

**SCHOOL DISTRICT  
OF  
BERLIN  
BOROUGH**



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

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

# **Comprehensive Annual Financial Report**

**of the**

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

**For the Fiscal Year Ended June 30, 2012**

Prepared by

**Berlin Borough Board of Education  
Finance Department**

# BERLIN BOROUGH SCHOOL DISTRICT

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**Introductory Section**



## BERLIN BOROUGH SCHOOL DISTRICT

*Mr. Tony Trongone,  
Superintendent*

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

August 24, 2012

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

The comprehensive annual financial report of the Berlin Borough School District for the fiscal year ended June 30, 2012 is hereby submitted. This CAFR includes the District's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner Designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

### 1) REPORTING ENTITY AND ITS SERVICES

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

*Together Everyone Achieves More*



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full range of educational services appropriate to grade level K through 8. These include regular as well as special education for handicapped youngsters. The District completed the 2011-2012 school year with an enrollment of 866 students as of June 30, 2012. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-2012	866	+1.29
2010-2011	855	+2.33
2009-2010	835	+2.45
2008-2009	815	-1.92
2007-2008	831	+2.70
2006-2007	809	- .97
2005-2006	817	+3.55
2004-2005	789	+1.01
2003-2004	781	2.23
2002-2003	764	-1.16

2) ECONOMIC CONDITION AND OUTLOOK

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

3) MAJOR INITIATIVES

**CURRICULUM**

- Math Curriculum Aligned to Common Core Standards
  - Purchase of new math materials grades K-4
  - Professional development for staff in new math curriculum
  - Implementation of FASTT Math
  - Implementation of Carnegie Learning Mathematics
  - Implement Get the Math program
- Moving forward into second year of Professional Learning Communities
  - Staff and administration attended PLC Institute
  - Schedule was created to facilitate Intervention and Enrichment
- Embedding technology in the classroom - everyday
  - Grades K-5 utilizing mini-Dell lap-top computers
  - New work stations for all staff members
  - Wireless educational environment
- Continuation of Measuring for Academic Progress(MAP) assessment program
- Articulation with Eastern High School through OnCourse Curriculum Builder initiative
  - All accessible curriculum online, which can also be analyzed
  - Develop curriculum community with Eastern and Gibbsboro
- Library resources expanded through implementation of Lexile system
- Expansion of communication to all stakeholders via website, Instant Alert and Parent Portal



## BERLIN BOROUGH SCHOOL DISTRICT

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- Development of Character Education program
  - State School of Character Honorable Mention
  - Rachel's Challenge Assemblies
  - Minute to Win It
- Development of school wide teacher observation advisory committee

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

**CONSTRUCTION** - The Community School is enjoying it's new \$7,592,995, 41,915 square foot building addition that includes 12 instructional classrooms, 2 special education classrooms, 1 art room, 1 vocal music classroom, new gymnasium, expanded cafeteria, central office space and expanded parking facilities. Part one of a two year partial roof replacement was completed.

#### 4) INTERNAL ACCOUNTING CONTROLS

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

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

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

#### 5) BUDGETARY CONTROLS

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriate budget approved by the voters of the municipality. Annual appropriate budget are adopted for the general fund and the special revenue fund. Project length budgets are



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approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservation of funds balance at June 30, 2012.

6) ACCOUNTING SYSTEM AND REPORTS

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

7) CASH MANAGEMENT

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

8) RISK MANAGEMENT

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

9) OTHER INFORMATION

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



BERLIN BOROUGH SCHOOL DISTRICT

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10) ACKNOWLEDGMENTS

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

Respectfully submitted,

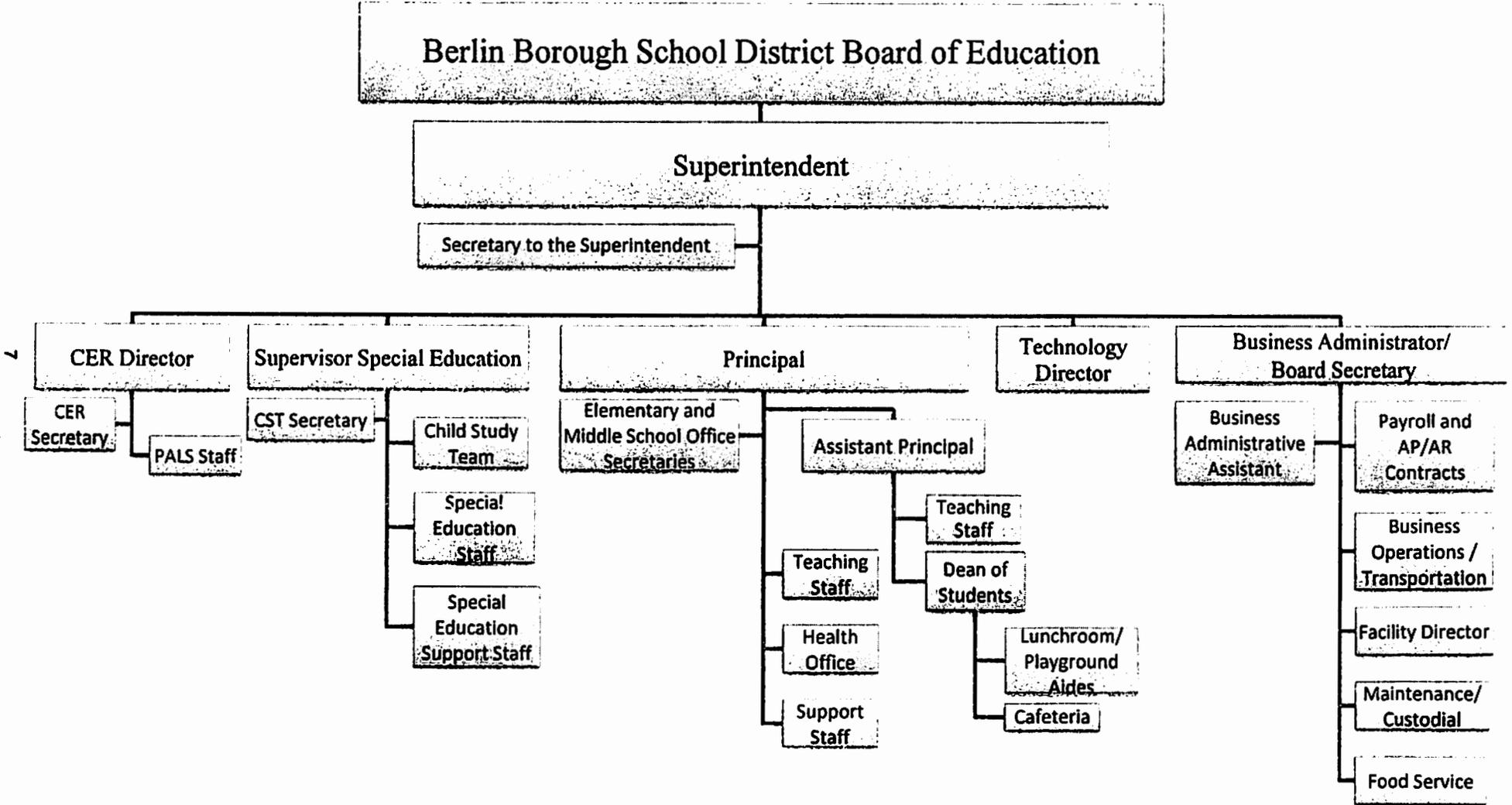
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Anthony Trongone  
Chief School Administrator

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Frank J. Domin Jr  
Business Administrator

# Berlin Borough Board of Education Organizational Chart (Unit Control)



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

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

**ROSTER OF OFFICIALS  
JUNE 30, 2012**

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

**Other Officials**

Anthony Trongone, Superintendent

Frank Domin, Board Secretary &  
School Business Administrator

Schwartz Simon Edelstein Celso & Kessler LLP, Solicitor

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Consultants and Advisors**

**Architect**

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

**Audit Firm**

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

**Attorney**

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

**Bond Counsel**

Parker McCay P.A.  
9000 Midlantic Drive  
Suite 300  
Mount Laurel, NJ 08054

**Official Depository**

TD Bank  
247 South White Horse Pike  
Berlin, NJ 08009

**Financial Section**

# ***INVERSO & STEWART, LLC***

**Certified Public Accountants  
Registered Municipal Accountants**

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-Member of-  
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New Jersey Society of CPAs

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey (School District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 School 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 above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Berlin Borough School District, in the County of Camden, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012 on our consideration of the Berlin Borough School District, in the County of Camden, State of New Jersey's internal control over financial reporting and 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.

The accompanying management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Berlin Borough School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements. In addition, the introductory section, combining statements and related major fund supporting statements and schedules, and statistical section listed in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance, combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Respectfully submitted,

***INVERSO & STEWART, LLC***  
Certified Public Accountants



Robert P. Inverso  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
August 24, 2012

# ***INVERSO & STEWART, LLC***

**Certified Public Accountants  
Registered Municipal Accountants**

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-Member of-  
American Institute of CPAs  
New Jersey Society of CPAs

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Berlin Borough School District (School District), in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Berlin Borough School District in a separate report entitled, *Auditors Management Report on Administrative Findings - Financial, Compliance and Performance* dated August 24, 2012.

This report is intended solely for the information and use of the management of the School District, the Division of Finance, Department of Education, State of New Jersey, and 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.

Respectfully submitted,

***INVERSO & STEWART, LLC***  
Certified Public Accountants



Robert P. Inverso  
Certified Public Accountant  
Registered Municipal Accountant

Marlton, New Jersey  
August 24, 2012

**Required Supplementary Information - Part I**

**Management's Discussion and Analysis**

**Berlin Borough School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

As management of the Board of Education of the Berlin Borough School District in Berlin New Jersey, we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Financial Highlights**

- The liabilities of the School District exceeded its assets at the close of the most recent fiscal year by \$340,926 (*net assets*).
- Governmental activities have an unrestricted net assets deficit of \$490,615. The accounting treatments in the governmental funds for compensated absences payable, and the last two state aid payments, and the state statute that prohibits school districts from maintaining more than 2% of its adopted budget as unrestricted fund balance are primarily responsible for this deficit balance.
- The total net assets of the School District increased by \$484,979 or a 336.66% increase from the prior fiscal year-end balance.
- Fund balance of the School District's governmental funds increased by \$498,102 resulting in an ending fund balance of \$1,522,072. This increase is largely due to the results of operations in the General Fund.
- Business-type activities have unrestricted net assets of \$167,205, which may be used to meet the School District's ongoing obligations of the food service and community education and recreation operations.
- The School District's long-term obligations decreased by \$519,287 which is the result of the reduction of certificates of participation, serial bond debt, capital leases, and compensated absences.

**Overview of the Basic Financial Statements**

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

**District-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

## **Notes to the Basic Financial Statements**

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

### **Other Information**

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

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

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2012. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal year 2012.

The assets of the primary government activities exceeded the liabilities by \$143,948 with an unrestricted deficit balance of \$490,615. The net assets of the primary government do not include internal balances.

A deficit net investment of \$937,722 in land, improvements, buildings, equipment and vehicles provides the services to the School District's 846 public school students. Net assets of \$596,637 have been restricted for future capital projects, \$466,671 has been restricted for repayment of debt, \$175,000 is reserved for maintenance, and \$333,977 has been restricted for future budget appropriation.

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

**Berlin Borough School District  
Comparative Summary of Net Assets  
As of June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current assets	\$ 1,723,691	\$ 1,193,698	\$ 178,422	\$ 169,906	\$ 1,902,113	\$ 1,363,604
Capital assets	<u>5,131,665</u>	<u>5,683,091</u>	<u>29,773</u>	<u>32,041</u>	<u>5,161,438</u>	<u>5,715,132</u>
<b>Total assets</b>	<u>6,855,356</u>	<u>6,876,789</u>	<u>208,195</u>	<u>201,947</u>	<u>7,063,551</u>	<u>7,078,736</u>
<b>Liabilities:</b>						
Current Liabilities	713,097	662,382	11,217	2,650	724,314	665,032
Noncurrent Liabilities	<u>5,998,311</u>	<u>6,557,757</u>	<u></u>	<u></u>	<u>5,998,311</u>	<u>6,557,757</u>
<b>Total liabilities</b>	<u>6,711,408</u>	<u>7,220,139</u>	<u>11,217</u>	<u>2,650</u>	<u>6,722,625</u>	<u>7,222,789</u>
<b>Net assets</b>	<u>\$ 143,948</u>	<u>\$ (343,350)</u>	<u>\$ 196,978</u>	<u>\$ 199,297</u>	<u>\$ 340,926</u>	<u>\$ (144,053)</u>
<b>Net assets consist of:</b>						
Invested in capital						
Assets	\$ (937,722)	\$ (862,909)	\$ 29,773	\$ 32,041	\$ (907,949)	\$ (830,868)
Restricted net assets	1,572,285	968,680			1,572,285	968,680
Unrestricted net assets	<u>(490,615)</u>	<u>(449,121)</u>	<u>167,205</u>	<u>167,256</u>	<u>(323,410)</u>	<u>(281,865)</u>
<b>Net assets</b>	<u>\$ 143,948</u>	<u>\$ (343,350)</u>	<u>\$ 196,978</u>	<u>\$ 199,297</u>	<u>\$ 340,926</u>	<u>\$ (144,053)</u>

**Berlin Borough School District**  
**Comparative Schedule of Changes in Net Assets**  
**As of and for the Fiscal Year Ended June 30, 2012 and 2011**

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for services			\$ 572,270	\$ 562,119	\$ 572,270	\$ 562,119
Operating grants and Contributions	\$ 1,629,606	\$ 1,319,567	101,277	77,899	1,730,883	1,397,466
Capital grants and Contributions						
<b>General Revenues:</b>						
Property Taxes	6,832,998	6,793,011			6,832,998	6,793,011
Unrestricted State Aid	3,482,000	3,218,500			3,482,000	3,218,500
Other Revenues	64,184	90,100	129	197	64,313	90,297
<b>Total Revenues</b>	<b>12,008,788</b>	<b>11,421,178</b>	<b>673,676</b>	<b>640,215</b>	<b>12,682,464</b>	<b>12,061,393</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
Instruction	5,131,858	4,954,673			5,131,858	4,954,673
Tuition	137,383	229,109			137,383	229,109
Related Services	828,595	687,036			828,595	687,036
Administrative Services	604,750	587,750			604,750	587,750
Central Services	302,052	275,123			302,052	275,123
Operations and Maintenance	1,359,315	1,378,566			1,359,315	1,378,566
Transportation	261,511	287,509			261,511	287,509
Employee benefits	2,435,053	2,334,798			2,435,053	2,334,798
Interest on long-term Debt	355,765	301,275			355,765	301,275
Other	105,208	49,743			105,208	49,743
<b>Business-Type Activities:</b>						
Community Education			251,330	236,083	251,330	236,083
Shared Services			278,940	148,214	278,940	148,214
Food Service Operations			145,725	260,347	145,725	260,347
<b>Total Expenses</b>	<b>11,521,490</b>	<b>11,085,582</b>	<b>675,995</b>	<b>644,644</b>	<b>12,197,485</b>	<b>11,730,226</b>
<b>Increase in net assets</b>						
Before transfers	487,298	335,596	(2,319)	(4,429)	484,979	331,167
Transfers						
<b>Changes in net assets</b>	<b>487,298</b>	<b>335,596</b>	<b>(2,319)</b>	<b>(4,429)</b>	<b>484,979</b>	<b>331,167</b>
Net assets, July 1,	(343,350)	(678,946)	199,297	203,726	(144,053)	(475,220)
<b>Net assets, June 30,</b>	<b>\$ 143,948</b>	<b>\$ (343,350)</b>	<b>\$ 196,978</b>	<b>\$ 199,297</b>	<b>\$ 340,926</b>	<b>\$ (144,053)</b>

## **Governmental Activities**

Governmental activities increased the net assets of the School District by \$487,298 during the current fiscal year. Key elements of the net increase for governmental activities are as follows:

- Results of operations in the governmental funds increased \$498,102.

## **Business-type Activities**

Business-type activities decreased the School District's net assets by \$2,319. Key elements of the decrease in net assets for business-type activities are as follows:

- The Community Education and Recreation Fund had a net gain of \$457 and the Food Service Fund had a net loss of \$2,776.

## **Financial Analysis of the Governmental Funds**

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

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

As of the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$1,522,072, an increase of \$498,102 in comparison with the prior year. Most of this increase is the results of operations in the General Fund.

The unassigned fund balance for the School District at the end of the fiscal year includes a combination of (\$50,213) in the General Fund, \$96,637 in the Capital Projects Fund, and \$25,011 in the Debt Service Fund. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed, 1) \$134,597 reserved for future budget appropriation in accordance with state statute, 2) \$500,000 reserved for capital projects, 3) \$175,000 reserved for maintenance, 4) \$199,657 reserved for excess surplus, and 5) \$441,383 as restricted for debt service reserve.

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

## **General Fund Budgetary Highlights**

The final amended budget increased \$3,800 from the original budget due to an increased allotment for Education Jobs Fund.

At the end of the current fiscal year, unassigned fund balance (budgetary basis) of the general fund was \$258,542 while total fund balance (budgetary basis) was \$1,267,519. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance (budgetary basis) and total fund balance (budgetary basis) to total general fund expenditures. Actual (budgetary basis) expenditures of the General Fund including other financing uses amounted to \$10,197,689. Unassigned fund balance (budgetary basis) represents 2.53% of expenditures while total fund balance (budgetary basis) represents 12.42% of that same amount.

### Capital Asset and Debt Administration

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$5,161,438 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$553,694, or a 9.69% decrease. The decrease is due to depreciation expense.

#### Capital Asset (net of accumulated depreciation) June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		District-Wide	
	2012	2011	2012	2011	2012	2011
Land	\$ 400,000	\$ 400,000			\$ 400,000	\$ 400,000
Site Improvements	155,222	173,055			155,222	173,055
Buildings and Building Improvements	4,206,900	4,831,273			4,206,900	4,831,273
Equipment	<u>369,543</u>	<u>278,763</u>	<u>\$ 29,773</u>	<u>\$ 32,041</u>	<u>399,316</u>	<u>310,804</u>
Net assets	<u>\$ 5,131,665</u>	<u>\$ 5,683,091</u>	<u>\$ 29,773</u>	<u>\$ 32,041</u>	<u>\$ 5,161,438</u>	<u>\$ 5,715,132</u>

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

*Long-term debt* – During the fiscal year ended June 30, 2012, the School District had \$3,660,000 in serial bonds payable, \$2,265,000 in certificates of participation payable, \$144,387 in capital leases payable, and \$459,083 in compensated absences.

State statutes limit the amount of general obligation debt that the District may issue. At the end of the current fiscal year, the legal debt limit was \$23,842,582. The available amount as of June 30, 2012 is \$20,182,582.

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

### Economic Factors and Next Year's Budgets and Rates

The following factors were considered and incorporated into the preparation of the School District's budget for the 2012-13 fiscal year.

- For 2012-13 fiscal year the School District will be receiving an increase in state aid. The local tax levy in the General Fund increased by \$124,242 or 2.00%. Salaries continue to increase contractually; however, the District has managed to control costs. The 2012-13 General Fund Budget is \$425,457 greater than the previous year or a 4.32% increase. The tax rate for 2012 is 90.6 cents which is a 3 cent increase from the previous year.

### **For the Future**

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

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

### **Requests for Information**

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

**Basic Financial Statements**

**District-Wide Financial Statements**

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$864,709	\$169,610	\$1,034,319
Investments			
Receivables, net	251,182	4,953	256,135
Inventory		3,859	3,859
Deferred bond issuance costs - net	107,800		107,800
Restricted assets:			
Restricted cash and cash equivalents	500,000		500,000
Capital assets, net (Note 5)	<u>5,131,665</u>	<u>29,773</u>	<u>5,161,438</u>
<b>Total assets</b>	<u><b>6,855,356</b></u>	<u><b>208,195</b></u>	<u><b>7,063,551</b></u>
<b>LIABILITIES:</b>			
Accounts payable			
Intergovernmental payable:			
State	87,009		87,009
Deferred revenue	6,810	11,217	18,027
Acrued interest	89,119		89,119
Noncurrent liabilities (Note 7):			
Due within one year	530,159		530,159
Due beyond one year	<u>5,998,311</u>		<u>5,998,311</u>
<b>Total liabilities</b>	<u><b>6,711,408</b></u>	<u><b>11,217</b></u>	<u><b>6,722,625</b></u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	(937,722)	29,773	(907,949)
Restricted for:			
Debt Service Fund	466,671		466,671
Capital Projects	596,637		596,637
Maintenance Reserve	175,000		175,000
Other Purposes	333,977		333,977
Unrestricted	<u>(490,615)</u>	<u>167,205</u>	<u>(323,410)</u>
<b>Total net assets</b>	<u><b>\$143,948</b></u>	<u><b>\$196,978</b></u>	<u><b>\$340,926</b></u>

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Instruction:							
Regular	\$3,487,154		\$167,614		(\$3,319,540)		(\$3,319,540)
Special education	1,496,000		139,880		(1,356,120)		(1,356,120)
Other instruction	148,704				(148,704)		(148,704)
Support Services:							
Tuition	137,383				(137,383)		(137,383)
Student & instruction related services	828,595		130,161		(698,434)		(698,434)
General administrative services	233,895				(233,895)		(233,895)
School administrative services	370,855				(370,855)		(370,855)
Central services	302,052				(302,052)		(302,052)
Plant operations and maintenance	1,359,315				(1,359,315)		(1,359,315)
Pupil transportation	261,511				(261,511)		(261,511)
Employee benefits	2,435,053		841,230		(1,593,823)		(1,593,823)
Interest on long-term debt	355,765		146,721		(209,044)		(209,044)
Unallocated depreciation and amortization	105,208		204,000		98,792		98,792
Total governmental activities	<u>11,521,490</u>		<u>1,629,606</u>		<u>(9,891,884)</u>		<u>(9,891,884)</u>
Business-type activities:							
Community Education and Recreation	251,330	\$251,773				\$443	443
Food service	278,940	174,772	101,277			(2,891)	(2,891)
Shared Services	145,725	145,725					
Total business-type activities	<u>675,995</u>	<u>572,270</u>	<u>101,277</u>			<u>(2,448)</u>	<u>(2,448)</u>
<b>Total primary government</b>	<b>\$12,197,485</b>	<b>\$572,270</b>	<b>\$1,730,883</b>		<b>(\$9,891,884)</b>	<b>(\$2,448)</b>	<b>(\$9,894,332)</b>
General revenues:							
Taxes:							
					6,212,099		6,212,099
					620,899		620,899
					3,482,000		3,482,000
					13,951		13,951
					1,551	129	1,680
					48,682		48,682
					<u>10,379,182</u>	<u>129</u>	<u>10,379,311</u>
					<u>487,298</u>	<u>(2,319)</u>	<u>484,979</u>
					<u>(343,350)</u>	<u>199,297</u>	<u>(144,053)</u>
					<u>\$143,948</u>	<u>\$196,978</u>	<u>\$340,926</u>

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

**Fund Financial Statements**

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

<b>ASSETS</b>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$305,775	\$87,009	\$450,859	\$21,066	\$864,709
Receivables, net	27,062	13,509	206,111		246,682
Interfund receivables, net	132,737			4,222	136,959
Restricted cash and cash equivalents	500,000				500,000
<b>Total assets</b>	<u>\$965,574</u>	<u>\$100,518</u>	<u>\$656,970</u>	<u>\$25,288</u>	<u>\$1,748,350</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
<b>Intergovernmental payable:</b>					
State		87,009			87,009
Deferred revenue	6,810				6,810
Interfund payables		13,509	118,950		132,459
<b>Total liabilities</b>	<u>6,810</u>	<u>100,518</u>	<u>118,950</u>		<u>226,278</u>
<b>Fund Balances:</b>					
<b>Restricted Fund Balance:</b>					
Reserved excess surplus - designated for subsequent year's expenditures	134,320				134,320
Reserve for excess surplus	199,657				199,657
Maintenance reserve	175,000				175,000
Capital reserve	500,000				500,000
Debt service reserve			441,383		441,383
<b>Assigned Fund Balance:</b>					
Designated for subsequent year's expenditures				277	277
Unassigned Fund Balance	(50,213)		96,637	25,011	71,435
<b>Total fund balances</b>	<u>958,764</u>		<u>538,020</u>	<u>25,288</u>	<u>1,522,072</u>
<b>Total liabilities and fund balances</b>	<u>\$965,574</u>	<u>\$100,518</u>	<u>\$656,970</u>	<u>\$25,288</u>	

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

The cost associated with the issues of various bonds are expensed in the governmental funds in the year the bonds are issued, but are capitalized in the Statement of Net Assets. The bond issuance costs are \$286,528 and the accumulated amortization is \$178,728.	107,800
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$14,833,365 and the accumulated depreciation is \$9,701,700.	5,131,665
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the funds.	(89,119)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(6,528,470)
<b>Net assets of governmental activities</b>	<u>\$143,948</u>

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**for the Fiscal Year Ended June 30, 2012**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$6,212,099			\$620,899	\$6,832,998
Tuition	13,951				13,951
Miscellaneous	35,378		\$4,588	10,287	50,253
<b>Total revenues-local sources</b>	<b>6,261,428</b>		<b>4,588</b>	<b>631,186</b>	<b>6,897,202</b>
Local sources		\$2,690			2,690
State sources	4,198,129	154,731	204,000	146,721	4,703,581
Federal sources	125,101	280,234			405,335
<b>Total revenues</b>	<b>10,584,658</b>	<b>437,655</b>	<b>208,588</b>	<b>777,907</b>	<b>12,008,808</b>
<b>EXPENDITURES:</b>					
Current expense:					
Regular instruction	3,351,868	167,614			3,519,482
Special education instruction	1,356,120	139,880			1,496,000
Other instruction	148,704				148,704
Support services and undistributed costs:					
Tuition	137,383				137,383
Student & instruction related services	701,793	126,802			828,595
General administrative services	205,014				205,014
School administrative services	370,855				370,855
Central services	302,052				302,052
Plant operations and maintenance	554,592				554,592
Pupil transportation	261,511				261,511
Unallocated employee benefits	2,431,694	3,359			2,435,053
Capital outlay	301,922		413,363		715,285
Debt service:					
Principal				490,000	490,000
Interest and other charges				355,765	355,765
<b>Total expenditures</b>	<b>10,123,508</b>	<b>437,655</b>	<b>413,363</b>	<b>845,765</b>	<b>11,820,291</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>461,150</b>		<b>(204,775)</b>	<b>(67,858)</b>	<b>188,517</b>
Other Financing Sources (Uses):					
Transfers in	27		306,000	4,561	310,588
Transfers out	(306,000)		(4,588)		(310,588)
Proceeds of Capital Leases	231,819				231,819
Proceeds of refunding bonds				4,035,141	4,035,141
Payment to Refunded bond escrow agent				(3,957,375)	(3,957,375)
<b>Total other financing sources (uses)</b>	<b>(74,154)</b>		<b>301,412</b>	<b>82,327</b>	<b>309,585</b>
<b>Net change in fund balance</b>	<b>386,996</b>		<b>96,637</b>	<b>14,469</b>	<b>498,102</b>
Fund balances, July 1	571,768		441,383	10,819	1,023,970
<b>Fund balances, June 30</b>	<b>\$958,764</b>	<b>-</b>	<b>\$538,020</b>	<b>\$25,288</b>	<b>\$1,522,072</b>

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**for the Fiscal Year Ended June 30, 2012**

Total net change in fund balances - governmental funds (from B-2)		\$498,102
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p style="margin-left: 40px;">Capital outlays are reported in the governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation expense	(\$907,292)	
Capital outlay	355,866	(551,426)
<p style="margin-left: 40px;">Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.</p>		
		301,000
<p style="margin-left: 40px;">Repayment of certificates of participation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.</p>		
		320,000
<p style="margin-left: 40px;">Repayment of the capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is reported in the statement of activities.</p>		
		87,432
<p style="margin-left: 40px;">The proceeds of a capital lease is an other financing source of revenue in the governmental funds but is not reported in the statement of activities.</p>		
		(231,819)
<p style="margin-left: 40px;">In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.</p>		
		6,935
<p style="margin-left: 40px;">Bond issuance costs are reported in the governmental fund as expenditures in year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.</p>		
		14,400
<p style="margin-left: 40px;">In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).</p>		
		42,674
Change in net assets of governmental activities		\$487,298

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$86,711	\$82,899		\$169,610
Accounts receivable	4,953			4,953
Inventories	3,859			3,859
<b>Total current assets</b>	<b>95,523</b>	<b>82,899</b>		<b>178,422</b>
Noncurrent assets:				
Equipment	89,851			89,851
Less accumulated depreciation	(60,078)			(60,078)
<b>Total noncurrent assets</b>	<b>29,773</b>	<b>---</b>		<b>29,773</b>
<b>Total assets</b>	<b>\$125,296</b>	<b>\$82,899</b>	<b>-</b>	<b>\$208,195</b>
<b>LIABILITIES</b>				
Current liabilities:				
Deferred revenue	3,467	7,750		11,217
<b>Total liabilities</b>	<b>3,467</b>	<b>7,750</b>		<b>11,217</b>
<b>NET ASSETS</b>				
Invested in net assets net of related debt	29,773			29,773
Unrestricted	92,056	75,149		167,205
<b>Total net assets</b>	<b>\$121,829</b>	<b>\$75,149</b>	<b>-</b>	<b>\$196,978</b>

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**for the Fiscal Year Ended June 30, 2012**

	Business-type Activities			Total
	Enterprise Funds		Internal Service Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
<b>Operating revenues:</b>				
Charges for services:				
Daily sales-reimbursable programs	\$101,965			\$101,965
Daily sales-non-reimbursable programs	72,807			72,807
Program Fees		\$251,773	\$145,725	397,498
<b>Total operating revenue</b>	<b>174,772</b>	<b>251,773</b>	<b>145,725</b>	<b>572,270</b>
<b>Operating expenses:</b>				
Salaries	84,987	188,989	145,725	419,701
Employee benefits	25,246			25,246
Supplies and materials	7,782	5,521		13,313
Depreciation	6,212			6,212
Purchased services	14,025			14,025
Cost of sales	122,564			122,564
Miscellaneous		32,669		32,669
Direct expenses	2,137	22,059		24,196
Repairs and maintenance	8,343			8,343
Other	7,634	2,092		9,726
<b>Total operating expenses</b>	<b>278,940</b>	<b>251,330</b>	<b>145,725</b>	<b>675,995</b>
<b>Operating income (loss)</b>	<b>(104,168)</b>	<b>443</b>		<b>(103,725)</b>
<b>Nonoperating revenues (expenses):</b>				
State sources:				
State school lunch program	3,421			3,421
Federal sources:				
National school lunch program	80,609			80,609
U.S.D.A. commodities	17,247			17,247
Local sources:				
Interest revenue	115	14		129
<b>Total nonoperating revenues (expenses)</b>	<b>101,392</b>	<b>14</b>		<b>101,406</b>
<b>Change in net assets</b>	<b>(2,776)</b>	<b>457</b>		<b>(2,319)</b>
<b>Total net assets - July 1</b>	<b>124,605</b>	<b>74,692</b>		<b>199,297</b>
<b>Total net assets - June 30</b>	<b>\$121,829</b>	<b>\$75,149</b>	-	<b>\$196,978</b>

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Fiscal Year Ended June 30, 2012**

	Business-type Activities		Internal Service	Total
	Enterprise Funds		Fund	
	Food Service Program	Community Education and Recreation	Shared Services	
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$177,485	\$259,837	\$145,725	\$583,047
Payments to employees	(110,233)	(188,989)	(145,725)	(444,947)
Payments to suppliers	(146,477)	(62,655)		(209,132)
Net cash used for operating activities	<u>(79,225)</u>	<u>8,193</u>		<u>(71,032)</u>
<b>Cash flows from noncapital financing activities:</b>				
State sources	3,500			3,500
Federal sources	80,982			80,982
Net cash provided by non-capital financing activities	<u>84,482</u>			<u>84,482</u>
<b>Cash flows from capital activities:</b>				
Purchases of fixed assets	(3,944)			(3,944)
	<u>(3,944)</u>			<u>(3,944)</u>
<b>Cash flows from investing activities:</b>				
Interest and dividends	115	14		129
Net cash provided by investing activities	<u>115</u>	<u>14</u>		<u>129</u>
Net increase in cash and cash equivalents	1,428	8,207		9,635
Balances - July 1	<u>85,283</u>	<u>74,692</u>		<u>159,975</u>
Balances - June 30	<u>\$86,711</u>	<u>\$82,899</u>	-	<u>\$169,610</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>				
Operating income (loss)	(\$104,168)	\$443		(\$103,725)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	6,212			6,212
Federal commodities	17,247			17,247
(Increase) decrease in receivables				
(Increase) decrease in inventories	667			667
Increase (decrease) in deferred revenue	817	7,750		8,567
Increase (decrease) in accounts payable				
Total adjustments	<u>24,943</u>	<u>7,750</u>		<u>32,693</u>
Net cash provided by (used for) operating activities	<u>(\$79,225)</u>	<u>\$8,193</u>	-	<u>(\$71,032)</u>

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	<u>Flexible Benefits Account</u>	<u>Unemployment Compensation Insurance Trust</u>	<u>Agency Fund</u>
<b>ASSETS:</b>			
Cash and cash equivalents	<u>\$4,933</u>	<u>\$48,673</u>	<u>\$66,323</u>
<b>Total assets</b>	<u>\$4,933</u>	<u>\$48,673</u>	<u>\$66,323</u>
<b>LIABILITIES:</b>			
Accounts payable		15,087	
Interfund payable	4,500		
Payroll deductions and withholdings			4,569
Due to student groups			<u>61,754</u>
<b>Total liabilities</b>	<u>\$4,500</u>	<u>\$15,087</u>	<u>\$66,323</u>
<b>NET ASSETS:</b>			
Held in trust for unemployment claims and other purposes	<u>\$433</u>	<u>\$33,586</u>	

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	Flexible Benefits Account	Unemployment Compensation Insurance Trust
<b>ADDITIONS:</b>		
<b>Contributions:</b>		
Board contributions		
Other	\$3,500	
<b>Total Contributions</b>	<b>3,500</b>	
<b>Investment earnings:</b>		
Interest	1	\$60
<b>Net investment earnings</b>	<b>1</b>	<b>60</b>
<b>Total additions</b>	<b>3,501</b>	<b>60</b>
<b>DEDUCTIONS:</b>		
Unemployment claims		26,493
Flexible benefit payments	3,068	
<b>Total deductions</b>	<b>3,068</b>	<b>26,493</b>
<b>Change in net assets</b>	<b>433</b>	<b>(26,433)</b>
<b>Net assets - July 1</b>		<b>60,019</b>
<b>Net assets - June 30</b>	<b>\$433</b>	<b>\$33,586</b>

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

**Berlin Borough School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Berlin Borough School District (District) is a Type II school district located in Camden County, New Jersey and covers an area of approximately 3.7 square miles. As a Type II school district, it functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The purpose of the District is to provide educational services for all of Berlin Borough's students in grades K through 8. Student in grades 9 through 12 are transported to the Eastern Regional High School District. The Berlin Borough School District has an approximate enrollment at June 30, 2012 of 866 students.

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

**Basis of Presentation**

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

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

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

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

In addition to the capital outlay sub-fund, the School District is accountable for an additional sub-fund, the Education Jobs Fund ("Ed Jobs"), resulting from federal legislation signed into law on August 10, 2010. The Ed Jobs program was created to provide funding assistance to states in order to save or create education jobs for the period from the September 30, 2010 through September 30, 2012. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. Ed Jobs revenues and expenditures are recorded in the general fund (fund 18) on a reimbursement basis. As such, revenue is not included in the fiscal year surplus, and no portion of general fund balance at June 30, 2012 is considered to be attributable to Ed Jobs. Ed Jobs expenditures are included as a component of overall general fund expenditures, and are also included in general fund expenditures for purposes of the excess surplus calculation.

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

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

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

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

The School District's enterprise funds are:

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

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

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

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

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

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

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

**Measurement Focus**

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

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus (Continued)**

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

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

**Basis of Accounting**

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

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

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

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

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**Tuition Payable** - Tuition charges for the fiscal years ended June 30, 2012 and 2011 were based on rates established by the receiving school district. These rates are subject to change when the actual costs have been determined.

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

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

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

**Prepaid Expenses** - Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

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

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

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

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of \$2,000.00. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

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

**Accrued Salaries and Wages** - Certain School District employees, who provide services to the School District over the ten-month academic year, have the option to have their salaries evenly disbursed during the twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2012, the amounts earned by these employees were disbursed to the employees' own individual accounts.

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

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

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

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

**Berlin Borough School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**Nonspendable** - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts. The School District had no nonspendable fund balance at June 30, 2012.

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

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

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

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

**Berlin Borough School District**  
**Notes to Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**2. CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - With respect to deposits, custodial credit risk refers to the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. Although the School District does not have a formal policy regarding custodial credit risk, state statutes requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit. Banks that qualify as public depositories under New Jersey statutes hold cash deposits, with bank balances totaling \$2,042,244 at June 30, 2012. All deposits are insured by federal depository insurance and/or collateralized with securities held in New Jersey's multiple financial institution collateral pool as required by N.J.S.A. 17.9-41 et seq.

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**3. CAPITAL RESERVE ACCOUNT**

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

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

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Balance – July 1, 2011		\$ 406,000
Increased by:		
Board resolution	\$400,000	
		400,000
		806,000
Decreased by:		
Budget withdrawal	306,000	
		306,000
Balance – June 30, 2012		\$500,000

The June 30, 2012 capital reserve balance does not exceed the LRFP balance of local support costs of uncompleted capital projects.

**4. RECEIVABLES**

Receivables at June 30, 2012 consisted of tuition fees charged other governmental units and governmental grants. All receivables are considered collectible in full due to the stable condition of the other governmental units, State programs and the current fiscal year guarantee of federal funds.

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Proprietary Funds</b>	<b>Total</b>
State Aid	\$ 27,062	\$ 2,260	\$ 204,000	\$ 196	\$ 233,518
Federal Aid		11,249		4,757	16,006
Other			2,611		2,611
<b>Total</b>	\$ 27,062	\$ 13,509	\$ 206,611	\$ 4,953	\$ 252,135

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2012</u>
<b>Governmental Activities:</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 400,000			\$ 400,000
Construction in progress	_____	_____	_____	_____
Total capital assets, not being Depreciated	<u>400,000</u>	_____	_____	<u>400,000</u>
<i>Capital Assets, being depreciated:</i>				
Site Improvements	290,000			290,000
Building and Building Improvements	13,054,774	\$ 175,000		13,229,774
Equipment	732,725	180,866		913,591
Totals at historical cost	<u>14,077,499</u>	<u>355,866</u>	_____	<u>14,433,365</u>
<i>Less Accumulated Depreciation:</i>				
Site Improvements	(116,945)	(17,833)		(134,778)
Building and Building Improvements	(8,223,501)	(799,373)		(9,022,874)
Equipment	(453,962)	(90,086)		(544,048)
Totals accumulated depreciation	<u>(8,794,408)</u>	<u>(907,292)</u>	_____	<u>(9,701,700)</u>
Total Capital Assets, being depreciated, net	<u>5,283,091</u>	<u>(551,426)</u>	_____	<u>4,731,665</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,683,091</u>	<u>\$ (551,426)</u>	<u>-</u>	<u>\$ 5,131,665</u>
<b><u>Business-Type Activities:</u></b>				
<i>Capital Assets, being depreciated:</i>				
Equipment	\$ 85,907	\$ 3,944		\$ 89,851
Less accumulated depreciation	<u>(53,866)</u>	<u>(6,212)</u>	_____	<u>(60,078)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 32,041</u>	<u>\$ (2,268)</u>	_____	<u>\$ 29,773</u>

Depreciation expense in the amount of \$907,292 was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Regular Instruction	\$10,346
Administration	28,881
Plant Operations and Maintenance	823,536
Unallocated	<u>44,529</u>
Total depreciation expense	<u>\$907,292</u>

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**6. INVENTORY**

Inventory in the Proprietary Funds at June 30, 2012 consisted of the following:

	<u>Food Service</u>	
Food Supplies	\$	2,488
		1,371
	<b>\$</b>	<b>3,859</b>

**7. LONG-TERM OBLIGATIONS**

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

	<u>Principal Outstanding June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 501,757		\$ 42,674	\$ 459,083	
Certificates of Part. Pay.	2,585,000		320,000	2,265,000	\$ 335,000
Capital Leases Payable		\$ 231,819	87,432	144,387	10,159
General Obligation Bonds	3,961,000	3,660,000	3,961,000	3,660,000	185,000
	<b>\$ 7,047,757</b>	<b>\$ 3,891,819</b>	<b>\$ 4,411,106</b>	<b>\$ 6,528,470</b>	<b>\$ 530,159</b>

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

2011 School Refunding Bonds dated August 25, 2011 in the amount of \$3,660,000 due in annual installments through March 1, 2023, bearing interest rate of 3.00% -5.00%.

**Bonds Payable:**

Principal and interest due on bonds outstanding is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 185,000	\$ 142,500	\$ 327,500
2014	190,000	136,950	326,950
2015	200,000	131,250	331,250
2016	205,000	125,250	330,250
2017	215,000	119,100	334,100
2018-2022	2,170,000	445,175	2,615,175
2023	495,000	24,750	519,750
Total	<b>\$ 3,660,000</b>	<b>\$ 1,124,975</b>	<b>\$ 4,784,975</b>

As of June 30, 2012 the District had no authorized but not issued bonds.

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**7. LONG-TERM OBLIGATIONS (Continued)**

**Certificates of Participation Payable**

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

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

Proceeds from the sale of the certificates were used to finance various capital improvements to the Berlin Community School. Under the lease, the District is required to pay basic rent, due on each February 1st and August 1<sup>st</sup>, commencing February 1, 1999. Basic rent is composed of a principal component and an interest component. The Certificates carry an interest rate of 4.41%; and the Certificates mature on February 1, 2018. Payment of the principal and interest on the Certificates is insured by Financial Security Assurance Inc. TD Bank has been appointed to serve as a trustee in the agreement.

The following is a schedule of the future minimum rent payments for the certificates of participation as of June 30, 2012:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 335,000	\$ 99,886	\$ 434,886
2014	350,000	85,113	435,113
2015	370,000	69,678	439,678
2016	385,000	53,361	438,361
2017	405,000	36,383	441,383
2018	420,000	18,522	438,522
	\$ 2,565,000	\$ 362,943	\$ 3,061,942

**Certificates of Participation Payable:**

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

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

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

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**7. LONG-TERM OBLIGATIONS (Continued)**

**Compensated Absences**

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

**Long-Term Debt Defeasance**

On August 25, 2011 the District issued refunding bonds in the amount of \$3,660,000. The bonds, which were approved by the New Jersey Local Finance Board, were issued to refund \$3,791,000 of the Series 2003 Bonds and to pay the costs of issuing the bonds. The bonds bear an interest rate of 3.00% to 5.00% with principal maturities from March 1, 2013 through March 1, 2023.

As a result of the above transaction, the 2003 debt is considered to be defeased and the liability for this debt has been removed from the records. The refunding program decreased total debt service by \$248,712 and resulted in a present value economic savings of \$211,262. The economic savings is the difference between the present values of the debt service payments on the old and new debt.

**Capital Leases**

As of June 30, 2012, the District had the following capital leases:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Total Value</u>
Phone System	July 15, 2015	5.70%	\$ 74,240
Computers	September 1, 2014	9.65%	157,579

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2012:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 10,159	\$ 2,520	\$ 12,679
2014	58,506	11,605	70,111
2015	63,727	6,384	70,111
2016	11,995	683	12,678
	<u>\$ 144,387</u>	<u>\$ 21,192</u>	<u>\$ 165,579</u>

**8. OPERATING LEASES**

The District has various commitments for four copiers and a postage machine under operating leases which fully expire in 2013. Total operating lease payments made during the year ended June 30, 2012 and 2011 were \$22,432 and \$22,892, respectively. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2013	\$24,432
June 30, 2014	24,432
June 30, 2015	22,776
June 30, 2016	<u>7,592</u>
Total future minimum lease payments	<u>\$79,232</u>

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**9. PENSION PLANS**

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

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

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

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

***Public Employees' Retirement System (PERS)***

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. Chapter 78 P.L. 2011 changed the employee contribution rate as follows: Effective with the first payroll check to be paid on or after October 1, 2011 plan members rate will increase to 6.5% with an additional increase of .14% beginning in July 2012 and continuing each year until the rate reaches 7.5% in July 2018. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exists.

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

<b><u>Fiscal Year</u></b>	<b><u>Normal Contribution</u></b>	<b><u>Accrued Liability</u></b>	<b><u>Contributory Life</u></b>	<b><u>Total Liability</u></b>	<b><u>Paid by School District</u></b>
2012	\$ 33,826	\$ 67,654	\$ 6,465	\$ 107,943	\$ 107,943
2011	36,394	57,991	7,168	101,533	101,533
2010	29,617	38,054	9,384	77,055	77,055

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**9. PENSION PLANS (CONTINUED)**

***Defined Contribution Retirement Program (DCRP)***

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

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

<u>Year</u>	<u>Total Liability</u>	<u>Paid by School District</u>
2012	\$ 3,224	\$ 3,224
2011	1,983	1,983
2010	-0-	-0-

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

**10. POST-RETIREMENT BENEFITS**

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

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011 there were 87,288 retirees eligible for 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.

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**10. POST-RETIREMENT BENEFITS (Continued)**

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2011.

The State establishes the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contribution to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the year ended June 30, 2012 was \$315,463, which equaled the required contributions. The State's contribution to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**11. ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2012, the School District has recognized as revenues and expenditures \$156,926 of on-behalf payments made by the State of New Jersey for normal retirement costs related to TPAF and \$368,841 for employer's share of social security contributions for TPAF members, as calculated on their base salaries.

**12. RISK MANAGEMENT**

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

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

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

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

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

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

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**12. RISK MANAGEMENT (Continued)**

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ -	\$ -	\$ 60	\$ 26,493	\$ 33,586
2010-2011	71,700	2,894	102	60,047	60,019
2009-2010	12,950	19,744	176	46,055	45,370
2008-2009	12,500	17,690	304	22,440	58,555
2007-2008	12,500	13,770	962	10,308	50,501

Effective January 1, 2011 the School District elected the "Contributory Method" to fund its New Jersey Unemployment Compensation Insurance, which requires the School District to annually appropriate funds to pay the projected costs of contributions at the rate determined by the Commissioner of Labor. There was no expense for the year ended June 30, 2012.

**13. DEFERRED COMPENSATION**

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

**14. COMPENSATED ABSENCES**

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

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

The liability for vested compensated absences is recorded within those funds as the benefits accrued to the employees. As of June 30, 2012, the liability for compensated absences in the governmental activities fund types was \$459,083.

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**15. INTERFUND RECEIVABLES/PAYABLES**

Interfund receivables/payables are recorded to cover temporary cash shortages and/or timing differences in the respective funds. There are no interfund balances that are not expected to be repaid by June 30, 2013. The following interfund receivables/payables were recorded on the various balance sheets as of June 30, 2012:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 132,737	
Special Revenue		\$ 13,509
Capital Projects		118,950
Debt Service	4,222	
Fiduciary		4,500
	<u>\$ 136,959</u>	<u>\$ 136,959</u>

**16. CONTINGENCIES**

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

At June 30, 2012, significant amounts of grant expenditures have not been audited by the granting agency, but the School District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the School District. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

**17. FLEXIBLE BENEFITS PROGRAM**

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ -	\$ 3,501	\$ 3,068	\$ 433
2010-2011				
2009-2010				

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**18. DEFICIT UNASSIGNED FUND BALANCE**

The School District has a deficit unassigned fund balance of \$50,213 in the General Fund as of June 30, 2012 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenues, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the School District can not recognize the June state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the general and special revenue fund balance deficit does not alone indicate that the School District is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payments of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The School District deficit in the GAAP funds statements of \$50,213 is equal to or less than the June state aid payment.

**19. DEFICIT UNRESTRICTED NET ASSETS**

As of June 30, 2012, a deficit of \$490,615 existed in the Unrestricted Net Assets of the Governmental Activities. A reconciliation of Unreserved Fund Balance reported on Exhibit B-1 to Unrestricted Net Assets reported on Exhibited A-1 as follows:

<b>Balances June 30, 2012</b>	
<b>Fund Balance (Deficit)</b>	
<b>(Exclusive of Capital Projects and Debt Service Funds):</b>	
Fund Balance - Unassigned	\$ (50,213)
Add – Unamortized Bond Issuance Costs	107,800
<b>Liabilities:</b>	
Accrued interest Payable	(89,119)
Compensated Absences	<u>(459,083)</u>
<b>Unrestricted Net Assets (Deficit)</b>	<b>\$ <u>(490,615)</u></b>

**Berlin Borough School District  
Notes to Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**20. FUND BALANCES**

***RESTRICTED***

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

**General Fund:**

**Excess Surplus** – In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund, fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$199,657 presented on the budgetary basis of accounting (Exhibit C-1). Additionally, \$134,320 of excess fund balance generated during the 2010-2011 fiscal year has been restricted and designated for utilization in the 2012-2013 budget.

**Capital Reserve** – As of June 30, 2012, the balance in the capital reserve account is \$500,000. Of this amount \$231,000 has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013 and \$269,000 is restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan.

**Maintenance Reserve Account** – As of June 30, 2012, the balance in the maintenance reserve account is \$175,000. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

**Capital Projects Fund** – As of June 30, 2012, the restricted fund balance amount was \$96,637 all of which is designated for subsequent year's expenditures.

**Debt Service Fund** – As of June 30, 2012, the restricted fund balance amount was \$25,288 of which \$277 has been designated for utilization in the 2012-2013 budget and \$25,011 is restricted for future debt service expenditures.

***UNASSIGNED***

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

**General Fund** – As of June 30, 2012, the fund balance of the general fund was a deficit of \$50,213, thus resulting in the fund balance classification of unassigned. The deficit is a result of the delay in the recording of the payment of state aid until the following fiscal year (See Note 18).

**Required Supplementary Information - Part II**

**Budgetary Comparison Schedules**

**BERLIN BOROUGH BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$6,212,099		\$6,212,099	\$6,212,099	
Tuition				13,951	\$13,951
Other restricted miscellaneous revenue	5,000		5,000		(5,000)
Unrestricted miscellaneous revenue	2,000		2,000	35,405	33,405
<b>Total local sources</b>	<b>6,219,099</b>		<b>6,219,099</b>	<b>6,261,455</b>	<b>42,356</b>
State sources:					
Categorical Special Education aid	440,499		440,499	440,499	
Equalization aid	2,824,935		2,824,935	2,904,554	79,619
Categorical Security Aid				19,207	19,207
Additional Nonpublic Transportation aid				870	870
Extraordinary Special Education Costs Aid				7,672	7,672
On-behalf TPAF pension contributions (non-budgeted)				156,926	156,926
On-behalf TPAF pension post medical contributions (non-budgeted)				315,463	315,463
Reimbursed TPAF social security contributions (non-budgeted)				368,841	368,841
<b>Total state sources</b>	<b>3,265,434</b>		<b>3,265,434</b>	<b>4,214,032</b>	<b>948,598</b>
Federal sources:					
Education Jobs Fund	121,301	\$3,800	125,101	125,101	
<b>Total federal sources</b>	<b>121,301</b>	<b>3,800</b>	<b>125,101</b>	<b>125,101</b>	
<b>TOTAL REVENUES</b>	<b>9,605,834</b>	<b>3,800</b>	<b>9,609,634</b>	<b>10,600,588</b>	<b>990,954</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Regular Programs - Instruction:					
Salaries of teachers					
Kindergarten	271,747	(2,000)	269,747	268,781	966
Grades 1-5	1,662,226	(18,231)	1,643,995	1,623,522	20,473
Grades 6-8	1,162,051	(35,308)	1,126,745	1,125,064	1,681
<b>Total Instruction</b>	<b>3,096,024</b>	<b>(55,537)</b>	<b>3,040,487</b>	<b>3,017,367</b>	<b>23,120</b>
Regular Programs - Home Instruction:					
Salaries of teachers	8,176		8,176	2,932	5,244
Purchased prof. and educational services	8,000	(500)	7,500	1,952	5,548
<b>Total Home Instruction</b>	<b>16,176</b>	<b>(500)</b>	<b>15,676</b>	<b>4,884</b>	<b>10,792</b>
Regular Programs - Undistributed Instruction:					
Other salaries for instruction					
Purchased professional services	10,900	5,000	15,900	14,229	1,671
Purchased technical services	6,000	(4,674)	1,326	1,325	1
Other purchased services	2,000	30,605	32,605	25,286	7,319
General supplies	199,989	27,871	227,860	227,045	815
Textbooks	45,000	16,732	61,732	61,732	
<b>Total Undistributed Instruction</b>	<b>263,889</b>	<b>75,534</b>	<b>339,423</b>	<b>329,617</b>	<b>9,806</b>
<b>Total - Regular Programs - Instruction</b>	<b>3,376,089</b>	<b>19,497</b>	<b>3,395,586</b>	<b>3,351,868</b>	<b>43,718</b>

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

(CONTINUED TO NEXT PAGE)

**BERLIN BOROUGH BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Special Educ Instruction: Learning and/or Lang. Disabilities</b>					
Salaries of teachers	\$381,018	(\$220,702)	\$160,316	\$159,976	\$340
Other salaries for instruction	158,433	(95,799)	62,634	60,831	1,803
Purchased professional - educ services	29,345	22,095	51,440	51,422	18
Other purchased services	800	194	994	994	
General Supplies	12,200	(2,459)	9,741	9,373	368
<b>Total Learning and/or Language Disabilities</b>	<b>581,796</b>	<b>(296,671)</b>	<b>285,125</b>	<b>282,596</b>	<b>2,529</b>
<b>Special Educ Instruction: Multiple Disabilities</b>					
Salaries of teachers		138,181	138,181	137,474	707
Other salaries for instruction		17,323	17,323	17,227	96
General Supplies		2,955	2,955	2,704	251
Miscellaneous		500	500	385	115
<b>Total Resource Room/Resource Center</b>		<b>158,959</b>	<b>158,959</b>	<b>157,790</b>	<b>1,169</b>
<b>Special Educ Instruction: Res. Room/Res. Center</b>					
Salaries of teachers	578,390	104,520	682,910	676,303	6,607
Other salaries for instruction	63,107	21,482	84,589	84,072	517
General Supplies	10,000	(1,174)	8,826	8,791	35
Textbooks		874	874	874	
<b>Total Resource Room/Resource Center</b>	<b>651,497</b>	<b>125,702</b>	<b>777,199</b>	<b>770,040</b>	<b>7,159</b>
<b>Special Educ Instruction: Preschool Disabilities - PT</b>					
Salaries of teachers	53,627	7,631	61,258	61,258	
Other salaries for instruction	21,217	20,311	41,528	36,866	4,662
Purchased professional - educ services	28,800	22,556	51,356	46,628	4,728
General Supplies	1,500		1,500	942	558
<b>Total Preschool Disabilities - Part-Time</b>	<b>105,144</b>	<b>50,498</b>	<b>155,642</b>	<b>145,694</b>	<b>9,948</b>
<b>Total Special Education - Instruction</b>	<b>1,338,437</b>	<b>38,488</b>	<b>1,376,925</b>	<b>1,356,120</b>	<b>20,805</b>
<b>Basic Skills/Remedial - Instruction</b>					
Salaries of teachers	55,382	(1,800)	53,582	53,569	13
General supplies	500	300	800	800	
<b>Total Basic Skills/Remedial - Instruction</b>	<b>55,882</b>	<b>(1,500)</b>	<b>54,382</b>	<b>54,369</b>	<b>13</b>
<b>Bilingual Education - Instruction</b>					
Salaries of teachers	20,107		20,107	20,044	63
<b>Total Bilingual Education - Instruction</b>	<b>20,107</b>		<b>20,107</b>	<b>20,044</b>	<b>63</b>
<b>School-Sponsored Cocurricular Act - Inst.</b>					
Salaries	15,930	1,001	16,931	16,931	
<b>Total School-Sponsored Cocurr. Act. - Inst</b>	<b>15,930</b>	<b>1,001</b>	<b>16,931</b>	<b>16,931</b>	
<b>School-Sponsored Athletics - Inst.</b>					
Salaries	50,775	2,799	53,574	50,775	2,799
Supplies and materials	4,000		4,000	1,880	2,140
Other objects	4,725		4,725	4,725	
<b>Total School-Sponsored Athletics - Inst</b>	<b>59,500</b>	<b>2,799</b>	<b>62,299</b>	<b>57,380</b>	<b>4,939</b>
<b>Undistributed Expenditures - Instruction</b>					
Tuition other LEAs - in state - regular	11,807	9,466	21,273	19,151	2,122
Tuition other LEAs - in state - special	11,292	5,058	16,350	9,174	7,176
Tuition to CSSD & reg. day schools	119,985	(42,568)	77,417	56,409	21,008
Tuition to priv. sch. for the disabled w/ state	72,900	(8,540)	64,360	52,649	11,711
Tuition - other	61,631	(38,796)	22,835		22,835
<b>Total Undistributed Expenditures - Instruction</b>	<b>277,615</b>	<b>(75,380)</b>	<b>202,235</b>	<b>137,383</b>	<b>64,852</b>

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

**BERLIN BOROUGH BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Attend. and Social Work Salaries	\$28,421		\$28,421	\$27,350	\$1,071
<b>Total Undistributed Expenditures - Attendance</b>	<b>28,421</b>		<b>28,421</b>	<b>27,350</b>	<b>1,071</b>
Undistributed Expenditures - Health Services					
Salaries	94,608	\$4	94,612	94,609	3
Purchased professional & tech. services	2,250		2,250	2,250	
Supplies and materials	717	1,735	2,452	2,434	18
Other objects	250		250	248	2
<b>Total Undistributed Expenditures - Health Svcs.</b>	<b>97,825</b>	<b>1,739</b>	<b>99,564</b>	<b>99,541</b>	<b>23</b>
Undist. Expend. - Speech, OT, PT & Related Services					
Salaries	110,769	3,087	113,856	113,846	10
Purchased prof. and educational services	1,700		1,700	1,700	
Supplies and Materials	581	285	866	824	42
<b>Total Undst. Expend. - Speech, OT, PT &amp; Related Services</b>	<b>113,050</b>	<b>3,372</b>	<b>116,422</b>	<b>116,370</b>	<b>52</b>
Undist. Expend. - Other Supp. Serv. Stud. - Extra. Serv.					
Salaries	28,738	10,240	38,978	31,110	7,868
Purchased professional & educ. services	18,600	(2,785)	15,815	13,213	2,602
<b>Total Undst. Expend. - Other Supp. Serv. Stud. - Extra. Serv.</b>	<b>47,338</b>	<b>7,455</b>	<b>54,793</b>	<b>44,323</b>	<b>10,470</b>
Undist. Expend. - Other Supp. Serv. Stud. - Guidance					
Purchased professional & educ. services	55,578	13,135	68,713	51,227	17,486
Supplies and Materials	750	(31)	719	719	
<b>Total Undst. Expend. - Other Supp. Serv. Stud. - Guidance</b>	<b>56,328</b>	<b>13,104</b>	<b>69,432</b>	<b>51,227</b>	<b>18,205</b>
Undist. Expend. - Other Supp. Serv. Stud. - Child Study Teams					
Salaries of other professional staff	202,525	(2,000)	200,525	200,493	32
Salaries of secretarial and clerical assistants	27,758		27,758	27,583	175
Purchased prof. and educational services	8,451	8,990	17,441	17,441	
Other purchased prof. and tech. services	2,149	(158)	1,991	1,546	445
Miscellaneous purchased services	200	(200)			
Miscellaneous services - workshops		524	524	504	20
Supplies and materials	1,590	3,336	4,926	4,536	390
Other Objects	800	(30)	770	686	84
<b>Total Undst. Expend. - Other Supp. Serv. Stud. - Child Study Team</b>	<b>243,473</b>	<b>10,462</b>	<b>253,935</b>	<b>252,789</b>	<b>1,146</b>
Undist. Expend. - Improvement of Instr. Services					
Salaries of other professional staff	750	3,160	3,910	3,742	168
Purchased prof. and educational services	10,900	(100)	10,800	9,017	1,783
Other purchased services	2,040	(360)	1,680		1,680
<b>Total Undst. Expend. - Improvement of Instr. Services</b>	<b>13,690</b>	<b>2,700</b>	<b>16,390</b>	<b>12,759</b>	<b>3,631</b>
Undist. Expend. - Educ. Media Serv./Sch. Library					
Salaries	65,351		65,351	64,001	1,350
Purchased professional & tech. services	1,385		1,385	1,000	385
Other purchased services (400-500)	23,373		23,373	21,885	1,488
Supplies and materials	12,550		12,550	10,548	2,002
<b>Total Undst. Expend. - Educ. Media Serv./Sch. Library</b>	<b>102,659</b>		<b>102,659</b>	<b>97,434</b>	<b>5,225</b>

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

(CONTINUED TO NEXT PAGE)

**BERLIN BOROUGH BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. General Admin.					
Salaries	\$107,058	(\$450)	\$106,608	\$106,497	\$111
Legal services	35,000	(1,400)	33,600	20,520	13,080
Audit fees	18,000		18,000	18,000	
Architectural/Engineering Fees	7,500	(389)	7,111	7,110	1
Other purchased professional services	6,700	468	7,168	6,437	731
Purchased technical services	3,577	(468)	3,109	1,656	1,453
Communications / telephone	15,543	1,000	16,543	16,230	313
BOE Other purchased services	800	614	1,414	183	1,231
Other purchased services	12,540	(2,000)	10,540	9,381	1,159
General supplies	2,200	2,625	4,825	4,797	28
BOE In-House Training/Meeting Supplies	500		500	489	11
Miscellaneous expenditures	4,400		4,400	3,195	1,205
BOE Membership Dues and Fees	9,850	1,000	10,850	10,519	331
<b>Total Undst. Expend. - Supp. Serv. General Admin.</b>	<b>223,668</b>	<b>1,000</b>	<b>224,668</b>	<b>205,014</b>	<b>19,654</b>
Undist. Expend. - Supp. Serv. School Admin.					
Salaries of principals/assist. principals	177,325	761	178,086	178,085	1
Salaries of other professional staff	71,500	250	71,750	71,750	
Salaries of secretarial and clerical assistants	97,981	2,550	100,531	97,975	2,556
Purchased professional & tech. services	14,750	1,282	16,032	15,332	700
Other purchased services	4,000	(1,000)	3,000	3,000	
Supplies and materials	2,750	(135)	2,615	2,578	37
Other objects	2,000	135	2,135	2,135	
<b>Total Undst. Expend. - Supp. Serv. School Admin.</b>	<b>370,306</b>	<b>3,843</b>	<b>374,149</b>	<b>370,855</b>	<b>3,294</b>
Undist. Expend. - Central Services					
Salaries	217,894	(1,053)	216,841	212,094	4,747
Purchased professional services	10,339	1,680	12,019	12,019	
Supplies and materials	2,000		2,000	2,000	
Interest - leases	3,988	22	4,010	3,678	332
Misc. expenditures - BOE misc./dues	1,161		1,161	234	927
<b>Total Undst. Expend. - Central Services</b>	<b>235,382</b>	<b>649</b>	<b>236,031</b>	<b>230,025</b>	<b>6,006</b>
Undist. Expend. - Information Technology					
Salaries	47,824	420	48,244	48,238	6
Supplies and materials	1,000	22,790	23,790	23,789	1
<b>Total Undst. Expend. - Information Technology</b>	<b>48,824</b>	<b>23,210</b>	<b>72,034</b>	<b>72,027</b>	<b>7</b>
Undist. Expend. - Required Maint. Sch. Facilities					
Salaries	69,602		69,602	66,825	2,777
Cleaning, repair, and maintenance services	33,333	4,400	37,733	35,693	2,040
General supplies	14,000		14,000	13,919	81
<b>Total Undst. Expend. - Required Maint. Sch. Facilities</b>	<b>116,935</b>	<b>4,400</b>	<b>121,335</b>	<b>116,437</b>	<b>4,898</b>

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

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**BERLIN BOROUGH BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Custodial Services					
Salaries	\$168,535	\$10,690	\$179,225	\$173,226	\$5,999
Purchased professional & tech. services	7,600	7,032	14,632	14,632	
Cleaning, repair, and maintenance services	9,800	1,000	10,800	10,723	77
Other purchased property services	16,644	3,511	20,155	19,481	674
Insurance	43,103		43,103	42,366	737
Miscellaneous purchased services	5,905		5,905	4,248	1,657
General supplies	28,000	4,100	32,100	30,050	2,050
Energy (heat & electricity)	60,000		60,000	52,114	7,886
Other objects	1,000		1,000	528	472
Salaries of Non-Instructional Aides	25,866	13,467	39,333	38,942	391
Energy (Natural Gas)	124,000	(49,956)	74,044	47,285	26,759
<b>Total Undst. Expend. - Other oper. &amp; Maint. of Plant</b>	<b>490,453</b>	<b>(10,156)</b>	<b>480,297</b>	<b>433,595</b>	<b>46,702</b>
Undist. Expend. - Care & Upkeep of Grounds					
General supplies	3,000		3,000	2,560	440
<b>Total Undst. Expend. - Care &amp; Upkeep of Grounds</b>	<b>3,000</b>		<b>3,000</b>	<b>2,560</b>	<b>440</b>
Undist. Expend. - Security					
General supplies	2,000		2,000	2,000	
<b>Total Undst. Expend. - Security</b>	<b>2,000</b>		<b>2,000</b>	<b>2,000</b>	
<b>Total Undst. Expend. - Oper. &amp; Maint. of Plant Services</b>	<b>612,388</b>	<b>(5,756)</b>	<b>606,632</b>	<b>554,592</b>	<b>52,040</b>
Undist. Expend. - Student Trans. Services					
Contr. serv. (bet. home & sch.) - vendors	193,852	(10)	193,842	176,081	\$17,761
Contr. serv. (other than bet. home & sch.) - vendors	11,610	698	12,308	1,005	11,303
Contr. serv. (sp ed stds) - vendors	205,000	(18,571)	186,429	83,564	102,865
Contr. serv. - aid in lieu of payments	9,667		9,667	809	8,858
Other	200		200	52	148
<b>Total Undst. Expend. - Student Trans. Services</b>	<b>420,329</b>	<b>(17,883)</b>	<b>402,446</b>	<b>281,511</b>	<b>140,935</b>
Unallocated Benefits - Employee Benefits					
Social security contributions	129,000	45,059	174,059	136,477	37,582
TPAF contributions - ERIP	38,464	(38,464)			
Other retirement contributions - PERS	135,262	(14,884)	120,378	106,344	14,034
Other retirement contributions - ERIP	5,756	709	6,465	6,465	
DCRP - Employer Contribution	2,500	2,000	4,500	4,500	
Unemployment compensation	98,000		98,000	15,621	80,379
Workmen's compensation	82,626		82,626	67,530	15,096
Health benefits	1,255,436	(33,000)	1,222,436	1,157,968	64,468
Tuition reimbursement	20,000		20,000	13,469	6,531
Other employee benefits	92,070	5,580	97,650	82,090	15,560
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>1,855,114</b>	<b>(31,000)</b>	<b>1,824,114</b>	<b>1,590,464</b>	<b>233,650</b>
On-behalf TPAF pension contributions (non-budgeted)				156,926	(156,926)
On-behalf TPAF pension Post Medical contributions (non-budgeted)				315,463	(315,463)
Reimbursed TPAF social security contributions (non-budgeted)				368,841	(368,841)
<b>Total Undistributed Expenditures - TPAF</b>				<b>841,230</b>	<b>(841,230)</b>
<b>Total Undistributed Expenditures</b>	<b>4,746,410</b>	<b>(62,485)</b>	<b>4,683,925</b>	<b>4,964,894</b>	<b>(280,969)</b>
<b>Total General Current Expense</b>	<b>9,612,355</b>	<b>(2,200)</b>	<b>9,610,155</b>	<b>9,821,586</b>	<b>(211,431)</b>

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

(CONTINUED TO NEXT PAGE)

**BERLIN BOROUGH BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Fiscal Year Ended June 30, 2012**

(Continued from prior page)	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CAPITAL OUTLAY:</b>					
<b>Equipment:</b>					
Instruction		\$6,000	\$6,000	\$6,000	
General administration	\$18,788		18,788	17,200	\$1,588
<b>Total Equipment</b>	<b>18,788</b>	<b>6,000</b>	<b>24,788</b>	<b>23,200</b>	<b>1,588</b>
<b>Facilities Acquisition and Construction Services:</b>					
Other Purchased Prof/Tech Services					
Infrastructure	30,000		30,000	30,000	
Other Objects	16,903		16,903	16,903	
<b>Total Facilities Acquisition and Construction Services</b>	<b>46,903</b>		<b>46,903</b>	<b>46,903</b>	
<b>Assets Acquired Under Capital Leases (non-budgeted):</b>					
<b>Undistributed Expenditures:</b>					
Instruction				157,579	(157,579)
Administration				74,240	(74,240)
<b>Total Assets Acquired Under Capital Leases (non-budgeted)</b>				<b>231,819</b>	<b>(231,819)</b>
<b>Total Capital Outlay</b>	<b>65,691</b>	<b>6,000</b>	<b>71,691</b>	<b>301,922</b>	<b>(230,231)</b>
<b>Total Expenditures</b>	<b>\$9,678,046</b>	<b>\$3,800</b>	<b>\$9,681,846</b>	<b>\$10,123,508</b>	<b>(\$441,662)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures:</b>	<b>(\$72,212)</b>		<b>(\$72,212)</b>	<b>\$477,080</b>	<b>\$549,292</b>
<b>Other Financing Source (Uses):</b>					
Capital Leases (Non-budgeted)				231,819	231,819
Operating Transfer Out	(175,000)		(175,000)	(306,000)	(131,000)
<b>Total Other Financing Sources</b>	<b>(175,000)</b>		<b>(175,000)</b>	<b>(74,181)</b>	<b>100,819</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):</b>	<b>(247,212)</b>		<b>(247,212)</b>	<b>402,899</b>	<b>650,111</b>
<b>Fund Balance, July 1</b>	<b>864,620</b>		<b>864,620</b>	<b>864,620</b>	
<b>Fund Balance, June 30</b>	<b>\$617,408</b>		<b>\$617,408</b>	<b>\$1,267,519</b>	<b>\$650,111</b>
<b>Restricted Fund Balance:</b>					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures				\$134,320	
Reserve for Excess Surplus				199,657	
Capital Reserve				500,000	
Maintenance Reserve				175,000	
<b>Assigned Fund Balance:</b>					
Designated for Subsequent Year's Expenditures				258,542	
<b>Unassigned Fund Balance</b>				<b>1,267,519</b>	
<b>Last State Aid Payments not Recognized on a GAAP Basis</b>				<b>(308,755)</b>	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<b>\$958,764</b>	

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

**BERLIN BOROUGH BOARD OF EDUCATION**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Education Jobs Fund**  
**Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Federal sources:					
Education Jobs Fund	\$121,301	\$3,800	\$125,101	\$125,101	
Total Revenues	121,301	3,800	125,101	125,101	
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Special Education - Instruction:					
Resource Room/Resource Center					
Salaries of teachers	47,152	\$3,800	50,952	50,952	
Total Resource Room/Resource Center	47,152	3,800	50,952	50,952	
School Sponsored Athletics					
Salaries	48,800		48,800	48,800	
Total School Sponsored Athletics	48,800		48,800	48,800	
Employee Benefits:					
Social security contributions	3,898		3,898	3,898	
Other retirement contributions - PERS	4,866		4,866	4,866	
Workmen's compensation	7,260		7,260	7,260	
Other employee benefits	9,325		9,325	9,325	
Total Employee Benefits	25,349		25,349	25,349	
Total Expenditures	121,301	3,800	125,101	125,101	
Excess (Deficiency) of Revenues Over (Under) Expenditures:					
Fund Balance, July 1					
Fund Balance, June 30	-	-	-	-	-

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources	\$2,690		\$2,690	\$2,690	
State sources	241,740		241,740	154,731	(\$87,009)
Federal sources	280,234		280,234	280,234	
<b>Total revenues</b>	<b>524,664</b>		<b>524,664</b>	<b>437,655</b>	<b>(87,009)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	24,269		24,269	24,269	
Other salaries for instruction	8,638		8,638	8,638	
Purchased professional - tech. services	178,956	(\$9,315)	169,641	125,272	44,369
Purchased prof. and educational services	13,378		13,378	13,378	
Other purchased services	107,456		107,456	107,456	
General supplies		16,554	16,554	16,554	
Textbooks	11,927		11,927	11,927	
<b>Total instruction</b>	<b>344,624</b>	<b>7,239</b>	<b>351,863</b>	<b>307,494</b>	<b>44,369</b>
Support services:					
Other salaries for instruction					
Personal services-employee benefits	3,906	(547)	3,359	3,359	
Purchased professional and technical services	155,532	(6,692)	148,840	106,200	42,640
Purchased prof. and educational services	5,046		5,046	5,046	
Other purchased services (400-500)	9,483		9,483	9,483	
Travel	5,950	(2,041)	3,909	3,909	
Supplies and materials	123	2,041	2,164	2,164	
<b>Total support services</b>	<b>180,040</b>	<b>(7,239)</b>	<b>172,801</b>	<b>130,161</b>	<b>42,640</b>
Facilities acquisition and construction services:					
Instructional equipment					
Noninstructional equipment					
<b>Total facilities acq. and const. services</b>					
<b>Total expenditures</b>	<b>524,664</b>		<b>524,664</b>	<b>437,655</b>	<b>87,009</b>
<b>Total outflows</b>	<b>524,664</b>		<b>524,664</b>	<b>437,655</b>	<b>87,009</b>
<b>Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)</b>					

**Berlin Borough School District**  
**Notes to Required Supplementary Information**  
**Budgetary Comparison**  
**For the Fiscal 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 basis) "revenue" from the budgetary comparison schedules	\$ 10,600,588	\$ 437,655
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	292,852	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(308,755)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 10,584,685</u>	<u>\$ 437,655</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 10,123,508	\$ 437,655
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,123,508</u>	<u>\$ 437,655</u>

Other Supplementary Information

**Special Revenue Fund**

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Statement of Revenues and Expenditures**  
**Budgetary Basis**  
**for the Fiscal Year Ended June 30, 2012**  
**(With comparative totals for June 30, 2011)**

	Brought Forward (Exh. E-1B)	Brought Forward (Exh. E-1C)	Totals	
			2012	2011
<b>REVENUES:</b>				
Local sources	\$2,690		\$2,690	2,690
State sources	125,768	\$28,963	154,731	202,788
Federal sources		280,234	280,234	298,360
<b>Total Revenues</b>	<b>128,458</b>	<b>309,197</b>	<b>437,655</b>	<b>503,838</b>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of teachers		24,269	24,269	28,500
Other salaries for instruction		8,638	8,638	12,454
Purchased professional and technical services	87,688	37,584	125,272	199,658
Professional education services	2,260	11,118	13,378	536
Other purchased services		107,456	107,456	135,729
General supplies		16,554	16,554	4,663
Textbooks		11,927	11,927	16,143
<b>Total instruction</b>	<b>89,948</b>	<b>217,546</b>	<b>307,494</b>	<b>397,683</b>
Support services:				
Other salaries for instruction				
Personal services-employee benefits		3,359	3,359	5,125
Purchased prof. and educational services		5,046	5,046	12,806
Purchased professional and technical services	38,510	67,690	106,200	58,250
Other purchased services (400-500)		9,483	9,483	21,164
Travel		3,909	3,909	1,135
Supplies and materials		2,164	2,164	7,675
<b>Total support services</b>	<b>38,510</b>	<b>91,651</b>	<b>130,161</b>	<b>106,155</b>
Facilities acquisition and const. serv.:				
Instructional equipment				
Non-instructional equipment				
<b>Total facilities acquisition and const. serv.:</b>				
<b>Total Expenditures</b>	<b>128,458</b>	<b>309,197</b>	<b>437,655</b>	<b>503,838</b>
<b>Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)</b>				

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Statement of Revenues and Expenditures**  
**Budgetary Basis**  
**for the Fiscal Year Ended June 30, 2012**

	<u>Chapter 192 - Auxiliary Services</u>		<u>Chapter 193 - Handicapped Services</u>			<u>Home Instruction</u>	<u>Municipal Alliance</u>	<u>Carried Forward (Ex. E-1A)</u>
	<u>Comp. Education</u>	<u>Transportation</u>	<u>Corrective Speech</u>	<u>Suppl. Instruction</u>	<u>Exam &amp; Classification</u>			
<b>REVENUES:</b>								
Local sources							\$2,690	\$2,690
State sources	\$83,093	\$1,905	\$17,852	\$11,154	\$9,504	\$2,260		125,768
Federal sources								
<b>Total Revenues</b>	<u>83,093</u>	<u>1,905</u>	<u>17,852</u>	<u>11,154</u>	<u>9,504</u>	<u>2,260</u>	<u>2,690</u>	<u>128,458</u>
<b>EXPENDITURES:</b>								
Instruction:								
Salaries of teachers								
Other salaries for instruction								
Professional education services						2,260		2,260
Purchased professional and technical services	83,093	1,905					2,690	87,688
Tuition								
General supplies								
Textbooks								
<b>Total Instruction</b>	<u>83,093</u>	<u>1,905</u>				<u>2,260</u>	<u>2,690</u>	<u>89,948</u>
Support services:								
Personal services-employee benefits								
Purchased prof. and educational services								
Purchased professional and technical services			17,852	11,154	9,504			38,510
Purchased technical services								
Purchased property services								
Travel								
Other purchased services (400-500)								
Supplies and materials								
<b>Total support services</b>			<u>17,852</u>	<u>11,154</u>	<u>9,504</u>			<u>38,510</u>
Facilities acquisition and const. serv.:								
Instructional equipment								
Non-instructional equipment								
<b>Total facilities acquisition and const. serv.:</b>								
<b>Total Expenditures</b>	<u>83,093</u>	<u>1,905</u>	<u>17,852</u>	<u>11,154</u>	<u>9,504</u>	<u>2,260</u>	<u>2,690</u>	<u>128,458</u>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)								

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Statement of Revenues and Expenditures**  
**Budgetary Basis**  
**for the Fiscal Year Ended June 30, 2012**

	No Child Left Behind (N.C.L.B.)		IDEA		Nonpublic Textbook	Nonpublic Nursing	Totals
	Title I Current Yr.	Title II - Part A Current Yr.	Basic Current Yr.	Preschool Current Yr.			
<b>REVENUES:</b>							
State sources					\$11,927	\$17,036	\$28,963
Federal sources	\$59,257	\$19,393	\$192,883	\$8,701			280,234
<b>Total Revenues</b>	<b>59,257</b>	<b>19,393</b>	<b>192,883</b>	<b>8,701</b>	<b>11,927</b>	<b>17,036</b>	<b>309,197</b>
<b>EXPENDITURES:</b>							
Instruction:							
Salaries of teachers	24,269						24,269
Other salaries for instruction		3,892		4,746			8,638
Purchased professional and technical services	17,584		20,000				37,584
Purchased professional educational services		11,118					11,118
Other purchased services			107,456				107,456
General supplies	8,876		7,678				16,554
Textbooks					11,927		11,927
<b>Total instruction</b>	<b>50,729</b>	<b>15,010</b>	<b>135,134</b>	<b>4,746</b>	<b>11,927</b>		<b>217,546</b>
Support services:							
Personal services-employee benefits	3,359						3,359
Purchased prof. and educational services	5,046						5,046
Purchased professional and technical services			46,699	3,955		17,036	67,690
Other purchased services (400-500)		4,383	5,100				9,483
Travel			3,909				3,909
Supplies and materials	123		2,041				2,164
<b>Total support services</b>	<b>8,528</b>	<b>4,383</b>	<b>57,749</b>	<b>3,955</b>		<b>17,036</b>	<b>91,651</b>
Facilities acquisition and const. serv.:							
Instructional equipment							
Non-instructional equipment							
<b>Total facilities acquisition and const. serv.:</b>							
<b>Total Expenditures</b>	<b>59,257</b>	<b>19,393</b>	<b>192,883</b>	<b>8,701</b>	<b>11,927</b>	<b>17,036</b>	<b>309,197</b>
Excess (Deficiency) of revenues over (under) expenditures and other financing sources (uses)							

**Capital Projects Fund**

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Summary Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budgetary Basis**  
**For the Fiscal Year ended June 30, 2012**

**Revenues and Other Financing Sources:**

Interest earned on investments	\$4,588
State sources - SDA Grant	204,000
Transfer from Capital Reserve	306,000
	<b>514,588</b>
Total revenues and other financing sources	<b>514,588</b>

**Expenditures and Other Financing (Uses):**

Purchased professional and technical services	2,410
Construction services	410,953
Transfer to Debt Service Fund	4,561
Transfer to General Fund	27
	<b>417,951</b>
Total expenditures and other financing (uses)	<b>417,951</b>

Excess (deficiency) or revenues over (under) expenditures	96,637
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Fund Balance - July 1, 2011	_____
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Fund Balance - June 30, 2012	<b>\$96,637</b>
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**BERLIN BOROUGH SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Statement of Project Revenues, Expenditures, Project Balance,**  
**and Project Status - Budgetary Basis**  
**Roof Replacement to Berlin Community School**  
**From Inception and for the Fiscal Year ended June 30, 2012**

	Prior Periods	Current Year	Total	Revised Authorized Costs
<b>Revenues and Other Financing Sources:</b>				
State sources - SDC Grant		\$204,000	\$204,000	\$204,000
Transfer from capital reserve		306,000	306,000	306,000
Total revenues		510,000	510,000	510,000
<b>Expenditures and Other Financing Uses:</b>				
Purchased professional and technical services		2,410	2,410	2,410
Construction services		410,953	410,953	410,953
		413,363	413,363	413,363
Excess (deficiency) or revenues over (under) expenditures	-	\$96,637	\$96,637	\$96,637
<b>Additional project information:</b>				
Project Number	0330-020-10-GOAJ			
Grant Date	08/01/11			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$510,000			
Additional Authorized Cost				
Revised Authorized Cost	\$510,000			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original target completion date	06/30/12			
Revised target completion date	06/03/12			

**Proprietary Funds**

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Enterprise Funds**  
**Statement of Net Assets**  
**as of June 30, 2012 and 2011**

	<u>Food Service</u>	<u>Community Education and Recreation</u>	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$86,711	\$82,899	\$169,610	\$159,975
Accounts receivable:				
State	196		196	275
Federal	4,757		4,757	5,129
Other				
Inventories	<u>3,859</u>		<u>3,859</u>	<u>4,527</u>
Total current assets	<u>95,523</u>	<u>82,899</u>	<u>178,422</u>	<u>169,906</u>
Fixed assets:				
Equipment	89,851		89,851	85,907
Less Accumulated depreciation	<u>(60,078)</u>		<u>(60,078)</u>	<u>(53,866)</u>
Total fixed assets	<u>29,773</u>		<u>29,773</u>	<u>32,041</u>
Total assets	<u>\$125,296</u>	<u>\$82,899</u>	<u>\$208,195</u>	<u>\$201,947</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Deferred reveune	<u>3,467</u>	<u>7,750</u>	<u>11,217</u>	<u>2,650</u>
Total current liabilities	<u>3,467</u>	<u>7,750</u>	<u>11,217</u>	<u>2,650</u>
<b>NET ASSETS:</b>				
Invested in capital assets net of related debt	29,773		29,773	32,041
Unrestricted	<u>82,056</u>	<u>75,149</u>	<u>167,205</u>	<u>167,256</u>
Total net assets	<u>\$121,829</u>	<u>\$75,149</u>	<u>\$196,978</u>	<u>\$199,297</u>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Enterprise Funds**  
**Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**for the Fiscal Years ended June 30, 2012 and 2011**

	Food Service	Community Education and Recreation	2012	2011
<b>OPERATING REVENUES:</b>				
Local sources:				
Daily sales-reimbursable programs:				
School lunch program	\$101,965		\$101,965	\$100,774
Total-daily sales-reimbursable programs	101,965		101,965	100,774
Daily sales non-reimbursable programs	72,807		72,807	77,463
Program Fees		\$251,773	251,773	235,668
Total operating revenue	174,772	251,773	426,545	413,905
<b>OPERATING EXPENSES:</b>				
Salaries	84,987	188,989	273,976	262,799
Employee benefits	25,246		25,246	22,613
Supplies and materials	7,792	5,521	13,313	10,218
Depreciation	6,212		6,212	6,345
Purchased services	14,025		14,025	13,795
Cost of Sales	122,564		122,564	101,054
Miscellaneous		32,669	32,669	21,598
Direct Expenses	2,137	22,059	24,196	23,483
Repairs and maintenance	8,343		8,343	28,217
Other	7,634	2,092	9,726	6,308
Total operating expenses	278,940	251,330	530,270	496,430
Operating income (loss)	(104,168)	443	(103,725)	(82,525)
Non-operating revenues:				
State sources:				
State school lunch program	3,421		3,421	3,206
Federal sources:				
National school lunch program	80,609		80,609	66,228
U.S.D.A. commodities	17,247		17,247	8,465
Interest revenue	115	14	129	197
Total non-operating revenues	101,392	14	101,406	78,096
Net income (loss)	(2,776)	457	(2,319)	(4,429)
Net assets - July 1	124,605	74,692	199,297	203,726
Net assets - June 30	\$121,829	\$75,149	\$196,978	\$199,297

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Enterprise Funds**  
**Statement of Cash Flows**  
for the Fiscal Years ended June 30, 2012 and 2011

	Food Service	Community Education and Recreation	2012	2011
<b>Cash flows from operating activities:</b>				
Cash receipts from customers	\$177,485	\$259,837	\$437,322	\$414,072
Cash payments to employees for services	(110,233)	(188,989)	(299,222)	(285,412)
Cash payments to suppliers for goods and services	(146,477)	(62,655)	(209,132)	(197,346)
<b>Net cash used by operating activities</b>	<b>(79,225)</b>	<b>8,193</b>	<b>(71,032)</b>	<b>(68,686)</b>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from state and federal reimbursements	84,482		84,482	70,027
<b>Net cash provided by noncapital financing activities</b>	<b>84,482</b>		<b>84,482</b>	<b>70,027</b>
<b>Cash flows from capital financing activities:</b>				
Purchases of fixed assets	(3,944)		(3,944)	
<b>Net cash used by capital financing activities</b>	<b>(3,944)</b>		<b>(3,944)</b>	
<b>Cash flows from investing activities:</b>				
Interest on investments	115	14	129	197
<b>Net cash provided by investing activities</b>	<b>115</b>	<b>14</b>	<b>129</b>	<b>197</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,428</b>	<b>8,207</b>	<b>9,635</b>	<b>1,538</b>
Cash and cash equivalents, July 1	85,283	74,692	159,975	158,437
Cash and cash equivalents, June 30	\$86,711	\$82,899	\$169,610	\$159,975
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	(\$104,168)	\$443	(\$103,725)	(\$82,525)
<b>Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:</b>				
Depreciation	6,212		6,212	6,345
Federal commodities	17,247		17,247	8,465
<b>Change in assets and liabilities:</b>				
(Increase)/decrease in receivables				
(Increase)/decrease in inventory	667		667	(1,138)
Increase/(decrease) in deferred revenue	817	7,750	8,567	167
Increase/(decrease) in accounts payable				
<b>Net cash used by operating activities</b>	<b>(\$79,225)</b>	<b>\$8,193</b>	<b>(\$71,032)</b>	<b>(\$68,686)</b>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Internal Service Fund**  
**Shared Services**  
**Statement of Net Assets**  
**as of June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents		
Inventories		
Total current assets		
<b>Total assets</b>	<u>---</u>	<u>---</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable		
Interfund payable		
Total current liabilities		
<b>Net Assets:</b>		
Unrestricted		
<b>Total Net Assets</b>	<u>---</u>	<u>---</u>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Internal Service Fund**  
**Shared Services**  
**Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**for the Fiscal Years ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES:</b>		
Local sources:		
Program revenues	<u>\$145,725</u>	<u>\$148,214</u>
<b>Total operating revenue</b>	<u>145,725</u>	<u>148,214</u>
 <b>OPERATING EXPENSES:</b>		
Salaries	<u>145,725</u>	<u>148,214</u>
<b>Total operating expenses</b>	<u>145,725</u>	<u>148,214</u>
<b>Operating income (loss)</b>	<u>          </u>	<u>          </u>
 <b>Net income (loss)</b>		
<b>Net assets - July 1</b>	<u>          </u>	<u>          </u>
<b>Net assets - June 30</b>	<u>    ---</u>	<u>    ---</u>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Internal Service Fund**  
**Shared Services**  
**Statement of Cash Flows**  
for the Fiscal Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash receipts from customers	\$145,725	\$148,214
Cash payments to employees for services	(145,725)	(148,214)
Cash payments to suppliers for goods and services	<u>          </u>	<u>          </u>
Net cash used by operating activities	<u>          </u>	<u>          </u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, July 1	<u>          </u>	<u>          </u>
Cash and cash equivalents, June 30	<u>    ---</u>	<u>    ---</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)		
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase)/decrease in inventory		
Increase(decrease) in accounts payable	<u>          </u>	<u>          </u>
Net cash used by operating activities	<u>    ---</u>	<u>    ---</u>

**Fiduciary Funds**

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
Combining Statement of Net Assets  
June 30, 2012  
(With comparative totals for June 30, 2011)

	Agency Funds		Employee Benefits Trust Funds		Totals	
	Student Activity	Payroll	Flexible Spending Account	Unemployment Compensation Insurance Fund	2012	2011
<b>ASSETS:</b>						
Cash and cash equivalents	\$61,754	\$4,569	\$4,933	\$48,673	\$119,929	\$149,769
Interfund receivable						
<b>TOTAL ASSETS</b>	<b>\$61,754</b>	<b>\$4,569</b>	<b>\$4,933</b>	<b>\$48,673</b>	<b>\$119,929</b>	<b>\$149,769</b>
<b>LIABILITIES:</b>						
<b>LIABILITIES:</b>						
Accounts payable				\$15,087	\$15,087	\$14,798
Interfund payable			\$4,500		4,500	
Payroll deductions and withholdings		\$4,569			4,569	8,877
Due to student groups	\$61,754				61,754	66,075
<b>Total liabilities</b>	<b>61,754</b>	<b>4,569</b>	<b>4,500</b>	<b>15,087</b>	<b>85,910</b>	<b>89,750</b>
<b>NET ASSETS:</b>						
Reserved for unemployment claims				33,586	33,586	
Reserved for flexible benefits			433		433	60,019
<b>Total net assets</b>	<b>---</b>	<b>---</b>	<b>\$433</b>	<b>\$33,586</b>	<b>\$34,019</b>	<b>\$60,019</b>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Fiduciary Fund**  
 Comparative Statement of Changes in Fiduciary Net Assets  
 for the Fiscal Years ended June 30, 2012 and 2011

	Employee Benefits Trust Funds		2012	2011
	Flexible Benefits Program	Unemployment Compensation Fund		
<b>REVENUES:</b>				
Local sources:				
Board contributions				\$71,700
Employee contributions	\$3,500		\$3,500	2,894
Interest on Investments	1	\$60	61	102
<b>Total Revenues</b>	<b>3,501</b>	<b>60</b>	<b>3,561</b>	<b>74,696</b>
<b>EXPENDITURES:</b>				
Current Expense:				
Undistributed Expenditures:				
Flex benefit payments	3,068		3,068	
Unemployment claims		26,493	26,493	60,047
<b>Total Expenditures</b>	<b>3,068</b>	<b>26,493</b>	<b>29,561</b>	<b>60,047</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>433</b>	<b>(26,433)</b>	<b>(26,000)</b>	<b>14,649</b>
<b>Net Assets - July 1</b>		<b>60,019</b>	<b>60,019</b>	<b>45,370</b>
<b>Net Assets - June 30</b>	<b>\$433</b>	<b>\$33,586</b>	<b>\$34,019</b>	<b>\$60,019</b>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Student Activity Agency Fund**  
**Schedule of Receipts and Disbursements**  
**for the Fiscal Year ended June 30, 2012**

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	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30, 2012</u>	<u>Balance</u> <u>June 30, 2012</u>
Elementary School	<u>\$66,075</u>	<u>\$98,101</u>	<u>\$102,422</u>	<u>          </u>	<u>\$61,754</u>
<b>Total</b>	<u><u>\$66,075</u></u>	<u><u>\$98,101</u></u>	<u><u>\$102,422</u></u>	<u><u>---</u></u>	<u><u>\$61,754</u></u>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Payroll Agency Fund**  
 Schedule of Receipts and Disbursements  
 for the Fiscal Year ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>ASSETS:</b>				
Cash and cash equivalents	<u>\$8,877</u>	<u>\$8,240,786</u>	<u>\$8,245,094</u>	<u>\$4,569</u>
<b>Total assets</b>	<u><u>\$8,877</u></u>	<u><u>\$8,240,786</u></u>	<u><u>\$8,245,094</u></u>	<u><u>\$4,569</u></u>
<b>LIABILITIES:</b>				
Payroll deductions and withholdings	8,877	4,133,757	4,138,065	4,569
Net payroll	<u>                    </u>	<u>4,107,029</u>	<u>4,107,029</u>	<u>                    </u>
<b>Total liabilities</b>	<u><u>\$8,877</u></u>	<u><u>\$8,240,786</u></u>	<u><u>\$8,245,094</u></u>	<u><u>\$4,569</u></u>

**Long-Term Debt Schedules**

**BERLIN BOROUGH SCHOOL DISTRICT**  
**General Long-Term Debt Account Group**  
**Statement of Serial Bonds**  
**June 30, 2012**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Rate of Interest</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
			<u>Date</u>	<u>Amount</u>					
School District Bonds	01/15/03	\$4,911,000				\$3,961,000		\$3,961,000	
School Refunding Bonds	9/1/11	3,660,000	03/01/13	\$185,000	3.000%		\$3,660,000		\$3,660,000
			03/01/14	190,000	3.000%				
			03/01/15	200,000	3.000%				
			03/01/16	205,000	3.000%				
			03/01/17	215,000	2.000%				
			03/01/18	230,000	2.250%				
			03/01/19	485,000	2.500%				
			03/01/20	475,000	5.000%				
			03/01/21	485,000	5.000%				
			03/01/22	495,000	5.000%				
			03/01/23	495,000	5.000%				
<b>Total</b>						<u>\$3,961,000</u>	<u>\$3,660,000</u>	<u>\$3,961,000</u>	<u>\$3,660,000</u>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**General Long-Term Debt Account Group**  
**Statement of Certificates of Participation Payable**  
**June 30, 2012**

<u>Purpose</u>	<u>Amount of Original Issue</u>	<u>Annual Maturities</u>		<u>Rate of Interest</u>	<u>Balance July 1, 2011</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2012</u>
		<u>Date</u>	<u>Amount</u>					
Various Capital Improvements	\$5,575,000	02/01/13	\$335,000	4.410%	\$2,585,000		\$320,000	\$2,265,000
		02/01/14	350,000					
		02/01/15	370,000					
		02/01/16	385,000					
		02/01/17	405,000					
		02/01/18	420,000					
					<u>\$2,585,000</u>	<u>---</u>	<u>\$320,000</u>	<u>\$2,265,000</u>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**Fiscal Year Ended June 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local sources:					
Local tax levy	\$620,899		\$620,899	\$620,899	
Miscellaneous				10,287	\$10,287
Total revenues - local sources	<u>620,899</u>		<u>620,899</u>	<u>631,186</u>	<u>10,287</u>
State sources:					
Debt service aid type II	146,721		146,721	146,721	
Total revenues - state sources	<u>146,721</u>		<u>146,721</u>	<u>146,721</u>	
Total Revenues	<u>767,620</u>		<u>767,620</u>	<u>777,907</u>	<u>10,287</u>
<b>EXPENDITURES:</b>					
Regular debt service:					
Princ. payments - Comm. Appr. Lease Purchase Agm.	320,000		320,000	320,000	
Interest for Comm. Appr. Lease Purchase Agm.	113,999		113,999	113,999	
Redemption of principal	170,000		170,000	170,000	
Interest on bonds	174,163		174,163	164,000	10,163
Expenses of refunding bonds				77,766	(77,766)
Total Expenditures	<u>778,162</u>		<u>778,162</u>	<u>845,765</u>	<u>(67,603)</u>
Excess (Deficiency) of revenues over (under) expenditures	(10,542)		(10,542)	(67,858)	(57,316)
Other Financing Sources:					
Operating Transfer In - Capital Projects				4,561	4,561
Proceeds of refunding bonds				4,035,141	4,035,141
Payment to Refunded Bond Escrow Agent				(3,957,375)	(\$3,957,375)
Total Other Financing Sources				<u>82,327</u>	<u>82,327</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses):	(10,542)		(10,542)	14,469	25,011
Fund Balances, July 1	10,819		10,819	10,819	
Fund Balances, June 30	<u>\$277</u>	<u>---</u>	<u>\$277</u>	<u>\$25,288</u>	<u>\$25,011</u>
Recapitulation of Excess (Deficiency) or revenues over (under) expenditures					
Budgeted Fund Balance	<u>(\$10,542)</u>		<u>(\$10,542)</u>	<u>\$14,469</u>	<u>\$25,011</u>

**BERLIN BOROUGH SCHOOL DISTRICT**  
**General Long-Term Debt Account Group**  
**Statement of Obligations Under Capital Leases**  
**June 30, 2012**

<u>Purpose</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding July 1, 2011</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2012</u>
Telephone System	5.70%	\$74,240		\$74,240	\$30,000	\$44,240
Computers	9.65%	157,579		157,579	57,432	100,147
			-	<u>\$231,819</u>	<u>\$87,432</u>	<u>\$144,387</u>

**Statistical Section**

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

Exhibit J-1

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>										
Invested in capital assets, net of related debt	\$ -	\$ 2,848,840	\$ 2,854,166	\$ 3,185,075	\$ 630,791	\$ 208,209	\$ (210,130)	\$ (602,224)	\$ (862,909)	\$ (937,722)
Restricted for:										
Capital projects		198,127	78,565	10,269	4,649	317	-	175,000	406,000	598,637
Special revenue			(650)	(650)	(650)	(650)	-	-	-	-
Debt service		338,144	306,760	328,340	333,093	327,013	320,374	343,954	358,148	466,671
Other purposes		185,237	418,137	452,512	239,043	313,623	229,932	72,212	206,532	508,977
Unrestricted		(145,679)	(218,166)	(347,798)	(448,730)	(449,681)	(566,635)	(667,888)	(449,121)	(490,815)
<b>Total governmental activities net assets</b>	<b>\$ -</b>	<b>\$ 3,220,689</b>	<b>\$ 3,436,812</b>	<b>\$ 3,625,748</b>	<b>\$ 760,166</b>	<b>\$ 388,831</b>	<b>\$ (228,459)</b>	<b>\$ (678,948)</b>	<b>\$ (343,350)</b>	<b>\$ 143,948</b>
<b>Business-type activities:</b>										
Invested in capital assets, net of related debt		\$ 66,417	\$ 81,231	\$ 58,045	\$ 50,858	\$ 51,075	\$ 44,732	\$ 38,388	\$ 32,041	\$ 29,773
Unrestricted		64,120	87,203	132,823	130,332	142,129	145,504	165,340	167,256	187,205
<b>Total business-type activities net assets</b>	<b>\$ -</b>	<b>\$ 130,537</b>	<b>\$ 148,434</b>	<b>\$ 188,868</b>	<b>\$ 181,190</b>	<b>\$ 193,204</b>	<b>\$ 190,236</b>	<b>\$ 203,726</b>	<b>\$ 199,297</b>	<b>\$ 196,978</b>
<b>District-wide:</b>										
Invested in capital assets, net of related debt	\$ -	\$ 2,713,257	\$ 2,915,397	\$ 3,241,120	\$ 681,649	\$ 259,284	\$ (165,398)	\$ (563,838)	\$ (830,868)	\$ (907,949)
Restricted:										
Capital projects	-	198,127	78,565	10,269	4,649	317	-	175,000	406,000	598,637
Special revenue			(650)	(650)	(650)	(650)	-	-	-	-
Debt service		338,144	306,760	328,340	333,093	327,013	320,374	343,954	358,148	466,671
Other purposes		185,237	418,137	452,512	239,043	313,623	229,932	72,212	206,532	508,977
Unrestricted		(81,569)	(130,963)	(214,975)	(316,389)	(307,552)	(421,131)	(502,548)	(281,865)	(323,410)
<b>Total district net assets</b>	<b>\$ -</b>	<b>\$ 3,351,206</b>	<b>\$ 3,585,248</b>	<b>\$ 3,814,618</b>	<b>\$ 941,386</b>	<b>\$ 592,035</b>	<b>\$ (38,223)</b>	<b>\$ (475,220)</b>	<b>\$ (144,053)</b>	<b>\$ 340,826</b>

a

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

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

Exhibit J-2

Fiscal Year Ending June 30.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses:</b>										
<b>Governmental activities:</b>										
<b>Instruction:</b>										
Regular		\$ 3,143,458	\$ 3,600,627	\$ 2,843,868	\$ 5,355,894	\$ 3,704,118	\$ 3,883,630	\$ 4,241,895	\$ 3,377,214	\$ 3,487,154
Special education		1,255,922	1,279,881	1,120,694	1,157,041	1,289,585	1,396,905	1,550,853	1,437,144	1,486,000
Other instruction		228,180	86,696	70,039	91,658	116,626	145,580	169,133	140,315	148,704
<b>Support Services:</b>										
Tuition		226,179	280,060	329,765	344,161	240,091	460,011	450,951	229,109	137,383
Student & instruction related services		930,617	1,017,657	787,131	931,786	999,962	909,601	1,064,281	687,036	628,595
School administrative services		399,428	415,688	330,218	336,755	324,618	354,355	347,323	365,283	370,655
General and business administrative services		601,189	633,458	488,021	863,005	665,292	685,839	841,951	497,590	535,947
Plant operations and maintenance		582,784	734,285	693,755	827,676	783,402	1,001,043	775,308	1,378,566	1,359,315
Pupil transportation		398,289	468,175	454,148	516,922	432,637	446,822	448,985	287,509	261,511
Unallocated employee benefits		-	-	1,841,889	2,204,580	2,359,167	2,160,811	2,201,183	2,334,798	2,435,053
Interest on long-term debt		416,127	411,046	384,415	367,506	352,435	336,328	308,282	301,275	355,765
Unallocated depreciation		19,837	19,837	19,842	169,388	52,517	53,614	53,614	49,743	105,208
<b>Total governmental activities expenses</b>	<b>-</b>	<b>8,202,010</b>	<b>8,947,408</b>	<b>9,363,765</b>	<b>13,166,370</b>	<b>11,320,450</b>	<b>11,834,539</b>	<b>12,253,759</b>	<b>11,085,562</b>	<b>11,521,490</b>
<b>Business-type activities:</b>										
Community Education		165,976	183,710	210,230	247,905	246,324	261,469	225,590	236,083	251,330
Food service		225,182	231,330	219,917	216,367	231,605	239,154	263,892	260,347	278,940
Shared Services		-	-	-	-	-	49,915	60,649	148,214	145,725
<b>Total business-type activities expense</b>	<b>-</b>	<b>391,158</b>	<b>415,040</b>	<b>430,147</b>	<b>464,272</b>	<b>477,929</b>	<b>550,528</b>	<b>550,131</b>	<b>644,644</b>	<b>675,995</b>
<b>Total district expenses</b>	<b>\$ -</b>	<b>\$ 8,593,168</b>	<b>\$ 9,362,448</b>	<b>\$ 9,793,912</b>	<b>\$ 13,630,642</b>	<b>\$ 11,798,379</b>	<b>\$ 12,385,067</b>	<b>\$ 12,803,890</b>	<b>\$ 11,730,226</b>	<b>\$ 12,197,485</b>
<b>Program Revenues:</b>										
<b>Governmental activities:</b>										
Operating grants and contributions		1,262,130	\$ 993,916	634,864	1,620,654	1,691,736	1,339,322	1,670,910	1,319,567	1,629,606
<b>Total governmental activities program revenues</b>	<b>-</b>	<b>1,262,130</b>	<b>993,916</b>	<b>634,864</b>	<b>1,620,654</b>	<b>1,691,736</b>	<b>1,339,322</b>	<b>1,670,910</b>	<b>1,319,567</b>	<b>1,629,606</b>

(Continued)

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

Exhibit J-2

Fiscal Year Ending June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Charges for services:</b>										
Community education		162,158	192,002	250,306	229,719	246,459	245,682	223,777	235,668	251,773
Food service		136,429	135,712	148,081	160,487	168,502	180,550	188,135	178,237	174,772
Shared Services							49,915	60,649	148,214	145,725
Operating grants and contributions		53,027	70,411	64,822	64,544	65,492	70,987	90,814	77,899	101,277
Capital grants and contributions										
Total business type activities program revenues		351,614	398,125	463,009	454,730	480,453	547,134	563,375	640,018	673,647
Total district program revenues	\$ -	\$ 1,613,744	\$ 1,392,041	\$ 1,097,873	\$ 2,075,384	\$ 2,172,169	\$ 1,886,456	\$ 2,234,265	\$ 1,959,585	\$ 2,303,153
<b>Net (Expense)/Revenue:</b>										
Governmental activities	\$ -	\$ (6,939,880)	\$ (7,953,492)	\$ (8,728,901)	\$ (11,545,716)	\$ (9,628,714)	\$ (10,495,217)	\$ (10,582,849)	\$ (9,766,015)	\$ (9,891,884)
Business-type activities		(39,544)	(16,915)	32,862	(9,542)	2,524	(3,394)	13,244	(4,626)	(2,448)
Total district-wide net expense	\$ -	\$ (6,979,424)	\$ (7,970,407)	\$ (8,696,039)	\$ (11,555,258)	\$ (9,626,190)	\$ (10,498,611)	\$ (10,569,605)	\$ (9,770,641)	\$ (9,894,332)
<b>General Revenues and Other Changes in Net Assets:</b>										
<b>Governmental activities:</b>										
Property taxes levied for general purposes, net		\$ 4,380,873	\$ 4,721,697	\$ 4,908,261	\$ 5,332,390	\$ 5,708,340	\$ 5,888,340	\$ 5,926,097	\$ 6,163,141	\$ 6,212,099
Taxes levied for debt service		561,184	520,334	560,334	551,723	555,735	575,687	596,348	629,870	620,899
Unrestricted grants and contributions		2,698,690	2,911,568	3,364,270	2,720,526	2,914,914	3,348,044	3,535,439	3,218,500	3,482,000
Tuition		26,009	16,122	20,113	-	6,757	13,509	20,652	46,328	13,951
Investment earnings		4,015	27,502	16,847	21,043	29,501	6,388	3,222	7,843	1,551
Miscellaneous income		22,608	2,412	48,012	54,482	52,102	37,959	48,604	35,929	48,682
Transfers		(36,000)	(30,000)	-	-	-	-	-	-	-
Total governmental activities		7,638,479	8,169,635	8,917,837	8,680,164	9,267,349	9,869,927	10,130,362	10,101,611	10,379,182
<b>Business-type activities:</b>										
Investment earnings		120	478	1,572	1,864	1,378	426	246	197	129
Miscellaneous income			4,334	6,000	-	8,112	-	-	-	-
Transfers		35,000	30,000	-	-	-	-	-	-	-
Total business-type activities		35,120	34,812	7,572	1,864	9,490	426	246	197	129
Total district-wide	\$ -	\$ 7,673,599	\$ 8,204,447	\$ 8,925,409	\$ 8,682,028	\$ 9,276,839	\$ 9,870,353	\$ 10,130,608	\$ 10,101,808	\$ 10,379,311
<b>Change in Net Assets:</b>										
Governmental activities	\$ -	\$ 698,599	\$ 216,143	\$ 188,936	\$ (2,865,552)	\$ (361,365)	\$ (625,290)	\$ (452,487)	\$ 335,596	\$ 487,298
Business-type activities		(4,424)	17,897	40,434	(7,678)	12,014	(2,968)	13,490	(4,428)	(2,319)
Total district-wide	\$ -	\$ 694,175	\$ 234,040	\$ 229,370	\$ (2,873,230)	\$ (349,351)	\$ (628,258)	\$ (438,997)	\$ 331,167	\$ 484,979

a

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

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved		\$ 188,300		\$ 452,512	\$ 239,043	\$ 313,623	\$ 229,932	\$ 247,212	\$ 612,532	\$ 1,008,977
Unreserved		136,370	70,174	51,480	119,648	128,247	(67,703)	(164,618)	(40,764)	(50,213)
Total general fund	\$ -	\$ 322,670	\$ 70,174	\$ 503,992	\$ 358,691	\$ 441,870	\$ 162,229	\$ 82,594	\$ 571,768	\$ 958,764
All Other Governmental Funds										
Reserved:										
Debt service reserve		\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383	\$ 441,383
Unreserved, reported in:										
Special revenue fund			(650)	(650)	(650)	(650)				
Capital projects fund		195,064	76,565	10,269	4,649	317				96,637
Debt service fund		13,677	10,008	3,951	76		(589)	5,182	277	25,011
Designated for subsequent year's expenditures		32,929		20,135	24,927	12,712			10,542	277
Total all other governmental funds	\$ -	\$ 683,053	\$ 527,306	\$ 475,088	\$ 470,385	\$ 453,762	\$ 440,794	\$ 446,565	\$ 452,202	\$ 563,308

a

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

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

Exhibit J-4

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Tax levy	\$ 4,346,782	\$ 4,922,157	\$ 5,242,031	\$ 5,468,595	\$ 5,884,113	\$ 6,264,075	\$ 6,464,027	\$ 6,522,445	\$ 6,793,011	\$ 6,832,998
Tuition charges	11,869	26,009	16,122	20,113	-	6,757	13,509	20,652	46,328	13,951
Interest earnings	9	4,014	27,502	16,847	21,043	29,501	7,846	3,222	7,843	1,551
Miscellaneous	50,380	20,174	2,412	48,012	54,482	54,792	39,191	51,294	38,619	51,392
State sources	5,864,702	3,548,961	3,678,838	3,758,701	4,053,876	4,331,034	4,398,916	4,125,502	4,237,017	4,703,581
Federal sources	193,384	411,859	226,647	240,433	287,304	272,926	285,760	1,078,157	298,360	405,335
<b>Total revenue</b>	<b>10,467,126</b>	<b>8,933,174</b>	<b>9,193,552</b>	<b>9,552,701</b>	<b>10,300,818</b>	<b>10,959,085</b>	<b>11,209,249</b>	<b>11,801,272</b>	<b>11,421,178</b>	<b>12,008,808</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	2,457,780	2,683,214	2,738,847	2,858,708	2,975,939	3,115,926	3,417,340	3,602,063	3,448,744	3,519,482
Special education instruction	782,577	991,918	1,009,929	1,120,694	1,157,041	1,289,585	1,396,905	1,550,853	1,437,144	1,496,000
Other special instruction	97,022	180,215	68,410	70,039	91,656	116,626	145,580	169,133	140,315	148,704
Other instruction	49,232	-	-	-	-	-	-	-	-	-
<b>Support Services:</b>										
Tuition	324,890	226,179	280,060	329,765	344,161	240,091	460,011	450,951	229,109	137,383
Student & instruction related services	705,092	734,994	803,013	787,131	931,786	999,962	909,601	1,064,281	687,036	828,595
School administrative services	278,430	315,528	328,011	330,218	336,755	324,618	354,355	347,323	365,283	370,855
General and business admin. services	513,476	460,182	485,228	469,484	545,372	581,404	599,758	555,870	494,625	507,066
Plant operations and maintenance	572,773	438,329	448,851	485,375	553,419	642,151	662,046	623,918	619,189	554,592
Pupil transportation	302,764	314,566	369,430	454,148	516,922	432,637	446,822	448,918	287,509	261,511
Employee benefits	1,375,967	1,575,051	1,730,428	1,841,869	2,204,580	2,359,167	2,160,811	2,244,682	2,334,798	2,435,053
Capital outlay	1,116,140	6,393,565	162,378	94,704	49,849	36,716	185,639	45,986	104,783	715,285
<b>Debt service:</b>										
Principal	215,000	295,000	325,000	345,000	370,000	395,000	420,000	445,000	470,000	490,000
Interest and other charges	216,752	438,422	416,260	389,916	373,342	358,646	342,990	326,091	307,832	355,765
<b>Total expenditures</b>	<b>9,007,895</b>	<b>15,047,163</b>	<b>9,165,845</b>	<b>9,577,051</b>	<b>10,450,822</b>	<b>10,892,529</b>	<b>11,501,858</b>	<b>11,875,069</b>	<b>10,926,367</b>	<b>11,820,291</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>1,459,231</b>	<b>(6,113,989)</b>	<b>27,707</b>	<b>(24,350)</b>	<b>(150,004)</b>	<b>66,556</b>	<b>(292,609)</b>	<b>(73,797)</b>	<b>494,811</b>	<b>188,517</b>
<b>Other Financing sources (uses)</b>										
Proceeds from borrowing	4,911,000	-	-	-	-	-	-	-	-	4,266,960
Payment to refunding escrow agent	-	-	-	-	-	-	-	-	-	(3,957,375)
Accrued interest on sale of bonds	5,124	-	-	-	-	-	-	-	-	-
Transfers in	27,804	4,056	-	-	21,043	12,635	1,775	7,232	5,637	310,588
Transfers out	(27,804)	(36,621)	(30,000)	-	(21,043)	(12,635)	(1,775)	(7,232)	(5,637)	(310,588)
<b>Total other financing sources (uses)</b>	<b>4,916,124</b>	<b>(32,565)</b>	<b>(30,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>309,585</b>
<b>Net change in fund balances</b>	<b>\$ 6,375,355</b>	<b>\$ (6,146,554)</b>	<b>\$ (2,293)</b>	<b>\$ (24,350)</b>	<b>\$ (150,004)</b>	<b>\$ 66,556</b>	<b>\$ (292,609)</b>	<b>\$ (73,797)</b>	<b>\$ 494,811</b>	<b>\$ 498,102</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>5.47%</b>	<b>8.48%</b>	<b>8.23%</b>	<b>7.75%</b>	<b>7.15%</b>	<b>6.94%</b>	<b>6.74%</b>	<b>6.52%</b>	<b>7.19%</b>	<b>7.62%</b>

Source: District records

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

**Exhibit J-5**

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Rentals</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u> <u>Refunds</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 5,520	\$ 11,869		\$ 16,589		\$ 467	\$ 34,445
2004	2,393	26,009		1,335		6,470	36,207
2005	15,130	16,122				2,412	33,664
2006	39,288	20,113		7,780		944	68,125
2007	53,469					1,013	54,482
2008	29,501	6,757	\$ 26,614	7,194	\$ 4,310	1,349	75,725
2009	6,388	13,509	20,000	13,938	598	1,965	56,398
2010	3,222	20,652	20,000	20,595	152	625	65,246
2011	2,206	46,328	11,000	21,287	2,878	764	84,463
2012	1,551	13,951	5,000	27,653		1,174	49,329
	<u>\$ 158,668</u>	<u>\$ 175,310</u>	<u>\$ 82,614</u>	<u>\$ 116,371</u>	<u>\$ 7,938</u>	<u>\$ 17,183</u>	<u>\$ 558,084</u>

**Source: District records**

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate b	Estimated Actual (County Equalized) Value
2003	\$ 10,547,700	\$ 285,577,000	\$ 457,700	\$ 105,200	\$ 55,503,500	\$ 9,830,700	\$ 4,106,900	\$ 366,128,700	\$ 5,088,110	\$ 371,214,810	\$ 59,826,700	\$ 1.311	\$ 420,298,937
2004	14,830,400	291,607,400	473,100	82,000	58,216,000	7,239,940	3,594,800	375,843,640	4,553,066	380,396,706	60,287,300	1.364	472,689,791
2005	13,797,000	301,592,600	476,400	82,000	57,918,500	7,239,940	3,464,300	384,570,740	4,056,803	388,627,543	61,431,000	1.393	539,983,752
2006	10,490,700	317,567,000	386,800	69,100	54,086,900	7,239,940	3,326,800	393,147,240	3,481,859	396,629,099	41,268,200	1.469	620,118,024
2007	11,325,600	323,181,200	244,900	69,100	56,977,400	6,539,940	3,326,800	401,664,940	3,084,552	404,749,492	48,223,700	1.535	724,618,605
2008	10,144,800	327,901,200	244,900	56,600	58,052,700	6,539,940	3,036,300	405,976,440	3,465,128	409,441,568	48,431,400	1.568	806,310,513
2009	9,629,800	330,768,700	244,900	56,600	57,059,800	6,564,940	3,036,300	407,381,040	3,814,925	411,175,965	50,110,200	1.577	848,155,052
2010	8,946,000	332,971,200	244,900	56,600	55,620,900	5,994,500	3,036,300	406,870,400	3,959,735	410,830,135	50,367,100	1.647	814,676,056
2011 d	20,000,700	607,946,600	470,800	83,000	122,002,300	10,863,500	8,120,100	769,487,000	7,207,478	776,694,478	87,228,050	0.876	790,050,848
2012 d	17,123,400	602,314,500	470,800	83,000	119,714,000	10,777,300	7,169,800	757,652,800	6,727,655	764,380,455	88,692,350	0.906	c

Source: Municipal Tax Assessor

**Note:**

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

c Information not available.

d Revaluation.

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

**Exhibit J-7**

Fiscal Year Ended June 30,	Berlin Borough School District Direct Rate			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	Borough of Berlin	Municipal Open Space	Eastern Regional High School	Camden County	
2003	\$ 1.241	\$ 0.070	\$ 1.311	\$ 0.567		\$ 0.660	\$ 1.091	\$ 3.629
2004	1.224	0.140	1.364	0.577		0.661	1.066	3.668
2005	1.263	0.130	1.393	0.605		0.777	1.149	3.924
2006	1.329	0.140	1.469	0.698		0.760	1.265	4.192
2007	1.398	0.137	1.535	0.742		0.802	1.249	4.328
2008	1.427	0.141	1.568	0.810		0.766	1.249	4.393
2009	1.432	0.145	1.577	0.925	\$ 0.010	0.836	1.279	4.627
2010	1.634	0.013	1.647	1.039	0.020	0.834	1.298	4.838
2011	0.796	0.080	0.876	0.560	0.019	0.452	0.723	2.630
2012	0.826	0.080	0.906	0.589	0.009	0.495	0.794	2.793

Source: Municipal Tax Collector

**Note:**

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

- a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.
- b Rates for debt service are based on each year's requirements.

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

**Exhibit J-8**

Taxpayer	2011-2012	
	Taxable Assessed Value	% of Total District Net Assessed Value
Berlin Reality	\$ 9,339,600	1.20%
Berlin Residences, LLC	6,285,000	0.81%
Berlin Equities LLC	6,176,200	0.80%
AC I Berlin, LLC	5,468,700	0.70%
Evinos Corporation, Inc.	4,555,600	0.59%
Osborne Associates % Rite Aid Corp	3,500,000	0.45%
Hassbro, LLC	3,500,000	0.45%
Berlin Center LLC	3,200,000	0.41%
Sinelnik, Gregory	3,183,800	0.41%
Forte & Companies, INC	2,835,900	0.37%
<b>Total</b>	<b>\$ 48,044,800</b>	<b>6.19%</b>

Taxpayer	2002-2003	
	Taxable Assessed Value	% of Total District Net Assessed Value
NJ Bell Telephone	7,797,710	2.13%
Owens Corning Fiberglass	7,183,500	1.96%
Berlin Auction	4,534,900	1.24%
NJ Bell Telephone	1,976,900	0.54%
Berlin Circle Plaza	1,964,800	0.54%
Public Storage Properties	1,898,800	0.52%
Lucien's Restaurant	1,849,700	0.51%
Centennial Partners	1,333,900	0.36%
Forte & Companies	1,079,000	0.29%
Pre Mix Industries	947,100	0.26%
<b>Total</b>	<b>\$ 30,566,310</b>	<b>8.35%</b>

**Source:** Municipal Tax Assessor

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

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Calendar Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 4,346,781	\$ 4,346,781	100.00%	-
2004	4,922,157	4,922,157	100.00%	-
2005	5,242,031	5,242,031	100.00%	-
2006	5,468,595	5,468,595	100.00%	-
2007	5,884,113	5,884,113	100.00%	-
2008	6,264,075	6,264,075	100.00%	-
2009	6,464,027	6,464,027	100.00%	-
2010	6,522,445	6,522,445	100.00%	-
2011	6,793,011	6,793,011	100.00%	-
2012	6,832,998	6,832,998	100.00%	-

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

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

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

Exhibit J-10

105

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Unfunded Pension Liability	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2003	\$ 4,911,000	\$ 342,872	\$ -	\$ -	\$ -	\$ 5,253,872	2.2895%	\$ 773
2004	4,841,000	300,013	-	-	-	5,141,013	1.9460%	680
2005	4,751,000	257,164	-	-	-	5,008,164	0.2193%	641
2006	4,651,000	214,295	89,278	-	-	4,954,573	1.6214%	627
2007	4,536,000	171,436	92,520	-	-	4,799,956	1.5050%	606
2008	4,411,000	128,577	71,224	-	-	4,610,801	1.3853%	582
2009	4,271,000	85,718	48,750	-	-	4,405,468	1.3395%	555
2010	4,121,000	42,220	25,032	-	-	4,188,252	1.2922%	552
2011	3,961,000	-	-	-	-	3,961,000	c	522
2012	3,660,000	-	-	-	-	3,660,000	c	c

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

a Based on Per Capita Income for Camden County

b Based on School District Population as of July 1.

c Not available

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

**Exhibit J-11**

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2003	\$ 4,911,000	\$ -	\$ 4,911,000	1.32%	\$ 723
2004	4,841,000	-	4,841,000	1.27%	641
2005	4,751,000	-	4,751,000	1.22%	608
2006	4,651,000	-	4,651,000	1.17%	589
2007	4,536,000	-	4,536,000	1.12%	573
2008	4,411,000	-	4,411,000	1.08%	557
2009	4,271,000	-	4,271,000	1.04%	538
2010	4,121,000	-	4,121,000	1.00%	543
2011	3,961,000	-	3,961,000	0.51%	522
2012	3,660,000	-	3,660,000	0.47%	c

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

**a** See Exhibit J-6 for property tax data.

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

**Berlin Borough School District  
 Ratios of Overlapping Governmental Activities Debt  
 As of December 31, 2011**

**Exhibit J-12**

<u>Governmental Unit</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:			
Borough of Berlin	\$ 9,109,349	100.000%	\$ 9,109,349
Eastern Regional High School District	4,839,874,690	16.421%	997,900
Camden County General Obligation Debt	156,835,508	1.955%	3,066,134
			<hr/>
Subtotal, overlapping debt			13,173,383
<b>Berlin Borough School District Direct Debt</b>			<hr/> <b>3,791,000</b>
<b>Total direct and overlapping debt</b>			<hr/> <b>\$ 16,964,383</b>

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

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

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

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

**Exhibit J-13**

**Legal Debt Margin Calculation for Fiscal Year 2012**

	Equalized valuation basis
	2011 \$ 795,582,093
	2010 779,295,920
	2009 809,380,171
	<b>[A] \$ 2,384,258,184</b>
Average equalized valuation of taxable property	<b>[A/3] \$ 794,752,728</b>
Debt limit (3% of average equalized valuation)	<b>[B] 23,842,582 a</b>
Net bonded school debt	<b>[C] 3,660,000</b>
Legal debt margin	<b>[B-C] \$ 20,182,582</b>

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 10,887,732	\$ 12,074,490	\$ 13,735,195	\$ 15,759,446	\$ 18,253,030	\$ 20,926,725	\$ 23,280,928	\$ 24,339,167	\$ 24,247,067	\$ 23,842,582
Total net debt applicable to limit	<u>4,911,000</u>	<u>4,841,000</u>	<u>4,751,000</u>	<u>4,651,000</u>	<u>4,536,000</u>	<u>4,411,000</u>	<u>4,271,000</u>	<u>4,121,000</u>	<u>3,961,000</u>	<u>3,660,000</u>
Legal debt margin	<u>\$ 5,976,732</u>	<u>\$ 7,233,490</u>	<u>\$ 8,984,195</u>	<u>\$ 11,108,446</u>	<u>\$ 13,717,030</u>	<u>\$ 16,515,725</u>	<u>\$ 19,009,928</u>	<u>\$ 20,218,167</u>	<u>\$ 20,286,067</u>	<u>\$ 20,182,582</u>
Total net debt applicable to the limit as a percentage of debt limit	45.11%	40.09%	34.59%	29.51%	24.85%	21.08%	18.35%	16.93%	16.34%	15.35%

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

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

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

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2003	6,795	\$ 229,480,740	\$ 33,772	4.8%
2004	7,558	264,189,890	34,955	4.4%
2005	7,809	283,458,891	36,299	4.3%
2006	7,902	305,578,242	38,671	4.3%
2007	7,922	318,939,720	40,260	4.0%
2008	7,926	332,828,592	41,992	5.3%
2009	7,943	328,887,858	41,406	8.3%
2010	7,587	324,116,640	42,720	8.3%
2011	7,583	e	e	8.6%
2012	e	e	e	e

**Source:**

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

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

**Exhibit J-16**

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

**Source:** District Personnel Records

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

**Berlin Borough School District  
Operating Statistics,  
Last Ten Fiscal Years**

**Exhibit J-17**

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				
2003	773	\$ 7,460,003	\$ 9,651	-	55	1:14	764.0	732.0	0.66%	95.81%
2004	765	7,920,176	10,353	7.27%	55	1:14	781.0	760.0	2.23%	97.31%
2005	780	8,262,207	10,593	2.31%	55	1:14	789.0	734.0	-1.66%	93.03%
2006	820	8,747,431	10,668	0.70%	58	1:14	817.4	778.9	6.42%	95.29%
2007	809	9,657,631	11,938	11.90%	67	1:14	808.8	774.3	10.52%	95.73%
2008	839	10,102,167	12,041	0.86%	76	1:14	831.5	797.5	10.52%	95.91%
2009	812	10,553,229	12,997	7.94%	77	1:14	814.9	781.0	-1.99%	95.84%
2010	835	11,057,992	13,243	1.89%	70	1:14	835.0	799.5	2.46%	95.75%
2011	841	10,043,752	11,943	-9.81%	68	1:12	846.0	841.0	1.32%	99.41%
2012	862	10,259,241	11,902	-0.34%	68	1:13	866.2	831.1	2.39%	95.95%

Sources: District records

Note: Enrollment based on annual October district count.

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

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

**Exhibit J-18**

	<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>
<b>District Building</b>										
<b>Elementary</b>										
Berlin Community School (1952)										
Square Foot	76,518	118,068	118,068	118,068	118,068	118,068	118,068	118,068	118,068	118,068
Capacity (students)	548	950	950	950	950	950	950	950	950	950
Enrollment	764	781	798	817	809	839	812	835	841	862

Number of Schools at June 30, 2012  
Elementary = 1

Source: District Facilities Office

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

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

Exhibit J-19

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
* School Facilities											
Berlin Community School	\$ 117,325	\$ 69,735	\$ 96,705	\$ 109,835	\$ 102,449	\$ 120,137	\$ 118,154	\$ 116,707	\$ 111,806	\$ 116,437	\$ 1,079,290
Project # (s)											
Total School Facilities	<u>\$ 117,325</u>	<u>\$ 69,735</u>	<u>\$ 96,705</u>	<u>\$ 109,835</u>	<u>\$ 102,449</u>	<u>\$ 120,137</u>	<u>\$ 118,154</u>	<u>\$ 116,707</u>	<u>\$ 111,806</u>	<u>\$ 116,437</u>	<u>\$ 1,079,290</u>

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

Source: District records

**Berlin Borough School District  
Insurance Schedule  
June 30, 2012**

**Exhibit J-20**

	<u>Coverage</u>	<u>Deductible</u>
<b>Commercial Package Policy (1)</b>		
Building and Contents (All Locations)		
Limits of liability per occurrence	\$ 14,392,206	\$ 1,000
General liability	5,000,000	
General and Auto liability	5,000,000	1,000
Comprehensive crime coverage		
Employee Dishonesty	500,000	1,000
Forgery or Alteration	50,000	1,000
Boiler and machinery	5,000,000	
Excess Liability	5,000,000	1,000
Professional Liability	5,000,000	5,000
<b>Workers Compensation (2)</b>		
Bodily Injury by Accident	Statutory	
Bodily Injury by Disease	Statutory	
<b>Errors and Omissions Liability (2)</b>	2,000,000	5,000
<b>Student Accident (3)</b>		
School Time Compulsory Student Accident Coverage		
Maximun Benefit	1,000,000	
<b>Surety Bonds (4)</b>		
Board Secretary	210,000	

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

Source: District records

**Single Audit Section**

# ***INVERSO & STEWART, LLC***

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Registered Municipal Accountants**

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New Jersey Society of CPAs

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

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

### **Compliance**

We have audited Berlin Borough School District (School District), in the County of Camden, State of New Jersey's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2012. The School 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 School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and State of New Jersey Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, 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 or state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Berlin Borough School District, in the County of Camden, State of New Jersey complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012.

## Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 management of the School District, the Division of Finance, Department of Education, State of New Jersey, and 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.

Respectfully submitted,

***INVERSO & STEWART, LLC***  
Certified Public Accountants



Robert P. Inverso  
Public School Accountant

Marlton, New Jersey  
August 24, 2012

**BERLIN BOROUGH SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards  
for the Fiscal Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2011			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2012		
					Accounts Receivable	Deferred Revenue	Due to Grantor at				Accounts Receivable	Deferred Revenue	Due to Grantor at
<b>U.S. Department of Education</b>													
<b>General Fund:</b>													
Education Jobs Fund	84.410A	N/A	125,101	7/1/11 - 6/30/12					\$125,101	(\$125,101)			
<b>Total Special Revenue Fund</b>									<b>125,101</b>	<b>(125,101)</b>			
<b>Special Revenue Fund:</b>													
<b>No Child Left Behind(N.C.L.B.)</b>													
Title I	84.010A	NCLB-0330-12	\$59,257	9/1/11 - 8/31/12				48,008	(59,257)	(\$11,249)			
Title IIA	84.367A	NCLB-0330-12	19,393	9/1/11 - 8/31/12				19,393	(19,393)				
<b>Individuals With Disabilities Act (I.D.E.A.)</b>													
Part B - Basic - Current Year	84.027A	IDIEA-0330-12	192,883	9/1/11 - 8/31/12				192,883	(192,883)				
Part B - Preschool - Current Year	84.173A	IDIEA-0330-12	8,701	9/1/11 - 8/31/12				8,701	(8,701)				
<b>Total Special Revenue Fund</b>								<b>268,985</b>	<b>(260,234)</b>	<b>(11,249)</b>			
<b>U.S. Department of Agriculture</b>													
<b>Enterprise Fund:</b>													
Food Distribution Program	10.550	N/A	17,247	9/1/11 - 8/31/12				17,247	(17,247)				
School Breakfast Program	10.553	N/A	5,809	9/1/11 - 8/31/12				5,428	(5,809)	(383)			
School Breakfast Program	10.553	N/A	4,164	9/1/10 - 8/31/11				361					
National School Lunch Program	10.555	N/A	74,800	9/1/11 - 8/31/12				70,427	(74,800)	(4,373)			
National School Lunch Program	10.555	N/A	62,064	9/1/10 - 8/31/11				4,768					
<b>Total Enterprise Fund</b>								<b>98,229</b>	<b>(97,856)</b>	<b>(4,756)</b>			
<b>Total Federal Awards</b>								<b>\$492,315</b>	<b>(\$503,191)</b>	<b>(\$16,005)</b>			

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

**BERLIN BOROUGH SCHOOL DISTRICT**  
Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year ended June 30, 2012

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2011			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2012		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
<b>State Department of Education</b>													
<b>General Fund:</b>													
Extraordinary Aid	12-100-034-5093-044	7,672	7/1/11 - 6/30/12					(\$7,672)			(\$7,672)		
Special Education Categorical Aid	12-495-034-5120-089	440,489	7/1/11 - 6/30/12				400,072	(440,489)			(40,427)		
Special Education Categorical Aid	11-495-034-5120-089	440,489	7/1/10 - 6/30/11	(40,738)			40,738						
Equalization Aid	12-495-034-5120-078	2,904,554	7/1/11 - 6/30/12				2,637,989	(2,904,554)			(266,565)		
Equalization Aid	11-495-034-5120-078	2,726,109	7/1/10 - 6/30/11	(252,114)			252,114						
Security Aid	12-495-034-5120-084	19,207	7/1/11 - 6/30/12				17,444	(19,207)			(1,763)		
Additional Nonpublic Transportation Aid	12-103190	870	7/1/11 - 6/30/12					(870)			(870)		
Additional Nonpublic Transportation Aid	11-103190	2,088	7/1/10 - 6/30/11	(2,088)			2,088						
On Behalf TPAF Pension	12-495-034-5095-007	156,926	7/1/11 - 6/30/12				156,926	(156,926)					
On Behalf TPAF - Post Retirement Medical	12-495-034-5095-001	315,463	7/1/11 - 6/30/12				315,463	(315,463)					
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	368,841	7/1/11 - 6/30/12				350,321	(368,841)			(18,520)		
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	338,660	7/1/10 - 6/30/11	(16,925)			16,925						
<b>Total General Fund</b>				<b>(311,865)</b>		<b>---</b>	<b>---</b>	<b>4,180,080</b>	<b>(4,214,032)</b>	<b>---</b>	<b>(335,817)</b>	<b>---</b>	
<b>Special Revenue Fund</b>													
<b>N.J. Nonpublic Aid:</b>													
Textbook Aid	12-100-034-5120-064	11,927	7/1/11 - 6/30/12				\$11,927	(\$11,927)					
Nursing Aid	12-100-034-5120-070	17,036	7/1/11 - 6/30/12				17,036	(17,036)					
<b>Auxiliary Services:</b>													
Compensatory Education	12-100-034-5120-067	122,573	7/1/11 - 6/30/12				122,573	(63,093)				\$ 39,480	
Compensatory Education	11-100-034-5120-067	125,423	7/1/10 - 6/30/11			\$15,180			\$15,180				
Transportation	12-100-034-5120-067	6,794	7/1/11 - 6/30/12				6,794	(1,905)				4,889	
Transportation	11-100-034-5120-067	6,262	7/1/10 - 6/30/11			3,215			3,215				
Homebound Instruction	12-100-034-5120-067	2,260	7/1/11 - 6/30/12					(2,260)			(2,260)		
Homebound Instruction	11-100-034-5120-067	536	7/1/10 - 6/30/11	(\$536)			536						
<b>Handicapped Services:</b>													
Examination & Classification	12-100-034-5120-066	27,367	7/1/11 - 6/30/12				27,367	(9,504)				17,863	
Examination & Classification	11-100-034-5120-066	38,568	7/1/10 - 6/30/11			24,403			24,403				
Corrective Speech	12-100-034-5120-066	35,543	7/1/11 - 6/30/12				35,543	(17,852)				17,691	
Corrective Speech	11-100-034-5120-066	31,762	7/1/10 - 6/30/11			4,818			4,818				
Supplemental Instruction	12-100-034-5120-066	18,240	7/1/11 - 6/30/12				18,240	(11,154)				7,086	
Supplemental Instruction	11-100-034-5120-066	80,845	7/1/10 - 6/30/11			8,482			8,482				
<b>Total Special Revenue Fund</b>				<b>(536)</b>		<b>55,893</b>	<b>---</b>	<b>240,016</b>	<b>(154,731)</b>	<b>55,898</b>	<b>(2,260)</b>	<b>---</b>	

**BERLIN BOROUGH SCHOOL DISTRICT**  
Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year ended June 30, 2012

State Grantor / Program Title	Grant or State Project Number	Program Award Amount	Grant Period	June 30, 2011			Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2012		
				Accounts Receivable	Deferred Revenue	Due to Grantor at					Accounts Receivable	Deferred Revenue	Due to Grantor at
<b>Capital Projects Fund</b>													
SDA Grant	0330-020-10-GOAJ	\$204,000	7/1/11 - 6/30/12	---	---	---	---	---	(\$204,000)	---	---	(\$204,000)	---
<b>Debt Service Fund</b>													
Debt Service Aid Type II	12-495-034-5120-017	\$146,721	7/1/11 - 6/30/12	---	---	---	---	\$146,721	(\$146,721)	---	---	---	---
<b>State Department of Agriculture</b>													
Enterprise Fund:													
State School Lunch Program	12-100-010-3350-023	3,421	7/1/11 - 6/30/12					3,226	(3,421)			(195)	
State School Lunch Program	11-100-010-3350-023	3,206	7/1/10 - 6/30/11	(\$275)				275					
Total Enterprise Fund				(275)	---	---	---	3,501	(3,421)	---		(195)	---
Total State Financial Assistance				(\$312,676)	---	\$55,898	---	\$4,580,318	(\$4,722,905)	\$55,898		(\$542,272)	---

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

**Berlin Borough School District  
Notes to the Schedules of Expenditures  
of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2012**

**1. GENERAL**

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

**2. BASIS OF ACCOUNTING**

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

**3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile expenditures from the budgetary basis to the GAAP basis is (\$15,903) for the general fund and \$-0- for the special revenue fund. See Exhibit C-3, Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures are reported in the School District's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
<b>General Fund</b>	\$125,101	\$4,198,129	\$4,323,230
<b>Special Revenue Fund</b>	280,234	154,731	434,965
<b>Capital Projects Fund</b>		204,000	204,000
<b>Debt Service Fund</b>		146,721	146,721
<b>Food Service Fund</b>	<u>97,856</u>	<u>3,421</u>	<u>101,277</u>
<b>Total Awards &amp; Financial Assistance</b>	<u>\$503,191</u>	<u>\$4,707,002</u>	<u>\$5,210,193</u>

**Berlin Borough School District**  
**Notes to the Schedules of Expenditures**  
**of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2012**  
**(Continued)**

**4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distribution, respectively. TPAF Pension Contributions represents the amount paid by the State on behalf of the School District for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

**6. MAJOR PROGRAMS**

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





**BERLIN BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Section 2 -- Schedule of Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

No findings identified.

**BERLIN BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal and State programs, as required by OMB Circular A-133 and New Jersey Circular Letter 04-04.

**FEDERAL AWARDS:**

No findings and/or questioned costs identified.

**STATE AWARDS:**

No findings and/or questioned costs identified.

**BERLIN BOROUGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**FINANCIAL STATEMENT FINDINGS**

There were no prior year audit findings

**FEDERAL AWARDS**

There were no prior year audit findings.

**STATE AWARDS**

There were no prior year audit findings.