b>\$ (14,031,063)</b>	<b>\$ (19,242,401)</b>	<b>\$ (4,358,429)</b>	<b>\$ 897,628</b>	<b>\$ 2,593,417</b>	<b>\$ 1,992,376</b>
Debt service as a percentage of noncapital expenditures	7.23%	6.28%	5.68%	4.70%	7.11%	6.56%	7.16%	6.57%	6.82%	6.58%

Source: District Records

Note: Noncapital expenditures are total expenditures less capital outlay.  
 Central Service and Administrative Information Technology account classifications were added beginning with year end June 30, 2005.  
 Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**General Fund - Other Local Revenue by Source**  
**Last Ten Fiscal Years**  
 (Modified Accrual Basis of Accounting)  
**Unaudited**

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Transportation</u> <u>Fees</u>	<u>Rentals</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Annual Totals</u>
2003	\$ 217,947		\$ 17,988	\$ 102,218	\$ 338,153
2004	226,553		24,080	898,778	1,149,411
2005	228,985		47,221	225,690	501,896
2006	273,825		90,885	285,661	650,371
2007	205,974			53,466	259,440
2008	251,257		2,699,612	100,323	3,051,192
2009	235,341	\$ 76,557	49,366	196,785	558,049
2010	272,498	96,413	131,706	102,725	603,342
2011	229,278	69,618		84,461	383,357
2012	222,716	170,110	202,894	48,744	644,464

**Source:** District Records

**Note:**

The significant increase in 2008 represents a refund of prior year expenditures from amounts overcharged by a vendor.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate <sup>b</sup>
2003	\$ 36,015,800	\$ 4,409,004,300	\$ 18,777,200	\$ 486,590	\$ 763,611,500	\$ 7,376,700	\$ 7,380,100	\$ 5,242,652,190	\$ 8,253,818	\$ 5,250,906,008	\$ 5,115,933,999	\$ 0.982
2004	24,071,700	4,484,126,800	15,606,600	486,040	763,549,195	7,020,500	7,380,100	5,302,240,935	7,657,412	5,309,898,347	5,452,589,814	1.034
2005	34,921,300	5,625,239,400	22,896,000	397,610	700,421,000	7,425,000	7,858,900	6,399,159,210	6,813,032	6,405,972,242	5,902,410,904	0.930
2006	29,299,400	6,195,479,100	23,636,500	344,100	752,979,125	7,620,900	8,283,200	7,017,642,325	6,813,032	7,024,455,357	6,479,272,097	0.915
2007	38,810,400	6,211,176,500	23,098,000	336,800	848,521,100	7,748,900	8,540,100	7,138,231,800	7,347,852	7,145,579,652	7,103,135,463	0.957
2008	45,096,900	6,186,564,700	22,422,300	312,600	864,983,780	8,168,700	9,399,600	7,136,948,580	8,309,100	7,145,257,680	7,260,742,618	0.992
2009	36,643,900	5,849,444,900	20,329,100	870,200	884,170,700	11,490,000	9,301,900	6,812,250,700	11,324,300	6,823,575,000	7,145,967,376	1.083
2010	33,184,300	5,524,809,100	23,254,300	354,700	816,560,311	11,184,000	8,205,800	6,417,552,511	10,219,966	6,427,772,477	7,009,122,445	1.199
2011	26,355,000	5,531,687,400	23,808,100	354,000	776,172,100	11,044,500	7,876,400	6,377,297,500	7,963,597	6,385,261,097	6,863,212,979	1.243
2012	25,561,600	5,499,098,700	23,782,900	321,200	740,862,500	5,446,500	7,988,200	6,303,061,600	7,736,493	6,310,798,093	6,618,043,174	1.282

**Source:** Municipal Tax Assessor

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

Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

<sup>b</sup> Tax rates are per \$100

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
*(rate per \$100 of assessed value)*  
**Unaudited**

Fiscal Year Ended June 30,	Bernards School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	(From J-6) Total Direct School Tax Rate	Bernards Township	Somerset County	
2003	\$ 0.915	\$ 0.067	\$ 0.982	\$ 0.343	\$ 0.375	\$ 1.700
2004	0.967	0.067	1.034	0.350	0.376	1.760
2005	0.880	0.050	0.930	0.303	0.317	1.550
2006	0.864	0.051	0.915	0.276	0.299	1.490
2007	0.878	0.079	0.957	0.268	0.305	1.530
2008	0.914	0.078	0.992	0.264	0.306	1.562
2009	1.004	0.079	1.083	0.274	0.319	1.676
2010	1.113	0.086	1.199	0.298	0.331	1.828
2011	1.154	0.089	1.243	0.306	0.333	1.882
2012	1.190	0.092	1.282	0.318	0.341	1.941

**Source:** Municipal Tax Collector

- <sup>a</sup> The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.
- <sup>b</sup> Rates for debt service are based on each year's requirements.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Principal Property Taxpayers**  
**Current Year and Ten Years Ago**  
**Unaudited**

	2012			2003		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total Direct Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total Direct Net Assessed Value</u>
Verizon Corporate Services Group, Inc.	\$ 200,224,192	1	3.17%			
Fellowship Village, Inc.	49,978,300	2	0.79%	\$ 33,386,600	5	0.71%
Avaya Inc./CB R. Ellis/German	36,250,000	3	0.57%	43,500,000	2	0.92%
AREP Westgate I&II	29,967,500	4	0.47%			
Ashford Basking Ridge LLP	24,087,500	5	0.38%			
131 Morristown Rd. c/o UBS Realty Inv.	23,282,800	6	0.37%			
110 Allen Road LLC	22,195,900	7	0.35%			
KBSII Mountainview LLC	21,401,400	8	0.34%			
Affinity Federal Credit Union	20,217,600	9	0.32%			
BRCP NJ Prop LLC c/o Broadreach CAP	19,999,000	10	0.32%			
AT&T				236,454,800	1	5.03%
OTR / Gale & Wentworthy LLC				36,883,300	3	0.78%
OP&F- Bernards 78 LLC / Grubb				33,920,000	4	0.72%
Conopco, Inc. NY Corp C/O AT&T				31,738,000	6	0.67%
ALLEN Center, LLC				30,161,900	7	0.64%
AT&T Property Tax Unit				21,250,000	8	0.45%
MC-SJP Pinson Development LLC				20,800,000	9	0.44%
Courtyard Management Corp.				20,560,000	10	0.44%
<b>Total</b>	<u>\$ 447,604,192</u>		<u>7.09%</u>	<u>\$ 508,654,600</u>		<u>10.81%</u>

**Source:** Municipal Tax Assessor

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year Ended <u>June 30,</u>	Taxes Levied for the <u>Fiscal Year</u>	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent <u>Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2003	\$49,526,829	\$49,526,829	100.00%	
2004	53,291,428	53,291,428	100.00%	
2005	57,478,734	57,478,734	100.00%	
2006	61,426,294	61,426,294	100.00%	
2007	66,975,032	66,975,032	100.00%	
2008	69,241,104	69,241,104	100.00%	
2009	72,081,363	72,081,363	100.00%	
2010	75,657,632	75,657,632	100.00%	
2011	78,501,965	78,501,965	100.00%	
2012	80,135,119	80,135,119	100.00%	

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

<sup>a</sup> 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.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year Ended June 30,	Governmental Activities					Business - Type Activities	Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	School Facilities Loan	Capital Leases	Other Leases	Compensated Absences Payable	Purchase Agreement Payable			
2003	\$ 43,100,000	\$ 5,280	\$ 415,100		\$ 982,783		\$ 44,503,163	3.10%	\$ 57,047
2004	42,890,000	2,640	362,222		1,026,954		44,281,816	3.04%	60,269
2005	41,525,000		420,701	\$ 1,007,784	1,080,343		44,033,828	2.88%	62,710
2006	84,743,000		367,267	767,327	382,173		86,259,767	5.61%	68,040
2007	83,900,000		226,347	519,368	407,790		85,053,505	4.90%	72,015
2008	88,745,000		239,959	247,815	318,032		89,550,806	4.84%	74,196
2009	86,590,000		21,242		341,943	\$ 88,672	87,041,857	4.55%	68,753
2010	84,650,000		869		533,825	71,154	85,255,848	4.76%	69,886
2011	82,575,000		178,670		589,377	52,758	83,395,805	Not Available	Not Available
2012	81,455,000		231,913		463,086	34,155	82,184,154	Not Available	Not Available

**Note:** Details regarding the District's outstanding debt can be found in note 5 to the basic financial statements.

<sup>a</sup> See J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**Unaudited**

Fiscal Year Ended <u>June 30,</u>	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	<u>General Obligation Bonds</u>	<u>Net General Bonded Debt Outstanding</u>		
2003	\$ 43,100,000	\$ 43,100,000	0.82%	\$ 57,047
2004	42,890,000	42,890,000	0.81%	60,269
2005	41,525,000	41,525,000	0.65%	62,710
2006	84,743,000	84,743,000	1.21%	68,040
2007	83,900,000	83,900,000	1.17%	72,015
2008	88,745,000	88,745,000	1.24%	74,196
2009	86,590,000	86,590,000	1.27%	68,753
2010	84,650,000	84,650,000	1.32%	69,886
2011	82,575,000	82,575,000	1.28%	Not Available
2012	81,455,000	81,455,000	1.28%	Not Available

**Notes:** Details regarding the District's outstanding debt can be found in note 5 to the basic financial statements.

<sup>a</sup> See J-6 for property tax data.

<sup>b</sup> Population data can be found in J-14.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2012**  
**Unaudited**

<u><b>Governmental Unit</b></u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Bernards Township	\$ 16,620,000	100.000%	\$ 16,620,000
Somerset County General Obligation Debt	175,649,796	11.350%	<u>19,940,584</u>
Subtotal, Overlapping Debt			36,560,584
Bernards School District Direct Debt			<u>81,455,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 118,015,584</u></u>

**Source:** Assessed value data used to estimate applicable percentages provided by the Somerset County Board of Taxation.

Debt outstanding data provided by each governmental unit.

**Note:** 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 the Township. 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.

<sup>a</sup> 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.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**Unaudited**

Legal Debt Margin Calculation for Fiscal Year 2012

Year	Equalized Valuation Basis
2012	\$ 7,006,100,933
2011	6,863,212,979
2010	7,009,122,445
	\$ 20,878,436,357
	\$ 6,959,478,786
	\$ 278,379,151 <sup>a</sup>
	81,455,000
	\$ 196,924,151

Average Equalized Valuation of Taxable Property	\$ 6,959,478,786
Debt Limit (4% of Average Equalization Value)	\$ 278,379,151 <sup>a</sup>
Total Net Debt Application to Limit	81,455,000
Legal Debt Margin	\$ 196,924,151

	<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>2012</u>
Debt Limit	\$ 173,464,417	\$ 195,805,671	\$ 216,154,443	\$ 235,292,668	\$ 274,258,157	\$ 285,996,501	\$ 285,885,713	\$ 290,748,866	\$ 283,579,726	\$ 278,379,151
Total Net Debt Applicable to Limit	43,105,280	42,892,640	41,525,000	84,743,000	83,900,000	88,745,000	86,590,000	84,650,000	82,575,000	81,455,000
Legal Debt Margin	\$ 130,359,137	\$ 152,913,031	\$ 174,629,443	\$ 150,549,668	\$ 190,358,157	\$ 197,251,501	\$ 199,295,713	\$ 206,098,866	\$ 201,004,726	196,924,151
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	29.52%	24.85%	21.91%	19.21%	36.02%	31.03%	30.29%	29.11%	29.12%	29.26%

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

<sup>a</sup> Limit set by NJSA 18A:24-19 for a K through 12 district; other percent limits would be applicable for other district types.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
**Unaudited**

<u>Year</u>	<u>Population</u> <sup>a</sup>	<u>Personal Income</u> <sup>b</sup>	<u>Per Capita Personal Income</u> <sup>c</sup>	<u>Unemployment Rate</u> <sup>d</sup>
2003	25,246	\$ 1,440,208,562	\$ 57,047	3.60%
2004	25,422	1,532,158,518	60,269	3.10%
2005	25,446	1,595,718,660	62,710	2.50%
2006	25,508	1,735,564,320	68,040	2.60%
2007	25,714	1,851,793,710	72,015	2.20%
2008	25,785	1,913,143,860	74,196	3.20%
2009	26,034	1,789,915,602	68,753	5.90%
2010	26,704	1,866,235,744	69,886	5.90%
2011	26,771	Not Available	Not Available	5.50%
2012	Not Available	Not Available	Not Available	Not Available

**Source:**

- <sup>a</sup> Population information provided by the NJ Dept. of Labor and Workforce Development.
- <sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented.
- <sup>c</sup> Per capita personal income by municipality estimated based upon the April 2012 Census published by the US Bureau of Economic Analysis.
- <sup>d</sup> Unemployment data provided by the NJ Dept. of Labor and Workforce Development.

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION  
Principal Employers  
Current Year and Nine Years Ago  
Unaudited**

	<u>2012</u>		<u>2003</u>	
<u>Employer</u>	<u>Employees</u>	Percentage of Total Municipal <u>Employment</u>	<u>Employees</u>	Percentage of Total Municipal <u>Employment</u>

**INFORMATION NOT AVAILABLE**

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Full-time Equivalent District Employees by Function/Program**  
**Last Ten Fiscal Years**  
**Unaudited**

<u>Function/Program</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>2012</u>
Teachers - General Fund	331.0	336.9	409.0	416.8	449.0	450.5	482.6	469.8	442.8	440.6
Classroom Aides - General Fund	18.0	5.0	50.0	83.0	92.8	100.5	116.5	123.0	96.5	109.0
Health Services	7.0	7.0	8.0	8.0	10.0	10.5	11.9	11.9	11.0	11.0
Related Services	6.0	8.0	11.0	10.0	8.0	9.0	12.0	11.6	11.6	12.0
Extraordinary Services	-	-	-	-	2.0	5.0	5.2	6.0	8.4	11.0
Guidance - Professional	16.0	15.0	17.0	18.0	18.2	19.2	22.0	20.2	19.2	21.2
Guidance - Support	6.0	4.0	4.0	5.0	5.0	5.2	7.0	6.0	8.0	8.0
Child Study Team	12.0	12.0	13.0	17.0	15.8	15.8	17.2	17.2	16.4	17.8
Child Study Team - Support	3.0	3.0	4.0	5.0	2.0	2.0	2.0	2.0	2.0	2.0
Supervisors and Other Professionals	7.0	4.0	4.0	5.0	4.5	4.5	4.6	4.0	3.5	9.8
Improvement of Instruction - Support	4.0	2.0	2.0	3.0	2.0	2.0	2.0	3.0	2.0	4.0
Media Services/Technology	10.0	12.0	7.0	6.0	15.0	14.0	14.0	13.0	10.0	10.0
Professional Development - Professionals	1.0	5.0	5.0	6.0	5.0	4.5	5.5	5.5	5.0	5.5
Professional Development - Support	2.0	4.0	4.0	3.0	4.0	4.8	6.0	6.0	5.0	5.0
General District Administrators	1.0	1.0	1.0	1.0	1.5	-	-	-	-	-
General Administration - Professional	-	1.0	-	-	-	1.5	1.5	1.5	1.5	2.5
General Administration - Support	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-
Principals/Assistant Professionals	14.0	14.0	15.0	15.0	17.0	16.0	16.0	17.0	17.0	16.0
School Administration - Support	15.0	16.5	17.0	19.0	19.0	18.0	19.0	18.0	19.0	21.0
Central Services - Administrators	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	7.0
Central Services - Support	-	-	4.0	5.0	6.6	2.5	5.6	5.6	4.6	-
Administration Information Technology Services	-	-	-	6.0	5.5	5.3	9.0	9.0	8.0	9.0
Support Staff - Special Revenue	-	-	-	-	7.6	1.8	3.0	3.0	3.0	6.0
<b>Total</b>	<b>454.0</b>	<b>451.4</b>	<b>577.0</b>	<b>633.8</b>	<b>692.5</b>	<b>694.6</b>	<b>764.6</b>	<b>755.3</b>	<b>696.5</b>	<b>728.4</b>

**Source:** District Records

N/A - Not Available

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited**

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2003	4,752	\$ 52,993,025	\$ 11,152	5.81%	475	13.1	13.1	10.3	4,741	4,568	5.38%	96.35%
2004	4,987	57,879,571	11,606	4.07%	481	10.5	10.5	10.2	4,998	4,805	5.42%	96.14%
2005	5,207	63,372,730	12,171	4.86%	526	10.8	10.8	9.8	5,199	4,990	4.02%	95.98%
2006	5,346	67,516,774	12,629	3.77%	511	10.7	10.4	10.8	5,307	5,111	2.08%	96.31%
2007	5,529	69,266,377	12,528	-0.80%	515	10.8	10.5	10.7	5,466	5,263	3.00%	96.29%
2008	5,519	70,425,155	12,760	1.86%	530	11.7	10.3	10.8	5,517	5,310	0.95%	96.25%
2009	5,640	81,405,471	14,434	13.11%	524	11.3	9.8	10.7	5,632	5,413	2.08%	96.11%
2010	5,725	83,442,076	14,575	0.98%	548	10.7	9.5	10.7	5,703	5,490	1.26%	96.27%
2011	5,671	80,855,788	14,258	-2.18%	443	10.8	10.0	11.0	5,665	5,444	-0.67%	96.10%
2012	5,705	86,541,976	15,169	6.39%	454	14.7	9.9	12.6	5,687	5,481	0.39%	96.38%

**Source:** District Records.

**Note:** Enrollment based on annual October District count.

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

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**School Building Information**  
**Last Ten Fiscal Years**  
**Unaudited**

<b>District Building</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<u>Elementary:</u>										
Cedar Hill Elementary School										
Square Feet	59,500	59,500	59,500	59,500	59,500	59,500	59,500	68,022	68,022	68,022
Capacity (students)	724	724	724	724	724	724	724	724	724	724
Enrollment	N/A	624	678	650	649	649	614	624	607	604
Liberty Corner Elementary School										
Square Feet	82,200	82,200	82,200	82,200	82,200	82,200	82,200	82,240	82,240	82,240
Capacity (students)	682	682	682	682	682	682	682	682	682	682
Enrollment	N/A	608	607	610	626	626	608	575	561	570
Mount Prospect Elementary School										
Square Feet	87,000	87,000	87,000	87,000	87,000	87,000	87,000	97,708	97,708	97,708
Capacity (students)	625	625	625	625	625	625	625	839	839	839
Enrollment	N/A	626	683	687	713	713	780	761	719	715
Oak Street Elementary School										
Square Feet	65,470	65,470	65,470	65,470	65,470	65,470	65,470	69,272	69,272	69,272
Capacity (students)	686	686	686	686	686	686	686	686	686	686
Enrollment	N/A	605	593	593	623	623	607	623	627	636
<u>Middle School:</u>										
William Anin Middle School										
Square Feet	146,000	146,000	146,000	146,000	146,000	146,000	146,000	162,713	162,713	162,713
Capacity (students)	1,460	1,460	1,460	1,460	1,460	1,460	1,460	1,471	1,471	1,471
Enrollment	N/A	1,193	1,222	1,260	1,277	1,277	1,348	1,399	1,433	1,406
<u>High School:</u>										
Ridge High School										
Square Feet	209,500	209,500	209,500	209,500	209,500	209,500	209,500	297,158	297,158	297,158
Capacity (students)	1,831	1,831	1,831	1,831	1,831	1,831	1,831	1,976	1,976	1,976
Enrollment	N/A	1,319	1,416	1,525	1,604	1,604	1,695	1,715	1,724	1,774
<u>Other:</u>										
Administration Building										
Square Feet	5,200	5,200	5,200	5,200	6,224	6,224	6,224	6,224	6,224	6,224
Number of Schools at June 30, 2012:										
Elementary =	4									
Middle School =	1									
Senior High School =	1									
Other =	1									

**Source:** District Facilities Office

**Note:** Increases in square footage and capacity are the result of additions.

N/A - Not Available

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Schedule of Required Maintenance**  
**Last Ten Fiscal Years**  
**Unaudited**

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

*School Facilities	<u>Ridge H.S.</u>	<u>William Aninn M.S.</u>	<u>Cedar Hill E.S.</u>	<u>Liberty Corner E.S.</u>	<u>Mount Prospect E.S.</u>	<u>Oak Street E.S.</u>	<u>Total</u>
Project # (s)	SP201527, SP202749, <u>0350-050-05-100</u>	0350-055-04-1000, <u>0350-055-05-1000</u>	0350-070-02-1005, 0350-070-05-1000, <u>0350-070-05-2000</u>	0350-080-02-0816, 0350-080-04-1000, <u>0350-080-05-1000</u>		0350-060-03-0947, 0350-060-05-1000, <u>0350-060-05-2000</u>	
2003	\$ 179,393	\$ 127,297	\$ 116,481	\$ 84,336	\$ 71,818	\$ 194,262	\$ 773,587
2004	534,585	201,084	148,685	154,402	141,114	172,527	1,352,397
2005	831,091	312,631	231,057	240,098	219,283	268,270	2,102,430
2006	237,971	89,517	66,160	68,748	62,789	76,815	602,000
2007	896,847	616,748	252,089	344,521	411,746	279,038	2,800,989
2008	2,224,072	637,354	230,235	299,848	374,319	330,047	4,095,875
2009	1,200,629	574,109	260,651	298,627	409,919	276,833	3,020,768
2010	660,922	361,897	151,291	182,914	217,317	154,070	1,728,411
2011	660,846	361,855	151,273	182,892	217,291	154,053	1,728,210
2012	<u>1,281,483</u>	<u>701,694</u>	<u>293,342</u>	<u>354,657</u>	<u>421,362</u>	<u>298,733</u>	<u>3,351,271</u>
Total School Facilities	<u>\$ 8,707,839</u>	<u>\$ 3,984,186</u>	<u>\$ 1,901,264</u>	<u>\$ 2,211,043</u>	<u>\$ 2,546,958</u>	<u>\$ 2,204,648</u>	<u>\$ 21,555,938</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

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Insurance Schedule**  
**June 30, 2012**

School Package Policy - NJSBAIG:	<u>Coverage</u>	<u>Deductible</u>
Blanket Building and Contents	\$ 121,591,933	\$ 5,000
Electronic Data Processing	1,000,000	1,000
Boiler and Machinery	100,000,000	5,000
Crime	1,000,000	1,000
Comprehensive General Liability	11,000,000	
Automobile	11,000,000	1,000
Commercial Excess	included	
Workers' Compensation	2,000,000	
School Leaders Errors and Omissions	11,000,000	5,000
N.J. Cap Program - Fireman's Fund Insurance Co.	50,000,000	
Environmental Liability - NJSBAIG	1,000,000	10,000
Public Official's Bonds - Selective Insurance Co.		
Board Secretary	369,000	
Treasurer	400,000	

**Source:** Bernards Township Board of Education.

Independent Auditors' 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*

Honorable President and  
Members of the Board of Education  
Bernards Township School District  
County of Somerset  
Basking Ridge, 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 Bernards Township School District, in the County of Somerset, New Jersey (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on 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 previously.

We noted certain matters involving internal control over financial reporting that we have reported to the District in a separate *Auditors' Management Report on Administrative Findings* dated November 20, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters of noncompliance that we have reported to the District in a separate *Auditors' Management Report on Administrative Findings* dated November 20, 2012.

This report is intended solely for the information and use of the District's management and Board, others within the entity, the New Jersey Department of Education, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Scott A. Clelland  
Licensed Public School Accountant  
No. 1049  
  
WISS & COMPANY, LLP

November 20, 2012  
Iselin, New Jersey



Independent Auditors' 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

Honorable President and  
Members of the Board of Education  
Bernards Township School District  
County of Somerset  
Basking Ridge, New Jersey

Compliance

We have audited the compliance of the Bernards Township School District, in the County of Somerset, New Jersey (the "District") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. The District's major federal and 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 District's management. Our responsibility is to express an opinion on the 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; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB 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 federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District 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 federal and state programs for the year ended June 30, 2012.

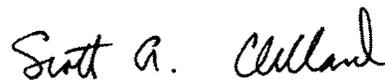
## Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal and 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 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 District's internal control over compliance.

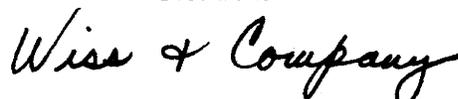
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or 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 federal or 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 District's management and Board, others within the entity, the New Jersey Department of Education, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Scott A. Clelland  
Licensed Public School Accountant  
No. 1049



WISS & COMPANY, LLP

November 20, 2012  
Iselin, New Jersey

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Grant Period		Balance at June 30, 2011	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	(Accounts Receivable) June 30, 2012	Deferred / Unearned Revenue June 30, 2012	Due to Grantor at June 30, 2012
			From	To								
<b>U.S. Department of Education</b>												
<b>Passed-through State Department of Education</b>												
General Fund:												
Education Jobs Fund	84.410A	\$ 161,678	08/01/10	08/31/12			\$ 109,373	\$ 161,678		\$ (52,305)		
Total General Fund							109,373	161,678		(52,305)		
<b>U.S. Department of Education</b>												
<b>Passed-through State Department of Education</b>												
Special Revenue Fund:												
Title II - Part A	84.367A	65,670	09/01/11	08/31/12			26,686	59,518		(32,832)		
Title II - Part A, Carryover	84.367A	71,898	09/01/10	08/31/11	\$ (19,702)		26,031	6,329				
Title III	84.365	13,130	09/01/11	08/31/12			4,350	13,066		(8,716)		
Title III, Carryover	84.365	15,376	09/01/10	08/31/11	(11,192)	\$ (266)	11,413	344	\$ 23	(366)		
Title III, Carryover	84.365	6,921	09/01/09	08/31/10	(266)	266						
Title III Immigrant	84.365	20,675	09/01/11	08/31/12			4,935	19,792		(14,857)		
ARRA I.D.E.A., Part B, Basic	84.391	1,473,776	09/01/10	08/31/11	(77,955)		302,325	224,370				
I.D.E.A., Part B, Basic	84.027	1,181,471	09/01/11	08/31/12			405,523	676,283		(270,760)		
I.D.E.A., Part B, Basic., Carryover	84.027	1,150,696	09/01/10	08/31/11	(280,290)	(10,138)	512,905	381,288	69,841	(88,970)		
I.D.E.A., Part B, Basic., Carryover	84.027	1,124,170	09/01/09	08/31/10	(10,685)	10,138	547					
I.D.E.A., Part B, Preschool, Carryover	84.173	53,346	09/01/10	08/31/11	(633)		22,033	21,374	(26)			
I.D.E.A., Part B, Preschool	84.173	44,227	09/01/11	08/31/12			660	660				
Total Special Revenue Fund					(400,723)	-	1,317,408	1,403,024	69,838	(416,501)		
<b>U.S. Department of Agriculture</b>												
<b>Passed-through State Department of Education</b>												
Enterprise Fund:												
Food Donation Program (NC)	10.555	31,618	07/01/11	06/30/12			31,618	31,618				
Food Donation Program (NC)	10.555	43,938	07/01/10	06/30/11	3,455			3,455				
National School Lunch Program	10.555	80,181	07/01/11	06/30/12			63,375	80,181		(16,806)		
National School Lunch Program	10.555	81,031	07/01/10	06/30/11	(16,211)		16,211					
Total Enterprise Fund					(12,756)	-	111,204	115,254	-	(16,806)		
Total expenditures of Federal Awards					\$ (413,479)	\$ -	\$ 1,537,985	\$ 1,679,956	\$ 69,838	\$ (485,612)	\$ -	\$ -

NC - non cash expenditures.

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

TOWNSHIP OF BERNARDS BOARD OF EDUCATION  
Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2012

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2011			Carryover/ (Walkover) Amount	Adjustment	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2012			MEMO	
			From	To	(Accounts Receivable)	Deferred Revenue	Due to Grantor						(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education</b>																	
<b>General Fund:</b>																	
Special Education Aid	12-495-034-5120-089	\$ 2,402,733	7/1/2011	6/30/2012					\$ 2,169,460	\$ 2,402,733					\$ (233,273)	\$ 2,402,733	
Special Education Aid	11-495-034-5120-089	847,891	7/1/2010	6/30/2011	\$ (65,429)				65,429								
Extraordinary Aid	12-495-034-5120-473	2,157,896	7/1/2011	6/30/2012						2,157,896		\$ (2,157,896)				2,157,896	
Extraordinary Aid	11-495-034-5120-473	1,963,835	7/1/2010	6/30/2011	(1,963,835)				1,963,835								
Nonpublic School Transportation Costs	n/a	33,450	7/1/2010	6/30/2011	(33,450)				65,466							32,016	
Nonpublic School Transportation Costs-AIL	n/a	44,176	7/1/2011	6/30/2012						44,176			(44,176)			44,176	
Nonpublic School Transportation Costs	n/a	40,166	7/1/2011	6/30/2012						40,166			(40,166)			40,166	
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	2,611,131	7/1/2010	6/30/2011	(129,055)				129,055								
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	2,759,220	7/1/2011	6/30/2012					2,625,618	2,759,220		(133,602)				2,759,220	
<b>Total General Fund</b>					<b>(2,191,769)</b>				<b>7,018,863</b>	<b>7,436,207</b>		<b>(2,375,840)</b>			<b>(233,273)</b>	<b>7,436,207</b>	
<b>Special Revenue Fund:</b>																	
<b>N.J. Nonpublic Aid:</b>																	
Textbook Aid	12-100-034-5120-064	28,155	7/1/2011	6/30/2012					28,155	26,089				\$ 2,066		26,089	
Textbook Aid	11-100-034-5120-064	34,047	7/1/2010	6/30/2011				\$ 1,646			\$ 1,646						
Nursing Services	12-100-034-5120-070	40,216	7/1/2011	6/30/2012					40,216	35,704					4,512	35,704	
Nursing Services	11-100-034-5120-070	40,343	7/1/2010	6/30/2011					608						608		
<b>Auxiliary Services:</b>																	
English as a Second Language	12-100-034-5120-067	2,586	7/1/2011	6/30/2012					2,586	1,458					1,128	1,458	
English as a Second Language	11-100-034-5120-067	4,867	7/1/2010	6/30/2011			68										
Home Instruction	12-000-034-5120-067	2,202	7/1/2011	6/30/2012						2,202		68	(2,202)				
Compensatory Education	12-100-034-5120-067	20,373	7/1/2011	6/30/2012					20,373	17,584					2,789	17,584	
<b>Handicapped Services:</b>																	
Supplemental Instruction	12-100-034-5120-066	23,150	7/1/2011	6/30/2012					23,150	19,073					4,077	19,073	
Supplemental Instruction	11-100-034-5120-066	21,610	7/1/2010	6/30/2011			31										
Examination and Classification	12-100-034-5120-066	41,054	7/1/2011	6/30/2012					41,054	27,216		31			13,838	27,216	
Examination and Classification	11-100-034-5120-066	55,003	7/1/2010	6/30/2011				\$ 908							908		
Corrective Speech	12-100-034-5120-066	60,818	7/1/2011	6/30/2012					60,818	28,962					31,856	28,962	
Corrective Speech	11-100-034-5120-066	83,708	7/1/2010	6/30/2011			31,163					31,163					
<b>Total Special Revenue Fund</b>									<b>216,960</b>	<b>158,288</b>		<b>32,908</b>	<b>(2,202)</b>		<b>61,782</b>	<b>156,086</b>	
<b>NJSDA Grants:</b>																	
<b>Capital Projects Fund:</b>																	
Cedar Hill Windows	0350-070-05-1000	66,878	07/01/04	Completion	(57,774)								(57,774)			57,774	
Oak St. Windows	0350-060-05-1000	69,972	07/01/04	Completion	(57,774)								(57,774)			57,774	
Liberty Corner Windows	0350-080-05-1000	78,026	07/01/04	Completion	(75,512)								(75,512)			75,512	
Liberty Corner Elem School	0350-080-05-OCAO	145,939	4/3/2007	Completion	(145,210)								(145,210)			145,210	
<b>Total Capital Projects Fund</b>					<b>(336,270)</b>								<b>(336,270)</b>			<b>336,270</b>	
<b>Debt Service Fund:</b>																	
<b>Debt Service Aid</b>																	
Debt Service Aid	12-495-034-5120-075	342,440	07/01/11	06/30/12					342,440	342,440						342,440	
<b>Total Debt Service Fund</b>									<b>342,440</b>	<b>342,440</b>						<b>342,440</b>	
<b>State Department of Agriculture</b>																	
<b>Enterprise Fund:</b>																	
National School Lunch Program	12-100-010-3350-023	9,662	07/01/11	06/30/12					7,663	9,662			(1,999)			9,662	
National School Lunch Program	11-100-010-3350-023	9,907	07/01/10	06/30/11	(2,136)				2,136								
<b>Total Enterprise Fund</b>					<b>(2,136)</b>				<b>9,799</b>	<b>9,662</b>			<b>(1,999)</b>			<b>9,662</b>	
<b>Total expenditures of State Financial Assistance</b>					<b>\$ (2,530,175)</b>				<b>\$ 7,588,062</b>	<b>\$ 7,946,597</b>		<b>\$ 32,908</b>	<b>\$ (2,716,311)</b>		<b>\$ 61,782</b>	<b>\$ (233,273)</b>	<b>\$ 8,280,665</b>

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

Township of Bernards Board of Education  
Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year ended June 30, 2012

**1. General**

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

**3. Relationship to Basic Financial Statements**

Amounts reported in the accompanying schedules agree with amounts reported in the District's 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 fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

Township of Bernards Board of Education

Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year Ended June 30, 2012

**3. Relationship to Basic Financial Statements (continued)**

The general fund is presented in the accompanying schedules on the modified accrual basis of accounting with the exception of the revenue recognition of the last two state aid payments in the current year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of the last two 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 last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$167,844 for the general fund and \$55,649 for the special revenue fund. See note 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 (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 161,678	\$10,705,927	\$ 10,867,605
Special Revenue Fund	1,402,069	158,288	1,560,357
Debt Service Fund		342,440	342,440
Enterprise Food Service Fund	115,254	9,662	124,916
Total award revenues	<u>\$ 1,679,001</u>	<u>\$ 11,216,317</u>	<u>\$ 12,895,318</u>

**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.

Township of Bernards Board of Education

Notes to Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
Year ended June 30, 2012

**5. Other**

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions, respectively. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security for TPAF members for the year ended June 30, 2012.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2012 amounted to \$3,437,564. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB Circular 04-04 and are not reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

**6. Adjustments**

The adjustments presented on exhibits K-3 and K-4 represent the cancellation of various prior year accounts receivable and liabilities.

Township of Bernards Board of Education  
Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part I - Summary of Auditor's Results**

**Financial Statement Section**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?            Yes   X   No

Significant deficiency(ies) identified?            Yes   X   None Reported

Noncompliance material to basic financial statements noted?            Yes   X   No

**Federal Awards Section**

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes            No

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

Internal control over major programs:

Material weakness(es) identified?            Yes   X   No

Significant deficiency(ies) identified?            Yes   X   None Reported

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?            Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	IDEA Part B, Basic
84.173	IDEA Part B, Preschool
84.391	ARRA, IDEA Part B, Basic

Township of Bernards Board of Education  
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

**Part I - Summary of Auditor's Results (continued)**

**State Awards Section**

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  X  Yes   No

Type of auditors' report on compliance for major programs:  Unqualified

Internal control over major programs:

Material weakness(es) identified?   Yes  X  No

Significant deficiency(ies) identified?   Yes  X  None reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04?   Yes  X  No

Identification of major programs:

<b>GMIS/Program Number</b>	<b>Name of State Program or Cluster</b>
495-034-5120-075	Debt Service Aid
495-034-5095-002	Reimbursed TPAF Social Security Contributions

Township of Bernards Board of Education  
Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

**Part II – Schedule of Financial Statement Findings**

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Township of Bernards Board of Education

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2012

**Part III - Schedule of Federal and State Award Findings  
and Questioned Costs**

No compliance or internal control findings noted that are required to be reported in accordance with OMB Circular A-133 and New Jersey State Circular 04-04.

Township of Bernards Board of Education  
Summary Schedule of Prior Year Audit Findings  
Year ended June 30, 2012

Not Applicable