

SCHOOL DISTRICT
OF
BETHLEHEM TOWNSHIP

Bethlehem Township School District
Board of Education
Asbury, Hunterdon County
New Jersey

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

Comprehensive Annual

Financial Report

of the

Bethlehem Township School District

Board of Education

Asbury, New Jersey

For the Fiscal Year Ending June 30, 2012

Prepared by

Bethlehem Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

Bethlehem Township School District

Thomas B. Conley School
940 Iron Bridge Road
Asbury, New Jersey 08802
Phone: (908) 537-4044
Fax: (908) 537-4309

Ethel Hoppock Middle School
280 Asbury/West Portal Road
Asbury, New Jersey 08802
Phone: (908) 479-6336
Fax: (908) 479-1021

Edward Keegan, Ed.D.
Chief School Administrator/Principal

Jane Smith, Principal/Curriculum Supervisor
Ethel Hoppock Middle School

Nina Crivello
Business Administrator/Board Secretary

Sally Klemm
Supervisor of Special Services

October 31, 2012

President and Members of the Board of Education
Bethlehem Township School District
Hunterdon County, NJ

Dear Board Members:

The comprehensive annual financial report of the Bethlehem Township School District, Hunterdon County, New Jersey for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Bethlehem Township 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 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 includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes 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 and Local Governments", and the State Treasury Circular Letter OMB 04-04, "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 internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1). **REPORTING ENTITY AND ITS SERVICES:** Bethlehem Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Bethlehem Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2011-2012 fiscal year with an enrollment of 546 students.

ENROLLMENT: June 1996 – 489
 June 1997 – 500

June 1998 – 513
June 1999 – 534
June 2000 – 546
June 2001 – 598
June 2002 – 586
June 2003 – 602
June 2004 – 635
June 2005 – 629
June 2006 – 633
June 2007 – 613
June 2008 – 606
June 2009 – 586
June 2010 – 555
June 2011 – 540
June 2012 – 546

2). **ECONOMIC CONDITION AND OUTLOOK:** Bethlehem Township continues to experience a decline in student enrollment due to numerous economic factors, including a slow housing market. As a result, the current board of education has reduced administrative costs and moved more funds into classroom instruction.

3). **MAJOR INITIATIVES:** Students continue to score above the state and national averages on the NJ ASK. We have achieved this success through the following: enhanced instruction methods focused on student achievement, data driven instructional modifications, a more rigorous curriculum focused on the content standards, increased formal and informal student assessments, and increased instructional time.

4). **INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the 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, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal 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 part 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 approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

6). **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds accounting.

7). **CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute. 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 Government 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:** Technology upgrades and curriculum development have been a major focus to date. The Hoppock Middle School and the Conley Elementary School are completely wireless, and the district will spend over \$150,000 in federal grant monies this year to bolster its classroom technology for both students and teachers. The district has also been identified as a "Choice District" beginning the 2013-2014 school year. Additionally, an extended day kindergarten program was implemented this school year to make more time available for academics.

New programs to address gifted and talented students, as well as, the regular population through an enrichment program continue to be an area of focus. The district's commitment to the performing arts, interscholastic athletics, and character education remains strong. This year, teachers will integrate the Common Core Standards in mathematics as well as language arts into instruction.

The Bethlehem School District's Special Education Program has moved to a more inclusive model and K-3 teachers are being trained to identify and assist students who struggle to read fluently. The district has specifically targeted strategies to help increase achievement for its students with disabilities to insure that all students are reading at grade level by the end of third grade.

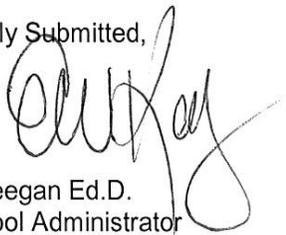
The Board Curriculum Committee continues to meet on a regular basis to monitor and develop curriculum. The administration has developed staff schedules to accommodate common planning time and promote professional learning communities for all teachers.

The school district continues to enjoy the tremendous support from the Bethlehem Township PTA. The PTA sponsors numerous programs and field trips throughout the school year, and has helped bolster instructional resources in the classroom.

10). **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Company, LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and 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 schedule is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single section of this report.

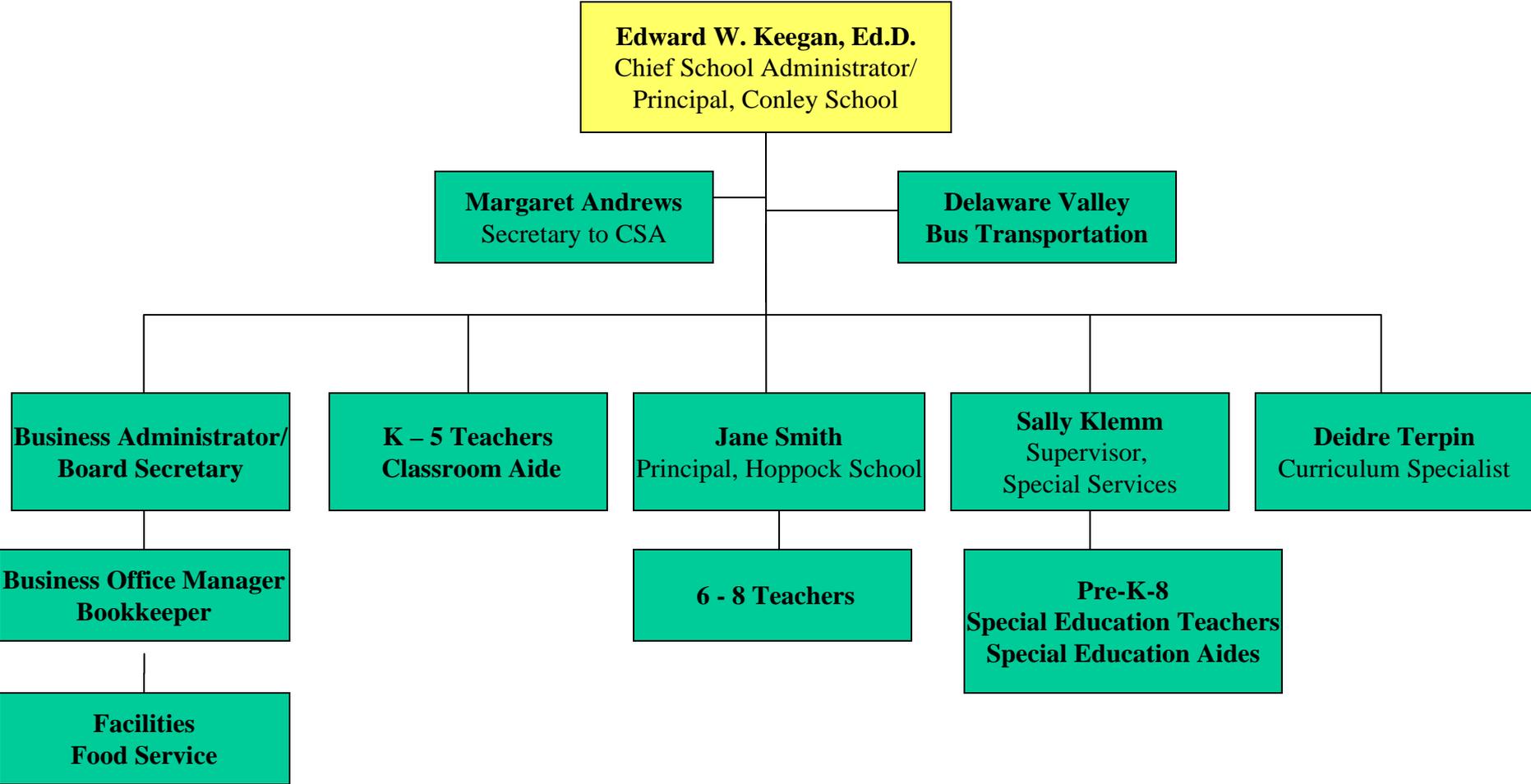
11). **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Bethlehem Township School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not be accomplished without the efficient and dedicated services of our financial accounting staff.

Respectfully Submitted,



Edward Keegan Ed.D.
Chief School Administrator

Bethlehem Township School District



**Business Administrator/
Board Secretary**

Pritchard Industries, Inc.
Phil Lombardo, Custodian
and District Facilities Mgr.

Business Office Manager
Amy Bundt

Bookkeeper
Sandra Quinn

First Student
Bus Driver
Richard Smith

**Maschio's Food
Service**

Edward Keegan
Principal, Conley School

Ellen Chokola
Secretary, Principal
Gina Benyo
Clerk

Kindergarten

Annie Mergott
Susan Murphy

1st Grade

Janine Bitters
Cindy Carroll

2nd Grade

Karen Brandt
Betsy Knaub

3rd Grade

Elizabeth Harper
James Manning
Sheila Riddle

4th Grade

Deborah Greco
Margret Thompson
Nancy Wood

Special Areas

Sara Bergstresser, Library
Jan Blackman, Computers
Julie Bruen, Enrichment
Donna Christie, Basic Skills
Amanda Esposito, Art
Pamela Ferrullo, Classroom Aide
Dawn Gizis, Technology Integration
Kathy Harvey, Phys. Education
Marge McDevitt, Basic Skills/6th gr. Math
Heather Radcliffe-McGinnis, Phys. Education
Linda Onorato, Spanish
Tina Spadafora, Vocal Music
Kateri Swavely, Instrumental Music

School Nurse

Helena Keivaara-Laine

Guidance Counselor

Catherine Rutledge

5th Grade

Thomas Brotzman
Dawn Lanner
Heather Puzio

Jane Smith
Principal, Hoppock School

Kathy Palmer
Secretary, Principal

Jordana Bradley
Guidance Counselor

Danna Sulvinski
School Secretary

School Nurse
Maureen Myers

6th Grade
Maureen Bunting, Math/Science
Sarah Lampariello, Language Arts
Lou Pilato, Lang. Arts/Soc. St.

7th & 8th Grade
Matthew Esposito, Social Studies
Edward Grannis, Science
Daniel Hathaway, Lang. Arts/Writing
Jayne McKenna, Science
Christine Petrucelli, Lang. Arts
Tammie Race, Math

Special Areas
Alane Andrian-Castillo, Spanish
Jan Blackman, Computers
Julie Bruen, Art and Enrichment
Dona Forik, Health
Dawn Gizis, Technology Integration
Marge McDevitt, Basic Skills/6th gr. Math
Linda Onorato, Spanish
Tina Spadafora, Vocal Music
Kateri Swavely, Instrumental Music
Jenifer Swenson, Library
Edward Wyant, Physical Education

Sally Klemm
Supervisor, Special Services

Sharon Marquardt
Secretary, Child Study Team

Contracted Services
Occupational Therapist
Social Worker

Conley
Special Ed. Teachers
Linda Bond
Celia Dubay
Kate Feo
Theresa Ferrara
Brooke Grzywacz
Carol Przewozny
Kelly Vizian

Hoppock
Special Ed. Teachers
Rondi Bogwald
Catherine Holcombe
Joelynn Locasto
Ellen McGowan

Speech/Lang. Therapists
Alison Ciocon
Bernadette Williams
School Psychologist
Victoria Dietz

Learning Disabilities
Teacher-Consultant
Honore Quinn

Special Ed. Classroom Aides
Conley
Karen Allen
Kathleen Cosgrove
Vasiliki Kapetanakis
Susan Lubbe
Teresa Mugnano
Patricia Palmer

Special Ed. Classroom Aides
Hoppock
Marirose Albanese
Angela Belo

**BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2012

<u>Members of the Board of Education</u>	<u>Term Expires</u>
John Logar, President	2014
Jennifer Seibert, Vice-President	2014
Christopher Connors	2012
Donna Pearson	2013
Robert Sulvinski	2012
Kimberly Solino	2014
Kristal Waldron	2013

Other Officials

Edward Keegan, Ed.D., *Chief School Administrator*

Nina E. Crivello, *Business Administrator/Board Secretary*

Edward Keegan, Ed.D., *Principal, Thomas B. Conley School*

Jane Smith, *Principal, Ethel Hoppock School*

Edward P. Rees, *Treasurer*

**BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

AUDIT FIRM

Anthony Ardito
Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

ATTORNEY

Mark Zitomer, Esquire
Schenck, Price, Smith & King
220 Park Avenue
Florham Park, New Jersey 07932

BOND COUNCIL

Anthony Pannella
Wilentz, Goldman, & Spitzer
90 Woodbridge Center Drive
Woodbridge, New Jersey 07095

OFFICIAL DEPOSITORIES

TD Bank
92 Route 173
Clinton, New Jersey 08809

Investors Bank
101 JFK Parkway
Short Hills, NJ 07078

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA
Anthony F. Ardito, PA, RMA, PSA

UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY SCHEDULE OF STATE AWARDS AND OTHER SUPPLEMENTARY INFORMATION-GOVERNMENT ENTITY

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Bethlehem Township School District
County of Hunterdon
Asbury, New Jersey 08802

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Bethlehem Township School District in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bethlehem Township School District Board of Education'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 audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Bethlehem Township School District Board of Education in the County of Hunterdon, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2012, on our consideration of the Bethlehem Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 7.8, and 37 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Licensed Public School Accountant No. 2369
ARDITO & CO., LLP

Date: October 31, 2012

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

The discussion and analysis of Bethlehem Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets increased \$323,484 which represents a 27.9 percent increase from 2011.
- ◆ General revenues accounted for \$7,458,859 in revenue or 75.0 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were \$2,485,878 or 25.0 per cent of total revenues of \$9,944,737.
- ◆ Total assets of governmental activities increased by \$151,648 as cash and cash equivalents increased by \$452,108, receivables increased by \$71,228, and capital assets decreased by \$371,720.
- ◆ The School District had \$9,621,253 in expenses; only \$2,485,878 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$7,458,859 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$9,191,828 in revenues and \$8,704,328 in expenditures. The General Fund's surplus balance increased \$487,500 over 2011, compared to a budgeted decrease of \$75,000.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bethlehem Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Bethlehem Township School District, the General Fund is by far the most significant fund.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 UNAUDITED

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

Table 1
Net Assets

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$881,637	\$ 828,269
Capital Assets	<u>3,532,983</u>	<u>3,904,703</u>
Total Assets	<u>4,414,620</u>	<u>4,732,972</u>
Liabilities		
Long-Term Liabilities	5,236,186	5,421,186
Other Liabilities	<u>485,282</u>	<u>472,118</u>
Total Liabilities	<u>5,721,468</u>	<u>5,893,304</u>
Net Assets		
Invested in Capital Assets, Net of Debt	(1,687,017)	(1,490,297)
Restricted	985,822	312,080
Unrestricted	<u>(135,653)</u>	<u>17,885</u>
Total Net Assets	<u>\$ (836,848)</u>	<u>\$ (1,160,332)</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Total assets increased \$151,648. Cash and cash equivalents increased by \$452,108, receivables increased by \$71,228, and capital assets decreased by \$371,720. Cash increased due to additional non-budgeted revenues and significant expense saving in the current budget. Receivables increased due to interfund transfer to payroll agency in excess of required amounts. These amounts are recorded as an interfund receivable. Capital assets decreased due to depreciation expense.

Table 2 shows the changes in net assets from fiscal year 2011.

Table 2
Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 101,167	\$ 104,100
Operating Grants and Contributions	2,384,711	2,304,969
General Revenues:		
Property Taxes	7,413,169	7,391,958
Investment Income	6,934	1,900
Other	<u>38,756</u>	<u>51,409</u>
Total Revenues	<u>9,944,737</u>	<u>9,854,336</u>
Program Expenses		
Instruction	4,758,313	4,933,908
Support Services:		
Tuition	122,604	64,429
Pupils and Instructional Staff	1,104,872	1,275,278
General Administration, School Administration, Business	1,148,525	1,296,533
Operations and Maintenance of Facilities	1,225,246	1,418,783
Pupil Transportation	545,653	648,306
Business-Type Activities	141,244	134,525
Interest and Fiscal Charges	<u>574,796</u>	<u>653,382</u>
Total Expenses	<u>9,621,253</u>	<u>10,425,144</u>
Increase in Net Assets	<u>\$ 323,484</u>	<u>\$ (570,808)</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 74.5 percent of revenues for governmental activities for the Bethlehem Township School District for the fiscal year 2012.

Instruction comprises 49.5 percent of district expenses. Support services expenses make up 43.1 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Instruction	4,758,313	\$ 3,429,119	\$4,933,908	\$3,744,197
Support Services:				
Tuition	122,604	92,583	64,429	50,922
Pupils and Instructional Staff	1,104,872	820,813	1,275,278	902,045
General Administration, School Administration, Business	1,148,525	867,295	1,296,533	1,024,716
Operation and Maintenance of Facilities	1,225,246	925,230	1,418,783	1,121,336
Pupil Transportation	545,653	412,043	648,306	512,389
Business-Type Activities	141,244	13,496	134,525	7,088
Interest and Fiscal Charges	<u>574,796</u>	<u>574,796</u>	<u>653,382</u>	<u>653,382</u>
Total Expenses	<u>\$9,621,253</u>	<u>\$7,135,375</u>	<u>\$10,425,144</u>	<u>\$8,016,075</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service.

Interest and fiscal charges involve the transactions associated with the unallocated depreciation.

The dependence upon tax revenues is apparent. Over 72.1 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 73.5 percent. The community, as a whole, is the primary support for the Bethlehem Township School District.

The School District's Funds

Information about the School District's major funds starts on page 10 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,813,755 and expenditures of \$9,278,390. The net change in fund balance for the year was most significant in the General Fund, an increase of \$487,500. This compares to a budgeted decrease, due to the use of prior year surplus as a revenue source, of \$75,000. The district's fiscal year 2012 statutory excess surplus of \$350,035 is designated for the funding of the 2013-2014 budget, and reserved surplus for capital and maintenance increased to \$500,001.

General Fund Budgeting Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2012 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$8,523,840, \$95,604 over original budgeted estimates of \$8,428,236. This difference was due primarily to additional state aid and federal jobs education stimulus funding.

The general fund revenues of the School District exceeded expenditures by \$506,640, which compares favorably to a final budgeted decrease of \$193,482. This was achieved by cost savings in instruction, instructional support, and maintenance functional areas, as well as additional revenues as noted above.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Capital Assets

At the end of the fiscal year 2012, the School District had \$3,532,983 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2012 balances compared to 2011.

Table 4
Capital Assets (Net of Depreciation) at June 30,

	<u>2012</u>	<u>2011</u>
Land	\$ 162,561	\$ 162,561
Land Improvements	31,011	32,045
Buildings and Improvements	3,295,545	3,674,338
Machinery and Equipment	<u>43,866</u>	<u>35,759</u>
Totals	<u><u>\$ 3,532,983</u></u>	<u><u>\$ 3,904,703</u></u>

Overall capital assets decreased \$371,720 from fiscal year 2011 to fiscal year 2012 due to depreciation.

No major equipment was purchased during fiscal year 2012.

Debt Administration

At June 30, 2012, the School District had \$5,421,186 as outstanding debt. Of this amount \$201,186 is for retirements payable, and the balance of \$5,220,000 is for bonds for school construction.

At June 30, 2012, the School District's overall legal debt margin was \$18,859,768 and the unvoted debt margin was \$13,639,768.

For the Future

The Bethlehem Township School District is in very good financial condition presently, however a major concern is the increased reliance on local property taxes, while state funding is expected to decrease.

It has been increasingly difficult to balance educational needs with increases in property tax rates. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. This problem seems to be statewide and is not exclusive to the Bethlehem Township School District. The Bethlehem Township School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

In conclusion, the Bethlehem Township 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.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator/ Board Secretary at Bethlehem Township School District, 940 Iron Bridge Road, Asbury, NJ, 08802.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ (213,705)	\$ 17,439	\$ (196,266)
Receivables from Other Governments	812,853	2,281	815,134
Interfund Receivable	217,860	12,975	230,835
Inventory		1,933	1,933
Restricted Assets:			
Capital Reserve Account - Cash	30,001		30,001
Maintenance Reserve Account - Cash	470,000		470,000
Capital Assets, Net (Note 6):	3,489,117	43,866	3,532,983
Total Assets	4,806,126	78,494	4,884,620
LIABILITIES			
Accounts Payable	65,279	14,826	80,105
Interfund Payable	12,975		12,975
Deferred Revenue	106,806	743	107,549
Accrued Interest	99,653		99,653
Noncurrent Liabilities (Note 7):			
Due Within One Year	185,000		185,000
Due Beyond One Year	5,236,186		5,236,186
Total Liabilities	5,705,899	15,569	5,721,468
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(1,730,883)	43,866	(1,687,017)
Restricted for:			
Debt Service	2		2
Capital Projects Fund	24,925		24,925
Other Purposes	960,895		960,895
Unrestricted	(154,712)	19,059	(135,653)
Total Net Assets	\$ (899,773)	\$ 62,925	\$ (836,848)

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR	OPERATING	CAPITAL	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
		SERVICES	GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	ACTIVITIES	ACTIVITIES	
Governmental Activities:							
Instruction:							
Regular	\$ 3,320,009		\$ 977,008		\$ (2,343,001)		\$ (2,343,001)
Special Education	1,107,571		271,202		(836,369)		(836,369)
Other Special Instruction	330,733		80,984		(249,749)		(249,749)
Support Services:							
Tuition	122,604		30,021		(92,583)		(92,583)
Student & Instruction Related Serv.	1,104,872		284,059		(820,813)		(820,813)
School Administrative Services	286,042		70,041		(216,001)		(216,001)
General and Business Admin. Serv.	862,483		211,189		(651,294)		(651,294)
Plant Operations and Maintenance	1,225,246		300,016		(925,230)		(925,230)
Pupil Transportation	545,653		133,610		(412,043)		(412,043)
Interest on Long-Term Debt	231,143				(231,143)		(231,143)
Unallocated Depreciation	343,653				(343,653)		(343,653)
Total Governmental Activities	9,480,009	-	2,358,130		(7,121,879)		(7,121,879)
Business-Type Activities:							
Food Service	141,244	\$ 101,167	26,581			\$ (13,496)	(13,496)
Total Business-Type Activities	141,244	101,167	26,581			(13,496)	(13,496)
Total Primary Government	\$ 9,621,253	\$ 101,167	\$ 2,384,711		\$ (7,121,879)	\$ (13,496)	\$ (7,135,375)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 6,969,379			\$ 6,969,379
Taxes Levied for Debt Service				443,790			443,790
Investment Earnings				6,778	\$ 156		6,934
Miscellaneous Income				35,678	3,078		38,756
Total General Revenues, Special Items, Extraordinary Items and Transfers				7,455,625	3,234		7,458,859
Change in Net Assets				333,746	(10,262)		323,484
Net Assets—Beginning				(1,233,519)	73,187		(1,160,332)
Net Assets—Ending				\$ (899,773)	\$ 62,925		\$ (836,848)

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

FUND FINANCIAL STATEMENTS

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 286,294			\$ 2	\$ 286,296
Interfunds Receivable	806,169				806,169
Receivables from Other Governments	91,893	\$ 238,217	\$ 482,743		812,853
TOTAL ASSETS	\$ 1,184,356	\$ 238,217	\$ 482,743	2	\$ 1,905,318
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 64,359	\$ 894			\$ 65,253
Interfund Payable	12,975	130,491	\$ 457,818		601,284
Deferred Revenue		106,832			106,832
Total Liabilities	77,334	238,217	457,818	-	773,369
Fund Balances:					
<u>Restricted for:</u>					
Capital Reserve Account	30,001				30,001
Maintenance Reserve	470,000				470,000
Excess Surplus	350,035				350,035
Excess Surplus-Design. for Subsequent	10,017				10,017
<u>Assigned to:</u>					
Year-End Encumbrances	35,622				35,622
General Fund-Designated for Subsequent Year's Expend.	100,842				100,842
Debt Service Fund				\$ 2	2
Capital Projects Fund			24,925		24,925
<u>Unassigned:</u>					
General Fund - Undesignated	110,505				110,505
Total Fund Balances	1,107,022		24,925	2	1,131,949
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,184,356	\$ 238,217	\$ 482,743	\$ 2	\$ 1,905,318

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

The cost of the assets is \$9,827,539 and the accumulated depreciation is \$6,338,422. \$ 3,489,117

Accrued Interest on 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 (see Note 7) (99,653)

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 (see Note 7) (5,421,186)

Net assets of governmental activities \$ (899,773)

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 6,969,379			\$ 443,790	\$ 7,413,169
Miscellaneous	41,901	\$ 555			42,456
Total - Local Sources	7,011,280	555		443,790	7,455,625
State Sources	2,147,247				2,147,247
Federal Sources	33,301	\$ 177,582			210,883
Total Revenues	9,191,828	178,137	-	443,790	9,813,755
EXPENDITURES					
Current:					
Regular Instruction	2,369,370	164,619			2,533,989
Special Education Instruction	848,046				848,046
Other Special Instruction	245,913				245,913
Support services and undistributed costs:					
Tuition	122,604				122,604
Student and Instruction Related Services	832,461	13,518			845,979
School Administrative Services	216,704				216,704
Other Administrative Services	659,807				659,807
Plant Operations and Maintenance	936,135				936,135
Pupil Transportation	529,785				529,785
Unallocated Benefits	1,930,077				1,930,077
Debt Service:					
Principal				175,000	175,000
Interest and Other Charges				220,925	220,925
Capital Outlay	13,426		-		13,426
Total Expenditures	8,704,328	178,137		395,925	9,278,390
Excess (Deficiency) of Revenues Over Expenditures	487,500			47,865	535,365
Net Change in Fund Balances	487,500			47,865	535,365
Fund Balance—July 1	619,522		\$ 24,925	(47,863)	596,584
Fund Balance—June 30	\$ 1,107,022		\$ 24,925	2	\$ 1,131,949

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 535,365

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

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

Depreciation Expense	\$ (379,827)	
Capital Outlays	<u> -</u>	(379,827)

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 not reported in the statement of activities. 175,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 3,208

Change in Net Assets of Governmental Activities \$ 333,746

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

June 30, 2012

	Business-Type Activities- Enterprise Funds	
	Food Service	Totals
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 17,439	\$ 17,439
Accounts Receivable	2,281	2,281
Interfund Receivable	12,975	12,975
Inventories	1,933	1,933
Total Current Assets	34,628	34,628
Noncurrent Assets:		
Furniture, Machinery and Equipment	199,323	199,323
Less Accumulated Depreciation	(155,457)	(155,457)
Total Noncurrent Assets	43,866	43,866
Total Assets	78,494	78,494
LIABILITIES		
Current liabilities:		
Accounts Payable	14,826	14,826
Deferred Revenue	743	743
Total Current Liabilities	15,569	15,569
Total Liabilities	15,569	15,569
NET ASSETS		
Invested in Capital Assets Net of Related Debt	43,866	43,866
Unrestricted	19,059	19,059
Total Net Assets	\$ 62,925	\$ 62,925

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 79,668	\$ 79,668
Daily Sales - Non-Reimbursable Programs	21,499	21,499
Miscellaneous	3,078	3,078
Total Operating Revenues	104,245	104,245
Operating Expenses:		
Cost of Sales	65,432	65,432
Salaries	44,307	44,307
Employee Benefits	10,829	10,829
Supplies	2,284	2,284
Other Purchased Professional Services	11,240	11,240
Depreciation	7,152	7,152
Total Operating Expenses	141,244	141,244
Operating Income (Loss)	(36,999)	(36,999)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,373	1,373
Federal Sources:		
National School Lunch Program	13,883	13,883
Food Distribution Program	11,325	11,325
Interest Income	156	156
Total Nonoperating Revenues (Expenses)	26,737	26,737
Income (Loss) Before Contributions and Transfers	(10,262)	(10,262)
Total Net Assets—Beginning	73,187	73,187
Total Net Assets—Ending	\$ 62,925	\$ 62,925

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 101,878	\$ 101,878
Payments to Employees	(44,307)	(44,307)
Payments for Employee Benefits	(10,829)	(10,829)
Payments to Suppliers	(57,939)	(57,939)
Net Cash Provided by (used for) Operating Activities	(11,197)	(11,197)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Transfers from other funds	29,925	29,925
Interest Income	156	156
Net Cash Provided by (used for) Non-Capital Financing Activities	30,081	30,081
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital Additions	(15,259)	(15,259)
Net Cash Provided by (used for) Capital Financing Activities	(15,259)	(15,259)
Net Increase (Decrease) in Cash and Cash Equivalents	3,625	3,625
Balances—Beginning of Year	13,814	13,814
Balances—End of Year	\$ 17,439	\$ 17,439
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (36,999)	\$ (36,999)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	7,152	7,152
Federal Commodities	11,325	11,325
(Increase) Decrease in Inventories	(122)	(122)
Increase (Decrease) in Accounts Payable	7,447	7,447
Total Adjustments	25,802	25,802
Net Cash Provided by (used for) Operating Activities	\$ (11,197)	\$ (11,197)

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2012

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 287,603
Interfund Receivable	<u>-</u>
Total Assets	<u>\$ 287,603</u>
LIABILITIES	
Payable to Student Groups	\$ 21,529
Payroll Deductions and Withholdings	28,785
Interfund Payable	434,820
Accounts Payable	<u>19,429</u>
Total Liabilities	<u>\$ 504,563</u>
NET ASSETS	
	<u>(216,960)</u>

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

Notes to Financial Statements

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, and GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2011.

A. Reporting Entity:

The Bethlehem Township School District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Bethlehem Township School District had an approximate enrollment at June 30, 2012, of 546 students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

The School District's basic financial statements consist of District-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.

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No.34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles 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 that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

PROPRIETARY FUNDS

The District reports the following proprietary fund:

Enterprise (Food Service) Fund - The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

Additionally, the District reports the following fund type:

Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, and Payroll Agency Fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. 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. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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 generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

D. Encumbrance Accounting:

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

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

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Interfund Transactions:

Transfers between governmental and business-type activities on the District-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 the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	20-50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Compensated Absences:

The 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.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities and long-term obligations are reported on the District-wide 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, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing 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. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues—Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2012, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2012, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	(\$196,266)	\$287,603	\$91,337
Checking Accounts-Maint. Reserve	470,000		470,000
Checking Accounts-Capital Reserve	30,001		30,001
	<u>\$303,735</u>	<u>\$287,603</u>	<u>\$591,338</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$591,338 and the bank balance was \$589,668. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$365,960 was covered by federal depository insurances and \$223,708 was covered by collateral pool.

NOTE 3: RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental aid. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government-Wide Financial Statements</u>
State Aid	\$543,342	\$543,544
Federal Aid	269,461	271,540
Gross Federal/State Receivable	812,803	815,084
Other	50	50
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u>\$812,853</u>	<u>\$815,134</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2012, consisted of the following:

Food	\$	1,247
Supplies		<u>686</u>
	\$	<u>1,933</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 5: DEFERRED BOND ISSUANCE COSTS

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

NOTE 6: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 162,561			\$ 162,561
Total Capital Assets Not Being Depreciated	<u>162,561</u>			<u>162,561</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	204,940			204,940
Buildings and Building Improvements	8,624,851			8,624,851
Machinery and Equipment	835,187			835,187
Total at Historical Cost	<u>9,664,978</u>	-		<u>9,664,978</u>
Less Accumulated Depreciation for:				
Land Improvements	(172,895)	\$ (1,034)		(173,929)
Building and Improvements	(4,950,513)	(378,793)		(5,329,306)
Equipment	(835,187)			(835,187)
Total Accumulated Depreciation	<u>(5,958,595)</u>	<u>(379,827)</u>		<u>(6,338,422)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>3,706,383</u>	<u>(379,827)</u>		<u>3,326,556</u>
Government Activity Capital Assets, Net	<u>\$ 3,868,944</u>	<u>\$ (379,827)</u>		<u>\$ 3,489,117</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6: CAPITAL ASSETS (Continued)

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 8,078
Student and Related Services	7,323
School Administration	2,313
General Administration	580
Plant and Operations	2,012
Transportation	15,868
Unallocated	<u>343,653</u>
Total	<u>\$ 379,827</u>

NOTE 7: LONG-TERM OBLIGATIONS

Bonds 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 Board are general obligation bonds.

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2012, are as follows:

	Balance <u>7/1/11</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/12</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 5,395,000		(\$175,000)	\$5,220,000	\$185,000
Other Liabilities:					
Compensated Absences	<u>201,186</u>			<u>201,186</u>	
Total	<u>\$5,596,186</u>		<u>(\$175,000)</u>	<u>\$5,421,186</u>	<u>\$185,000</u>

Compensated absences and capital leases have been liquidated in the General Fund.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2012, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Ending Balance
	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	
Refunding Bonds	9/1/02	3.9%-5.125%	7/1/30	<u>\$ 5,220,000</u>
Total Bonds				<u>\$ 5,220,000</u>

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2012, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 185,000	\$ 213,725	\$ 398,725
2014	190,000	206,225	396,225
2015	200,000	198,425	398,425
2016	210,000	190,225	400,225
2017	220,000	181,625	401,625
Thereafter	<u>4,215,000</u>	<u>1,389,350</u>	<u>5,604,350</u>
	<u>\$5,220,000</u>	<u>\$2,379,575</u>	<u>\$ 7,599,575</u>

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

C. Advance Refunding:

The Series Refunding Bonds were issued for the purpose of advance refunding the school's Bonds. The Bonds were originally issued to provide funding for construction and renovation of the elementary schools. The balance outstanding on the refunded bonds will be retired from an irrevocable escrow trust.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8: PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A.18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8: PENSION PLANS (Continued)

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2012	\$89,758	100 %	-0-
6/30/2011	\$120,238	100 %	-0-
6/30/2010	\$128,111	100 %	-0-

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8: PENSION PLANS (Continued)

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2012	-0-	100 %	-0-
6/30/2011	-0-	100 %	-0-
6/30/2010	-0-	100 %	-0-

During the fiscal year ended June 30, 2012, the State of New Jersey did contribute \$414,273 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$272,855 during the year ended June 30, 2012, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10: DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Putnam Fiduciary
Prudential Insurance
Penn Mutual
Kemper
Equitable Insurance

NOTE 11: COMPENSATED ABSENCES

The 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.

The District does have a policy for granting vacation and sick leave in varying amounts under the district's personnel policies.

In the district-wide *Statement of Assets*, the liabilities whose average maturities are greater than one year should be reported in two components--the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, no liability existed for compensated absences in the proprietary fund types.

NOTE 12: RISK MANAGEMENT

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

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

Joint Insurance Fund - The District participates in the New Jersey School Boards Association Insurance Group (NJSBAIG) comprised of state-wide boards of education. It was formed under the provisions of NJS 18A:18B-1 et. seq. The group offers its member districts worker's compensation and employer's liability, automobile and equipment liability, general liability and property damage, school board legal liability, and boiler and machinery coverage.

The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies. No contingency or provision has been made in these financial statements, as no deficiencies occurred as of June 30, 2012 for the joint insurance pool. The coverage in this program is shown on exhibit J-20.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

In the normal course of operations, the Board is involved in various civil disputes with current and former employees and the teacher's bargaining representative. Management is of the opinion that any outcome resulting from these actions would not have a material effect on the District's financial position.

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$1,107,022 General Fund fund balance at June 30, 2012, \$35,622 is reserved for encumbrances; \$30,001 has been reserved in the Capital Reserve Account; \$470,000 is reserved in the Maintenance Reserve Account; \$360,052 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7, as amended; (\$10,017 of the excess surplus will be appropriated and included as anticipated revenue for the year ending June 30, 2013); \$100,842 is designated for subsequent year's expenditures and has been appropriated and included as anticipated revenue for the year ending June 30, 2013; and, \$110,505 is unreserved and undesignated.

Capital Projects Fund - Of the \$24,925 Capital Projects Fund fund balance at June 30, 2012, \$24,925 is unreserved and undesignated.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Bethlehem Township School District Board of Education by inclusion of \$1. for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2011	\$ 30,001
Interest Earnings	-
Deposits (PL 2007 c.62 (A1))	-
Board Resolution Date: N/A	
Ending Balance, June 30, 2012	\$ 30,001

NOTE 16: MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by the School District Board of Education in fiscal year 2009, for the accumulation of funds for use in accordance with PL 2007 c.62 (A1). The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Beginning balance July 1, 2011	\$ 220,000
Interest earnings	
Deposits (PL 2007 c.62 (A1)): Board Resolution Date: 6/28/12	250,000
Ending balance June 30, 2012	\$ 470,000

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$350,035.

NOTE 18: INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of June 30, 2012, are as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 806,169	\$ 12,975
Special Revenue Fund		130,491
Capital Projects Fund		457,818
Agency Fund		216,960
Student Activity Fund		900
Enterprise Fund	12,975	
	<u>\$ 819,144</u>	<u>\$ 819,144</u>

The general fund interfund receivable of \$806,169 is due from the special revenue fund for cash advances in anticipation of federal grant receipts (\$130,491), the capital projects fund for cash advances in anticipation of SDA grant receipts (\$457,818), the payroll agency account for excess cash advances to cover May and June Payroll (\$216,960), and student activity (\$900) cash advances.

The general fund interfund payable of \$12,975 is due to the enterprise fund for federal/state lunch subsidies.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 6,969,379		\$ 6,969,379	\$ 6,969,379	
Miscellaneous	17,500		17,500	41,901	\$ 24,401
Total - Local Sources	<u>6,986,879</u>	<u>-</u>	<u>6,986,879</u>	<u>7,011,280</u>	<u>24,401</u>
State Sources:					
Equalization Aid	1,045,602		1,045,602	1,054,613	9,011
Transportation Aid				42,907	42,907
Special Education Aid	297,380		297,380	297,380	
Security Aid				38,906	38,906
Other State Aid	84,475		84,475	45,453	(39,022)
TPAF Pension (On-Behalf - Non-Budgeted)				414,273	414,273
TPAF Social Security (Reimbursed - Non-Budgeted)				272,855	272,855
Total State Sources	<u>1,427,457</u>	<u>-</u>	<u>1,427,457</u>	<u>2,166,387</u>	<u>738,930</u>
Federal Sources:					
Education Jobs Grant	13,900	19,401	33,301	33,301	
Total Federal Sources	<u>13,900</u>	<u>19,401</u>	<u>33,301</u>	<u>33,301</u>	
TOTAL REVENUES	<u>8,428,236</u>	<u>19,401</u>	<u>8,447,637</u>	<u>9,210,968</u>	<u>763,331</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	74,299	1,110	75,409	74,123	1,286
Grades 1-5 - Salaries of Teachers	1,003,510	79,768	1,083,278	1,081,918	1,360
Grades 6-8 - Salaries of Teachers	819,428	58,044	877,472	864,549	12,923
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000	1,000	2,000	1,260	740
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	98,016	3,294	101,310	99,150	2,160
Purchased Technical Services	90,500	1,500	92,000	86,159	5,841
Other Purchased Services (400-500 series)	17,500		17,500	16,017	1,483
General Supplies	159,412	30,046	189,458	141,050	48,408
Textbooks	12,000	822	12,822	5,144	7,678
TOTAL REGULAR PROGRAMS - INSTRUCTION	2,275,665	175,584	2,451,249	2,369,370	81,879
SPECIAL EDUCATION - INSTRUCTION					
Learning and or Language Disabilities:					
Salaries of Teachers		69,571	69,571	65,690	3,881
Total Learning and or Language Disabilities		69,571	69,571	65,690	3,881
Resource Room/Resource Center:					
Salaries of Teachers	588,432	(9,378)	579,054	578,929	125
Other Salaries for Instruction	128,794	12,994	141,788	139,855	1,933
General Supplies	4,450	2,429	6,879	3,191	3,688
Total Resource Room/Resource Center	721,676	6,045	727,721	721,975	5,746

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Autisum:					
Salaries of Teachers	69,571	(69,571)			
Total Autisum	<u>69,571</u>	<u>(69,571)</u>			
Preschool Disabilities-Part-Time:					
Salaries of Teachers	29,964	22,081	52,045	48,774	3,271
Other Salaries for Instruction	11,645	808	12,453	11,373	1,080
General Supplies	300	234	534	234	300
Total Preschool Disabilities-Part-Time	<u>41,909</u>	<u>23,123</u>	<u>65,032</u>	<u>60,381</u>	<u>4,651</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>833,156</u>	<u>29,168</u>	<u>862,324</u>	<u>848,046</u>	<u>14,278</u>
Basic Skills/Remedial - Instruction:					
Salaries	158,404	3,145	161,549	161,221	328
General Supplies	2,100		2,100	197	1,903
Total Basic Skills/Remedial - Instruction	<u>160,504</u>	<u>3,145</u>	<u>163,649</u>	<u>161,418</u>	<u>2,231</u>
School Sponsored Co/Extra Curricular Activities:					
Salaries	41,193	8,852	50,045	50,045	
Supplies and Materials	11,600	2,216	13,816	10,941	2,875
Other Objects	500		500	267	233
Total School Sponsored Co/Extra Curricular Activities	<u>53,293</u>	<u>11,068</u>	<u>64,361</u>	<u>61,253</u>	<u>3,108</u>
School Sponsored Athletics-Instruction:					
Salaries	20,862	(5,855)	15,007	15,006	1
Purchased Services (300-500 series)	7,500	(956)	6,544	3,968	2,576
Supplies and Materials	4,200	68	4,268	4,268	
Total School Sponsored Athletics-Instruction	<u>32,562</u>	<u>(6,743)</u>	<u>25,819</u>	<u>23,242</u>	<u>2,577</u>
TOTAL INSTRUCTION	<u>3,355,180</u>	<u>212,222</u>	<u>3,567,402</u>	<u>3,463,329</u>	<u>104,073</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Special	22,500	(5,566)	16,934	2,264	14,670
Tuition to Private Schools for the Disabled-Within State	38,616	83,177	121,793	120,340	1,453
Total Instruction	61,116	77,611	138,727	122,604	16,123
Health Services:					
Salaries	120,870	2,250	123,120	121,525	1,595
Purchased Professional and Technical Services	4,560		4,560	3,575	985
Supplies and Materials	2,500		2,500	1,804	696
Total Health Services	127,930	2,250	130,180	126,904	3,276
Other Supp. Services Students-Related Services:					
Salaries of Other Professional Staff	116,535	(17,759)	98,776	98,776	
Supplies and Materials	1,400	500	1,900	42	1,858
Total Other Supp. Services Students-Related Services	117,935	(17,259)	100,676	98,818	1,858
Other Supp. Services Students-Extra Services:					
Salaries	61,100		61,100	21,850	39,250
Purchased Professional - Educational Services	105,901	17,591	123,492	74,503	48,989
Supplies and Materials		15,000	15,000		15,000
Total Other Supp. Services Students-Extra Services	167,001	32,591	199,592	96,353	103,239
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	63,026	17,679	80,705	74,305	6,400
Purchased Professional - Educational Services	222		222		222
Supplies and Materials	3,400		3,400	2,704	696
Total Other Supp. Services Students-Regular	66,648	17,679	84,327	77,009	7,318

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	42,500	998	43,498	43,498	
Salaries of Secretarial and Clerical Assistants	43,613		43,613	43,613	
Other Salaries	182,084	(31,794)	150,290	143,737	6,553
Purchased Professional - Educational Services	53,550	(2,295)	51,255	22,313	28,942
Misc. Purchased Services (400-500 series O/than Resid Costs)	2,000	271	2,271	1,605	666
Supplies and Materials	3,300	4,999	8,299	7,629	670
Other Objects	1,000	(21)	979	881	98
Total Other Supp. Services Students-Special	328,047	(27,842)	300,205	263,276	36,929
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction		42,250	42,250	33,750	8,500
Total Improvement of Instructional Services		42,250	42,250	33,750	8,500
Educational Media Services/School Library:					
Salaries	132,312	(1,986)	130,326	88,459	41,867
Other Purchased Services (400-500 series)	17,500		17,500	14,680	2,820
Supplies and Materials	17,840	370	18,210	18,155	55
Other Objects	350		350	154	196
Total Educational Media Services/School Library	168,002	(1,616)	166,386	121,448	44,938
Instructional Staff Training Services:					
Salaries of Supervisor of Instruction	11,475	319	11,794	11,794	
Other Purchased Services (400-500 series)	2,100		2,100	1,360	740
Supplies and Materials	4,600	(319)	4,281	214	4,067
Other Objects	800	1,285	2,085	1,535	550
Total Instructional Staff Training Services	18,975	1,285	20,260	14,903	5,357

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Supp. Services - General Administration:					
Salaries	197,936	(74,295)	123,641	121,817	1,824
Legal Services	61,000	20,721	81,721	81,721	
Audit Fees	12,250	976	13,226	13,226	
Other Purchased Professional Services	25,025	614	25,639	25,561	78
Communications/Telephone	131,600	(12,448)	119,152	106,911	12,241
BOE Other Purchased Services	5,000	7,564	12,564	12,564	
Other Purchased Services (400-500 series)	42,953	(17,741)	25,212	24,611	601
General Supplies	4,000	1,284	5,284	5,006	278
BOE In-House Training/Meeting Supplies	1,500	(9)	1,491	1,271	220
Miscellaneous Expenditures	2,336	10,219	12,555	12,171	384
BOE Membership Dues and Fees	6,855		6,855	6,275	580
Total Supp. Services - General Administration	490,455	(63,115)	427,340	411,134	16,206
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	204,886	(32,576)	172,310	171,560	750
Salaries of Secretarial and Clerical Assistants	31,902	1,100	33,002	32,320	682
Other Purchased Services (400-500 series)	4,000		4,000	2,670	1,330
Supplies and Materials	16,000		16,000	9,256	6,744
Other Objects	2,055		2,055	898	1,157
Total Support Services - School Administration	258,843	(31,476)	227,367	216,704	10,663

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Central Services:					
Salaries	207,186	1,541	208,727	208,727	
Purchased Professional and Technical Services	15,500		15,500	10,122	5,378
Misc. Purch. Serv.(400-500 series)	26,737	(4,209)	22,528	10,839	11,689
Supplies and Materials	5,500	2,731	8,231	8,218	13
Miscellaneous Expenditures	1,800	(124)	1,676	1,395	281
Total Central Services	256,723	(61)	256,662	239,301	17,361
Admin. Information Technology:					
Salaries		126	126	126	
Purchased Professional and Technical Services	12,966	(126)	12,840	9,246	3,594
Supplies and Materials	1,000		1,000		1,000
Admin. Information Technology	13,966		13,966	9,372	4,594
Required Maintenance for School Facilities:					
Salaries	32,134	(22,976)	9,158	7,659	1,499
Purchased Professional and Technical Services	89,250	(1,967)	87,283	65,411	21,872
Cleaning, Repair and Maintenance Services	114,670	83,765	198,435	174,930	23,505
Supplies and Materials	9,000	12,000	21,000	17,204	3,796
Other Operations and Maintenance of Plant:					
Salaries	32,134	(9,718)	22,416	8,896	13,520
Purchased Professional and Technical Services	302,786	36,261	339,047	330,814	8,233
Cleaning, Repair and Maintenance Services	62,000	(19,412)	42,588	36,038	6,550
Insurance	38,400	(19,307)	19,093	19,093	
General Supplies	8,000	4,428	12,428	8,241	4,187
Energy (Electricity)	333,866	(23,366)	310,500	266,839	43,661
Other Objects	1,500		1,500	1,010	490
Total Other Operations and Maintenance of Plant	1,023,740	39,708	1,063,448	936,135	127,313

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Salaries of Non-Instructional Aides	10,800	(10,800)			
Sal. Of Pubil Trans (Bet. Home & School)-Reg.	53,547	(30,694)	22,853	22,405	448
Sal. Of Pubil Trans (Other than Bet. Home & School)	3,500	(2,400)	1,100	176	924
Sal. Of Pubil Trans (Bet. H&S)-NonPublic School	3,546		3,546		3,546
Other Purchased Prof. and Technical Services	15,924	2,400	18,324	16,274	2,050
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	50,341	(48)	50,293	42,399	7,894
Contracted Services (Bet. Home & School)-Vendors	317,551	39,872	357,423	341,935	15,488
Contract.Serv.(Other than Bet. Home and School)-Vendors	24,476		24,476	19,724	4,752
Contract.Serv.(Bet. Home and School)-Joint Agree.		1,670	1,670	1,670	
Contract.Serv.(Special Education Students)-Vendors	81,572	9,677	91,249	85,202	6,047
Total Student Transportation Services	561,257	9,677	570,934	529,785	41,149
UNALLOCATED BENEFITS					
Social Security Contributions	115,168	(19,944)	95,224	59,467	35,757
Other Retirement Contributions-Regular	89,188	570	89,758	89,758	
Unemployment Compensation	26,200		26,200	17,114	9,086
Workmen's Compensation	42,350		42,350	36,636	5,714
Health Benefits	1,174,266	(137,277)	1,036,989	1,026,927	10,062
Tuition Reimbursement	27,000	450	27,450	13,047	14,403
Other Employee Benefits					
TOTAL UNALLOCATED BENEFITS	1,474,172	(156,201)	1,317,971	1,242,949	75,022

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension Contrib. (non-budgeted)				414,273	(414,273)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				272,855	(272,855)
TOTAL ON-BEHALF CONTRIBUTIONS				687,128	(687,128)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	1,474,172	(156,201)	1,317,971	1,930,077	(612,106)
TOTAL UNDISTRIBUTED EXPENDITURES	5,134,810	(74,519)	5,060,291	5,227,573	(167,282)
CAPITAL OUTLAY					
Facilities Acquisition and Construction Serv.:					
Assessment for Debt Service on SDA Funding	13,426		13,426	13,426	
Total Facilities Acquisition and Construction Serv.	13,426		13,426	13,426	
TOTAL CAPITAL OUTLAY	13,426		13,426	13,426	
TOTAL GENERAL CURRENT EXPENSE	8,503,416	137,703	8,641,119	8,704,328	(63,209)
TOTAL EXPENDITURES	8,503,416	137,703	8,641,119	8,704,328	(63,209)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,180)	(118,302)	(193,482)	506,640	700,122

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(75,180)	(118,302)	(193,482)	506,640	700,122
Fund Balance, July 1	742,420		742,420	742,420	
Fund Balance, June 30	\$ 667,240	\$ (118,302)	\$ 548,938	\$ 1,249,060	\$ 700,122
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 30,001	
Maintenance Reserve				470,000	
Excess Surplus - Designated for Subsequent Year's Expenditures				10,017	
Excess Surplus				350,035	
Assigned to:					
Year-End Encumbrances				35,622	
Designated for Subsequent Year's Expenditures				100,842	
Unassigned:					
Unrestricted Fund Balance				<u>252,543</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				1,249,060	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(142,038)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 1,107,022</u>	

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
APPROPRIATIONS COMBINING SCHEDULE - FUNDS 11 AND 18
GENERAL FUND - FUND 18 - EDUCATION JOBS FUND

Line	Description	Account #	Fund 11/12/13 Approps	Fund 18 Approps	Schedule C-1 Total General Fund Approps
2530	Grades 6-8 - Salaries of Teachers	11-130-100-101	\$ 831,248	\$ 33,301	\$ 864,549

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources		\$ 555	\$ 555	\$ 555	-
Federal Sources	\$ 148,795	112,495	261,290	196,283	\$ (65,007)
Total Revenues	148,795	113,050	261,845	196,838	(65,007)
EXPENDITURES:					
Instruction					
Purchased Profess. & Tech. Serv.	48,795	(40,848)	7,947	7,947	
Tuition	100,000	17,806	117,806	117,806	
General Supplies		20,143	20,143	19,617	526
Total Instruction	148,795	(2,899)	145,896	145,370	526
Support Services					
Other Purchased Tech. Services		99,613	99,613	35,132	64,481
Other Purchased Serv. (400-500 Series)		15,781	15,781	15,781	
Supplies and Materials		555	555	555	
Total Support Services		115,949	115,949	51,468	64,481
Total Expenditures	148,795	113,050	261,845	196,838	65,007
Total Outflows	\$ 148,795	\$ 113,050	\$ 261,845	\$ 196,838	\$ 65,007
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)					None
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis					<u>None</u>
Fund Balance per Governmental Funds(GAAP Basis)					<u>None</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2012

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$9,210,968	\$196,838
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	23,124
Current Year Encumbrances	N/A	(41,825)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	122,898	N/A
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(142,038)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 9,191,828</u>	<u>\$ 178,137</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$8,704,328	\$196,838
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	23,124
Current Year Encumbrances	N/A	(41,825)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 8,704,328</u>	<u>\$ 178,137</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2012

	Title I	Title IIA	IDEA Basic	IDEA Preschool	REAP	NH Munic. Alliance	Totals
REVENUES							
Local Sources						\$ 555	\$ 555
Federal Sources	\$ 7,106	\$ 19,318	\$ 133,286	\$ 1,441	\$ 35,132		196,283
TOTAL REVENUES	7,106	19,318	133,286	1,441	35,132		196,838
EXPENDITURES:							
Instruction:							
Purchased Profess. & Tech. Serv.			7,947				7,947
Tuition			116,365	1,441			117,806
General Supplies	7,106	3,537	8,974				19,617
Total Instruction	7,106	3,537	133,286	1,441			145,370
Support Services:							
Other Purchased Tech. Services					35,132		35,132
Other Purchased Serv. (400-500 Series)		15,781					15,781
Supplies and Materials						555	555
Total Support Services		15,781			35,132	555	51,468
TOTAL EXPENDITURES	7,106	19,318	133,286	1,441	35,132	555	196,838
Total Outflows	7,106	19,318	133,286	1,441	35,132	555	196,838
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)							

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2012

	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2012</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Various Capital Projects:					
State SDA Grant	6/30/05	\$ 483,333	\$ 483,333		
Local Sources (Capital Outlay)	6/30/05	725,000	700,075	-	\$ 24,925
Total Construction of New Middle School		1,208,333	1,183,408	-	24,925
Total Capital Projects		\$ 1,208,333	\$ 1,183,408	-	\$ 24,925

Fund Balance - June 30, 2012 \$ 24,925

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2012

Fund Balance - Beginning	<u>\$ 24,925</u>
Fund Balance - Ending	<u><u>\$ 24,925</u></u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND
PROJECT STATUS-BUDGETARY BASIS
VARIOUS CAPITAL PROJECTS

From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 483,333		\$ 483,333	\$ 483,333
Transfer from Capital Outlay	725,000		725,000	725,000
Total Revenues	<u>1,208,333</u>	-	<u>1,208,333</u>	<u>1,208,333</u>
Expenditures and Other Financing Sources				
Legal Services	13,568		13,568	13,568
Purchased professional and technical services	207,755		207,755	207,755
Construction services	962,085		962,085	962,085
Total Expenditures	<u>1,183,408</u>	-	<u>1,183,408</u>	<u>1,183,408</u>
Excess(deficiency) of revenues over(under) expenditures	<u>\$ 24,925</u>	-	<u>\$ 24,925</u>	<u>\$ 24,925</u>

Additional project information:

Project number	0370-20-05-0CAZ; 0370-20-05-0DAA
Grant Date	5/1/2006
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$1,208,333
Additional Authorized Cost	N/A
Revised Authorized Cost	\$1,208,333
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100%
Original Target Completion Date	6/30/07
Revised Target Completion Date	6/30/07

<p style="text-align: center;">PROPRIETARY FUND DETAIL STATEMENTS</p>
--

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

Food Services Fund - This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>
--

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

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

Student Activity Fund - This agency fund is used to account for student funds held at the schools.

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012**

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
ASSETS:			
Cash and Cash Equivalents	\$ 22,429	\$ 265,174	\$ 287,603
Interfund Receivable		-	-
TOTAL ASSETS	<u>\$ 22,429</u>	<u>\$ 265,174</u>	<u>\$ 287,603</u>
LIABILITIES:			
Liabilities:			
Payable to Student Groups	\$ 21,529		\$ 21,529
Payroll Deductions and Withholdings		\$ 28,785	28,785
Interfund Payable	900	216,960	217,860
Accounts Payable		19,429	19,429
Total Liabilities	<u>22,429</u>	<u>265,174</u>	<u>287,603</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,429</u>	<u>\$ 265,174</u>	<u>\$ 287,603</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>ACTIVITY</u>	<u>BALANCE July 1, 2011</u>	<u>TRANSFERS</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE June 30, 2012</u>
Eighth Grade	\$ 22,927		\$ 41,694	\$ 50,719	\$ 13,902
Senior Student Council	88		2,127	1,623	592
David Mecsey Wellness Fund	1,835				1,835
Scholarship Fund	266				266
Conley School Fund	(367)		7,958	2,657	4,934
Totals	<u>\$ 24,749</u>	<u>-</u>	<u>\$ 51,779</u>	<u>\$ 54,999</u>	<u>\$ 21,529</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>BALANCE</u> <u>July 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 75,008	\$ 5,105,929	\$ 4,915,763	\$ 265,174
Interfund Receivable	1,345		1,345	-
Total Assets	<u>\$ 76,353</u>	<u>\$ 5,105,929</u>	<u>\$ 4,917,108</u>	<u>\$ 265,174</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 52,035	\$ 1,960,229	\$ 1,983,479	\$ 28,785
Interfund Payable		216,960		216,960
Accounts Payable-Flex Account	14,713		536	14,177
Salaries and Wages	-	2,928,740	2,928,740	-
Accounts Payable	9,605		4,353	5,252
Total Liabilities	<u>\$ 76,353</u>	<u>\$ 5,105,929</u>	<u>\$ 4,917,108</u>	<u>\$ 265,174</u>

LONG-TERM DEBT SCHEDULES

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2012**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE July 1, 2011</u>	<u>RETIRED</u>	<u>BALANCE June 30, 2012</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Refunding Bond Issue	9/1/02	\$ 5,550,000	7/1/12	\$ 185,000	4.000%	\$ 5,395,000	\$ 175,000	\$ 5,220,000
			7/1/13	190,000	4.100%			
			7/1/14	200,000	4.250%			
			7/1/15	210,000	4.350%			
			7/1/16	220,000	4.400%			
			7/1/17	225,000	5.125%			
			7/1/18	235,000	5.125%			
			7/1/19	245,000	4.700%			
			7/1/20	255,000	4.700%			
			7/1/21	265,000	4.750%			
			7/1/22	280,000	4.750%			
			7/1/23	290,000	5.000%			
			7/1/24	300,000	5.000%			
			7/1/25	315,000	5.000%			
			7/1/26	325,000	5.000%			
			7/1/27	345,000	5.000%			
			7/1/28	365,000	5.000%			
			7/1/29	375,000	5.000%			
			7/1/30	395,000	5.000%			
			Total					

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 443,790		\$ 443,790	\$ 443,790	-
TOTAL REVENUES	443,790	-	443,790	443,790	-
EXPENDITURES:					
Regular Debt Service:					
Interest	220,925		220,925	220,925	
Redemption of Principal	222,865		222,865	175,000	\$ (47,865)
Total Regular Debt Service	443,790		443,790	395,925	(47,865)
TOTAL EXPENDITURES	443,790		443,790	395,925	(47,865)
Excess (Deficiency) of Revenues Over Expenditures	-		-	47,865	47,865
Fund Balance, July 1	-		-	(47,863)	
Fund Balance, June 30	-	-	-	\$ 2	\$ 47,865
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	-	-	-	-	-

Bethlehem Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	60-65
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	66-69
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	70-73
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	74-75
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	76-80

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

**Bethlehem Township School District
Net Assets by Component,
Last Nine Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	N/A	\$ (1,045,015)	\$ (1,023,709)	\$ (1,415,957)	\$ (211,371)	\$ (551,293)	\$ (886,214)	\$ (1,216,135)	\$ (1,526,056)	\$ (1,730,883)
Restricted		1,141,350	2,434,465	1,179,474	432,271	249,969	614,862	559,035	312,080	985,822
Unrestricted		(113,036)	(331,869)	94,929	(113,491)	(171,013)	(33,509)	(12,281)	(19,543)	(154,712)
Total governmental activities net assets	<u>-</u>	<u>\$ (16,701)</u>	<u>\$ 1,078,887</u>	<u>\$ (141,554)</u>	<u>\$ 107,409</u>	<u>\$ (472,337)</u>	<u>\$ (304,861)</u>	<u>\$ (669,381)</u>	<u>\$ (1,233,519)</u>	<u>\$ (899,773)</u>
Business-type activities										
Invested in capital assets, net of related debt		\$ 311	-		\$ 15,840	\$ 15,611	\$ 50,062	\$ 42,911	\$ 35,759	\$ 43,866
Unrestricted		83,370	\$ 125,769	\$ 168,425	130,575	94,645	51,729	36,946	37,428	19,059
Total business-type activities net assets		<u>\$ 83,681</u>	<u>\$ 125,769</u>	<u>\$ 168,425</u>	<u>\$ 146,415</u>	<u>\$ 110,256</u>	<u>\$ 101,791</u>	<u>\$ 79,857</u>	<u>\$ 73,187</u>	<u>\$ 62,925</u>
District-wide										
Invested in capital assets, net of related debt		\$ (1,044,704)	\$ (1,023,709)	\$ (1,415,957)	\$ (195,531)	\$ (535,682)	\$ (836,152)	\$ (1,173,224)	\$ (1,490,297)	\$ (1,687,017)
Restricted		1,141,350	2,434,465	1,179,474	432,271	249,969	614,862	559,035	312,080	985,822
Unrestricted		(29,666)	(206,100)	263,354	17,084	(76,368)	18,220	24,665	17,885	(135,653)
Total district net assets		<u>\$ 66,980</u>	<u>\$ 1,204,656</u>	<u>\$ 26,871</u>	<u>\$ 253,824</u>	<u>\$ (362,081)</u>	<u>\$ (203,070)</u>	<u>\$ (589,524)</u>	<u>\$ (1,160,332)</u>	<u>\$ (836,848)</u>

Source: CAFR Schedule A-1

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

Exhibit J-2

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities									
Instruction									
Regular	\$ 2,923,194	\$ 3,540,442	\$ 3,448,861	\$ 3,677,265	\$ 3,660,174	\$ 3,338,540	\$ 3,735,609	\$ 3,552,030	\$ 3,320,009
Special education	954,374	1,024,372	1,001,329	951,445	1,017,780	924,442	1,073,987	1,158,025	1,107,571
Other special education	69,705	136,591	161,661	155,196	181,895	44,989	54,760	223,853	330,733
Support Services:									
Tuition	126,449	201,649	165,883	160,986	82,935	116,723	31,059	64,429	122,604
Student & instruction related services	910,060	941,667	1,151,347	1,258,484	1,228,303	1,002,725	1,332,575	1,275,278	1,104,872
School administrative services	418,203	352,802	329,316	371,286	361,691	342,261	352,798	345,735	286,042
Business administrative services	381,298	307,952	459,039	824,689	1,154,270	978,232	974,915	950,798	862,483
Plant operations and maintenance	781,281	799,061	848,974	1,062,597	1,251,235	1,099,987	1,257,599	1,418,783	1,225,246
Pupil transportation	600,470	479,228	582,371	896,978	664,112	667,013	628,974	648,306	545,653
Other support services	169,285	169,064	204,140	-	-	-	-	-	-
Interest on long-term debt	356,178	300,666	248,478	250,837	365,176	226,915	229,728	224,635	231,143
Unallocated depreciation	146,737	146,738	378,747	-	428,747	428,747	428,747	428,747	343,653
Total governmental activities expenses	<u>7,837,234</u>	<u>8,400,232</u>	<u>8,980,146</u>	<u>9,609,763</u>	<u>10,396,318</u>	<u>9,170,574</u>	<u>10,100,751</u>	<u>10,290,619</u>	<u>9,480,009</u>
Business-type activities:									
Food service	139,048	151,627	162,652	161,810	141,871	135,486	144,747	134,525	141,244
Total business-type activities expense	<u>139,048</u>	<u>151,627</u>	<u>162,652</u>	<u>161,810</u>	<u>141,871</u>	<u>135,486</u>	<u>144,747</u>	<u>134,525</u>	<u>141,244</u>
Total district expenses	<u>\$ 7,976,282</u>	<u>\$ 8,551,859</u>	<u>\$ 9,142,798</u>	<u>\$ 9,771,573</u>	<u>\$ 10,538,189</u>	<u>\$ 9,306,060</u>	<u>\$ 10,245,498</u>	<u>\$ 10,425,144</u>	<u>\$ 9,621,253</u>
Program Revenues									
Governmental activities:									
Charges for services:									
Tuition									\$ -
Operating grants and contributions	773,077	\$ 922,894	\$ 948,980	\$ 779,889	\$ 2,511,207	\$ 1,792,267	\$ 2,085,254	\$ 2,281,632	2,358,130
Capital grants and contributions									-
Total governmental activities program revenues	<u>773,077</u>	<u>922,894</u>	<u>948,980</u>	<u>779,889</u>	<u>2,511,207</u>	<u>1,792,267</u>	<u>2,085,254</u>	<u>2,281,632</u>	<u>2,358,130</u>
Business-type activities:									
Charges for services									
Food service	94,477	101,266	106,108	116,167	108,918	103,737	101,129	104,100	101,167
Operating grants and contributions	17,699	16,714	17,981	19,371	20,903	22,790	21,536	23,337	26,581
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>112,176</u>	<u>117,980</u>	<u>124,089</u>	<u>135,538</u>	<u>129,821</u>	<u>126,527</u>	<u>122,665</u>	<u>127,437</u>	<u>127,748</u>
Total district program revenues	<u>\$ 885,253</u>	<u>\$ 1,040,874</u>	<u>\$ 1,073,069</u>	<u>\$ 915,427</u>	<u>\$ 2,641,028</u>	<u>\$ 1,918,794</u>	<u>\$ 2,207,919</u>	<u>\$ 2,409,069</u>	<u>\$ 2,485,878</u>

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

Exhibit J-2

	<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>
Net (Expense)/Revenue									
Governmental activities	\$ (7,064,157)	\$ (7,477,338)	\$ (8,031,166)	\$ (8,829,874)	\$ (7,885,111)	\$ (7,378,307)	\$ (8,015,497)	\$ (8,008,987)	\$ (7,121,879)
Business-type activities	(26,872)	(33,647)	(38,563)	(26,272)	(12,050)	(8,959)	(22,082)	(7,088)	(13,496)
Total district-wide net expense	<u>\$ (7,091,029)</u>	<u>\$ (7,510,985)</u>	<u>\$ (8,069,729)</u>	<u>\$ (8,856,146)</u>	<u>\$ (7,897,161)</u>	<u>\$ (7,387,266)</u>	<u>\$ (8,037,579)</u>	<u>\$ (8,016,075)</u>	<u>\$ (7,135,375)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, r	\$ 5,518,755	\$ 6,114,123	\$ 6,083,428	\$ 6,570,438	\$ 6,833,256	\$ 6,996,333	\$ 7,257,186	\$ 7,057,879	\$ 6,969,379
Taxes levied for debt service	529,100	416,788	401,563	174,281	370,019	321,097	367,669	334,079	443,790
Federal and state aid not restricted	1,283,664	1,641,264	1,233,998	1,659,691					
Investment earnings	8,572	42,526	43,966	42,679	27,686	16,868	11,285	1,866	6,778
Miscellaneous income	12,655	20,970	25,547	(6,793)	47,739	211,485	14,937	51,025	35,678
Transfers	(70,702)	(74,403)	(77,840)		26,665				
Capital Lease Payments	-	-	40,550						
Cancellations	(2,835)	175,748	-	-	-	-	-	-	-
Total governmental activities	<u>7,279,209</u>	<u>8,337,016</u>	<u>7,751,212</u>	<u>8,440,296</u>	<u>7,305,365</u>	<u>7,545,783</u>	<u>7,651,077</u>	<u>7,444,849</u>	<u>7,455,625</u>
Business-type activities:									
Miscellaneous income	153	1,330	3,380	4,263	2,555	494	148	418	3,234
Transfers	70,702	74,404	77,840		(26,665)				
Total business-type activities	<u>70,855</u>	<u>75,734</u>	<u>81,220</u>	<u>4,263</u>	<u>(24,110)</u>	<u>494</u>	<u>148</u>	<u>418</u>	<u>3,234</u>
Total district-wide	<u>\$ 7,350,064</u>	<u>\$ 8,412,750</u>	<u>\$ 7,832,432</u>	<u>\$ 8,444,559</u>	<u>\$ 7,281,255</u>	<u>\$ 7,546,277</u>	<u>\$ 7,651,225</u>	<u>\$ 7,445,267</u>	<u>\$ 7,458,859</u>
Change in Net Assets									
Governmental activities	\$ 215,052	\$ 859,678	\$ (279,954)	\$ (389,578)	\$ (579,746)	\$ 167,476	\$ (364,420)	\$ (564,138)	\$ 333,746
Business-type activities	43,983	42,087	42,657	(22,009)	(36,160)	(8,465)	(21,934)	(6,670)	(10,262)
Total district	<u>\$ 259,035</u>	<u>\$ 901,765</u>	<u>\$ (237,297)</u>	<u>\$ (411,587)</u>	<u>\$ (615,906)</u>	<u>\$ 159,011</u>	<u>\$ (386,354)</u>	<u>\$ (570,808)</u>	<u>\$ 323,484</u>

Source: CAFR Schedule A-2

**Bethlehem Township School District
Fund Balances, Governmental Funds,
Last Nine Fiscal Years**

(modified accrual basis of accounting)

Exhibit J-3

	<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>
General Fund									
Reserved	\$ 476,479	\$ 397,748	\$ 372,050	\$ 359,481	\$ 218,452	\$ 734,740	\$ 720,627	\$ 453,320	\$ 996,517
Unreserved	195,025	103,663	85,921	183,919	182,777	110,604	87,177	166,202	110,505
Total general fund	<u>\$ 671,504</u>	<u>\$ 501,411</u>	<u>\$ 457,971</u>	<u>\$ 543,400</u>	<u>\$ 401,229</u>	<u>\$ 845,344</u>	<u>\$ 807,804</u>	<u>\$ 619,522</u>	<u>\$ 1,107,022</u>
All Other Governmental Funds									
Reserved	\$ -	\$ 1,208,333	\$ 39,484	\$ 38,395					
Unreserved, reported in:									
Capital projects fund	495,355	514,716	561,913	24,925	\$ 24,925	\$ 24,925	\$ 24,925	\$ 24,925	\$ 24,925
Debt service fund	179,184	196,556	206,028	9,471	47,866	-	2	(47,863)	2
Total all other governmental funds	<u>\$ 674,539</u>	<u>\$ 1,919,605</u>	<u>\$ 807,425</u>	<u>\$ 72,791</u>	<u>\$ 72,791</u>	<u>\$ 24,925</u>	<u>\$ 24,927</u>	<u>\$ (22,938)</u>	<u>\$ 24,927</u>

Source: CAFR Schedule B-1

**Bethlehem Township School District
Changes in Fund Balances, Governmental Funds,
Last Nine Fiscal Years**

Exhibit J-4

	<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>
Revenues									
Tax levy	\$ 6,047,855	\$ 6,530,911	\$ 6,484,991	\$ 6,744,719	\$ 7,203,275	\$ 7,317,430	\$ 7,624,855	\$ 7,391,958	\$ 7,413,169
Interest earnings	8,572	42,526	43,967	42,679	27,686	16,868	11,285	1,866	6,778
Miscellaneous	12,654	20,970	25,547	(6,793)	47,739	211,485	14,937	51,025	35,678
State sources	1,886,962	2,424,390	2,012,075	2,294,895	2,344,522	2,195,131	1,757,042	1,995,440	2,147,247
Federal sources	169,779	139,767	171,903	144,685	166,685	173,200	328,112	286,192	210,883
Total revenue	<u>8,125,822</u>	<u>9,158,564</u>	<u>8,738,483</u>	<u>9,220,185</u>	<u>9,789,907</u>	<u>9,914,114</u>	<u>9,736,231</u>	<u>9,726,481</u>	<u>9,813,755</u>
Expenditures									
Instruction									
Regular Instruction	2,068,498	2,555,255	2,615,334	2,765,395	2,759,296	2,798,243	2,919,715	2,732,553	2,533,989
Special education instruction	667,482	726,021	761,739	717,633	769,520	777,071	841,740	905,585	848,046
Other special instruction	53,343	105,231	120,741	118,745	130,204	30,494	35,595	167,732	245,913
Support Services:									
Tuition	126,449	201,649	165,883	160,986	82,935	116,723	31,059	64,429	122,604
Student & instruction related services	691,890	722,357	868,106	890,690	928,692	842,874	1,044,409	997,278	845,979
School administrative services	318,462	271,274	249,188	625,108	271,153	285,386	274,193	268,055	216,704
Other administrative services	281,146	237,728	347,577	261,259	888,953	821,706	763,512	742,952	659,807
Plant operations and maintenance	641,896	660,488	694,506	793,121	944,018	922,619	983,638	1,107,488	936,135
Pupil transportation	548,044	463,360	516,503	530,078	648,244	651,145	613,106	632,438	529,785
Other support services	129,833	130,780	154,540	-	-	-	-	-	-
Unallocated employee benefits	1,419,930	1,527,203	1,782,058	2,059,387	2,165,709	1,902,641	1,899,139	1,925,087	1,930,077
Capital Outlay	131,603	177,923	1,175,610	61,434	-	-	-	37,087	13,426
Debt service:									
Principal	2,316,284	105,000	115,000	120,000	125,000	130,000	135,000	155,000	175,000
Interest and other charges	356,177	300,666	248,478	250,838	245,019	238,963	232,667	226,944	220,925
Total expenditures	<u>9,751,037</u>	<u>8,184,935</u>	<u>9,815,263</u>	<u>9,354,674</u>	<u>9,958,743</u>	<u>9,517,865</u>	<u>9,773,773</u>	<u>9,962,628</u>	<u>9,278,390</u>
Excess (Deficiency) of revenues over (under) expenditures	(1,625,215)	973,629	(1,076,780)	(134,489)	(168,836)	396,249	(37,542)	(236,147)	535,365
Other Financing Sources (uses)									
Capital Leases	68,825								
Accounts Receivable Cancelled	(2,835)	(1,118)							
Proceeds from Refunding		5,542,502							
Payments to Escrow Agent		(5,542,502)							
Contracts Payable Cancelled		176,866							
Transfers in	3,019	731,251	9,781		26,665				
Transfers out	(73,721)	(805,654)	(87,622)						
Total other financing sources (uses)	<u>(4,712)</u>	<u>101,345</u>	<u>(77,841)</u>	<u>-</u>	<u>26,665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (1,629,927)</u>	<u>\$ 1,074,974</u>	<u>\$ (1,154,621)</u>	<u>\$ (134,489)</u>	<u>\$ (142,171)</u>	<u>\$ 396,249</u>	<u>\$ (37,542)</u>	<u>\$ (236,147)</u>	<u>\$ 535,365</u>
Debt service as a percentage of noncapital expenditures	27.8%	5.1%	4.2%	4.0%	3.7%	3.9%	3.8%	3.8%	4.3%

Source: CAFR Schedule B-2

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST NINE FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Sale of</u> <u>Assets</u>	<u>Miscellaneous</u>	<u>Total</u>
2004	-	\$ 5,731			\$ 6,923	\$ 12,654
2005	-	7,839	\$ 5,750		7,381	20,970
2006	\$ 34,185	2,574	7,500		15,473	59,732
2007	42,676				(6,793)	35,883
2008	27,686				46,739	74,425
2009	16,868	8,036	8,700	\$ 169,681	23,885	227,170
2010	11,285	1,648	8,700		4,589	26,222
2011	1,866	39,036	7,250		4,739	52,891
2012	6,778	23,759	9,300		2,064	41,901

SOURCE: District Records

**Bethlehem Township School District
Assessed Value and Actual Value of Taxable Property,
Last Eight Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2005	\$9,599,600	\$437,534,900	\$41,036,158		\$21,067,200	\$8,273,100	-	\$538,414,007	\$19,878,226	\$1,024,823	\$518,535,781	\$1.260	\$553,962,622
2006	8,894,100	442,105,800	41,307,458		21,078,800	8,333,000	-	542,363,388	19,704,326	939,904	522,659,062	1.241	629,736,845
2007	7,833,000	443,400,600	41,644,428		21,090,800	8,333,000	-	545,974,762	22,877,626	795,308	523,097,136	1.290	667,806,370
2008	7,322,000	447,447,700	42,159,128		21,090,800	8,333,000	-	552,568,501	25,504,826	711,047	527,063,675	1.367	707,832,219
2009	6,976,100	448,389,600	41,525,600	\$1,946,328	20,956,200	8,333,000	-	554,778,869	26,000,926	651,115	528,777,943	1.384	712,181,674
2010	7,747,400	450,512,700	41,265,800	1,881,928	20,956,200	8,333,000	-	557,613,458	26,374,526	541,904	531,238,932	1.435	712,181,674
2011	6,882,100	450,631,500	41,920,800	1,944,428	20,956,200	8,333,000	-	558,480,841	27,111,726	701,087	531,369,115	1.391	659,966,264
2012	6,963,800	450,591,300	42,459,700	1,919,628	21,179,700	7,290,400	-	558,897,553	27,689,926	803,099	531,207,627	1.396	630,813,595

Source: District records Tax list summary & 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, Implements and Equipment of Telephone, Telegraph and Messenger System Companies:

b Tax rates are per \$100

**Bethlehem Township School District
Direct and Overlapping Property Tax Rates
Last Nine Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Bethlehem Township Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	North Hunterdon Regional School District	Township	Hunterdon County	
2004	\$1.166	\$0.011	\$1.177	\$0.520	\$0.305	\$0.438	\$2.440
2005	\$1.249	\$0.011	\$1.260	\$0.571	\$0.311	\$0.438	\$2.580
2006	\$1.230	\$0.011	\$1.241	\$0.635	\$0.316	\$0.458	\$2.650
2007	\$1.257	\$0.033	\$1.290	\$0.636	\$0.321	\$0.453	\$2.700
2008	\$1.297	\$0.070	\$1.367	\$0.636	\$0.330	\$0.447	\$2.780
2009	\$1.323	\$0.061	\$1.384	\$0.642	\$0.338	\$0.449	\$2.813
2010	\$1.366	\$0.069	\$1.435	\$0.634	\$0.348	\$0.431	\$2.848
2011	\$1.391	\$0.000	\$1.391	\$0.679	\$0.353	\$0.426	\$2.849
2012	\$1.312	\$0.084	\$1.396	\$0.649	\$0.081	\$0.691	\$2.817

Source: District Records and 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.

**Bethlehem Township School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2012			2000		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Transcontinental Gas	\$9,759,400	1	1.84%	\$ 6,882,500	1	2.41%
Columbia Gas	4,917,500	2	0.93%	6,570,866	2	2.30%
China Re Holdings	2,942,600	3	0.55%			
Asbury Graphite Mills	2,850,000	4	0.54%			
Taxpayer #1	1,231,800	5	0.23%	1,250,000	3	0.44%
Alpha Omega Equities	1,075,800	6	0.20%	1,079,900	4	0.38%
Taxpayer #2	1,013,600	7	0.19%			
Taxpayer #3	942,200	8	0.18%			
Taxpayer #4	905,400	9	0.17%			
Taxpayer #5	866,100	10	0.16%			
Geriatric & Medical Centers, Inc.				2,861,000	5	1.00%
Kranzoo Realty Trust				2,612,000	6	0.91%
J.T. Baker, Inc.				994,753	7	0.35%
LDLJ Assoc., LP				855,800	8	0.30%
DeLuca Enterprizes, Inc.				655,962	9	0.23%
Captive Realty of NJ, LLC				629,126	10	0.22%
Total	\$ 26,504,400		4.99%	\$ 24,391,907		8.54%

Source: District CAFR & Municipal Tax Assessor

**Bethlehem Township School District
Property Tax Levies and Collections,
Last Nine Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$6,047,855	\$6,047,855	100.00%	-
2005	\$6,530,911	\$6,530,911	100.00%	-
2006	\$6,484,991	\$6,484,991	100.00%	-
2007	\$6,570,438	\$6,570,438	100.00%	-
2008	\$6,833,256	\$6,833,256	100.00%	-
2009	\$6,996,333	\$6,996,333	100.00%	-
2010	\$7,257,186	\$7,257,186	100.00%	-
2011	\$7,057,879	\$7,057,879	100.00%	-
2012	\$6,969,379	\$6,969,379	100.00%	-

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

Note: 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 is the amount voted upon or certified prior to the end of the school year.

**Bethlehem Township School District
Ratios of Outstanding Debt by Type
Last Nine Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2004	\$ 5,962,000	-0-	\$ 111,980	-0-	-0-	\$ 6,073,980	2.62%	\$ 1,531.13	
2005	\$ 5,857,000	-0-	\$ 73,419	\$ 514,716	-0-	\$ 6,445,135	2.70%	\$ 1,628.38	
2006	\$ 6,060,000	-0-	\$ 32,869	\$ 514,716	-0-	\$ 6,607,585	2.79%	\$ 1,674.08	
2007	\$ 5,940,000	-0-	\$ 16,816	\$ 514,716	-0-	\$ 6,471,532	2.53%	\$ 1,630.93	
2008	\$ 5,815,000	-0-	-0-	\$ 514,716	-0-	\$ 6,329,716	2.33%	\$ 1,598.01	
2009	\$ 5,685,000	-0-	-0-	\$ 514,716	-0-	\$ 6,199,716	2.24%	\$ 1,569.95	
2010	\$ 5,550,000	-0-	-0-	\$ 514,716	-0-	\$ 6,064,716	2.29%	\$ 1,534.59	
2011	\$ 5,395,000	-0-	-0-	-0-	-0-	\$ 5,395,000	2.02%	\$ 1,356.21	
2012	\$ 5,220,000	-0-	-0-	-0-	-0-	\$ 5,220,000	1.96%	\$ 1,314.86	

Source: District CAFR Schedules I-1, I-2

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

Bethlehem Township School District
Ratios of Net General Bonded Debt Outstanding
Last Nine Fiscal Years

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2004	\$ 5,962,000	-0-	\$ 5,962,000	1.50%	\$ 1,531.13
2005	\$ 5,857,000	-0-	\$ 5,857,000	1.13%	\$ 1,628.38
2006	\$ 6,060,000	-0-	\$ 6,060,000	1.16%	\$ 1,674.08
2007	\$ 5,940,000	-0-	\$ 5,940,000	1.14%	\$ 1,630.93
2008	\$ 5,815,000	-0-	\$ 5,815,000	1.10%	\$ 1,598.01
2009	\$ 5,685,000	-0-	\$ 5,685,000	1.08%	\$ 1,569.95
2010	\$ 5,550,000	-0-	\$ 5,550,000	1.04%	\$ 1,534.59
2011	\$ 5,395,000	-0-	\$ 5,395,000	1.02%	\$ 1,356.21
2012	\$ 5,220,000	-0-	\$ 5,220,000	0.98%	\$ 1,314.86

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

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

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

R Revised

* Current data unavailable

**Bethlehem Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2012**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Township of Bethlehem	\$ 4,781,645	100.000%	\$ 4,781,645
Other debt			
North Hunterdon Regional School District	\$ 4,040,000	7.067%	285,489
Hunterdon County	83,175,410	2.760%	<u>2,282,955</u>
Subtotal, overlapping debt			7,350,089
Bethlehem Township School District Direct Debt			<u>5,220,000</u>
Total direct and overlapping debt			<u><u>\$ 12,570,089</u></u>

Sources: Township Finance Officer, Hunterdon County Finance Office and Utility Authorities

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. 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.

**Bethlehem Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2003	3,943	\$ 231,990,348	\$58,836 R	*
2004	3,967	\$ 238,650,753	\$60,159 R	2.7%
2005	3,958	\$ 237,005,040	\$59,880 R	1.8%
2006	3,947	\$ 255,315,642	\$64,686 R	2.0%
2007	3,968	\$ 271,363,584	\$68,388 R	1.7%
2008	3,961	\$ 276,347,087	\$69,767 R	2.3%
2009	3,949	\$ 259,705,985	\$65,765 R	4.2%
2010	3,952	\$ 264,993,456	\$67,053 P	4.3%
2011	3,978	\$ 266,736,834	\$67,053 *	4.2%
2012	3,970	\$ 266,200,410	\$67,053 *	*

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

P =Projected

R =Revised

* Current data unavailable

Bethlehem Township School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15

N/A

Employer	2012			2003		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		0.00%
	-			-		0.00%
	-			-		0.00%
	-		0.00%	-		0.00%

Source:
No reliable information is available at the local or county level.

**Bethlehem Township School District
Full-time Equivalent District Employees by Function/Program,
Last Nine Fiscal Years**

Exhibit J-16

<u>Function/Program</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>
Instruction									
Regular	47.0	48.0	49.0	49.0	47.0	46.8	44.5	43.5	42.0
Special education	8.0	9.0	9.0	9.0	9.0	12.5	12.5	13.3	11.5
Other special education	2.0	2.0	2.0	3.0	5.0	6.6	11.0	11.0	8.5
Support Services:									
Student & instruction related services	6.0	6.0	6.0	6.0	6.0	5.9	5.0	5.0	5.0
General administrative services	4.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0
School administrative services	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	3.0
Business administrative services	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	1.0
Plant operations and maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Pupil transportation	8.0	9.0	10.0	10.0	8.0	2.0	2.0	2.0	1.0
Other support services	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	4.0
Total	<u>89.0</u>	<u>93.0</u>	<u>95.0</u>	<u>98.0</u>	<u>96.0</u>	<u>94.8</u>	<u>96.0</u>	<u>95.8</u>	<u>83.0</u>

Source: District Personnel Records

**Bethlehem Township School District
Operating Statistics
Last Nine Fiscal Years**

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary Schools				
2004	603	\$ 6,743,194	\$11,183	8.10%	100	6:1	639.8	600.2	6.55%	93.8%
2005	629	\$ 7,457,567	\$11,856	6.02%	99	6:1	605.0	587.0	-5.44%	97.0%
2006	623	\$ 8,100,272	\$13,002	9.66%	99	6:1	613.7	591.5	1.44%	96.4%
2007	613	\$ 8,089,816	\$13,197	1.50%	99	6:1	612.6	595.4	-0.18%	97.2%
2008	606	\$ 9,588,724	\$15,823	19.90%	99	6:1	594.1	573.2	-3.02%	96.5%
2009	586	\$ 9,148,902	\$15,612	-1.33%	95	6:1	576.1	559.0	-3.03%	97.0%
2010	563	\$ 9,406,102	\$16,707	7.01%	96	6:1	555.0	540.8	-3.66%	97.4%
2011	548	\$ 9,543,597	\$17,415	4.24%	96	5.7:1	540.0	525.1	-2.70%	97.2%
2012	546	\$ 8,869,039	\$16,244	-6.73%	96	5.7:1	498.3	479.2	-7.72%	96.2%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1

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).

**Bethlehem Township School District
 School Building Information
 Last Nine Fiscal Years**

Exhibit J-18

<u>District Building</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>
<u>Elementary</u>									
Conley School									
Square Feet	59,584	59,584	59,584	59,584	59,584	59,584	59,584	59,584	59,584
Capacity (students)	393	393	393	393	393	393	393	393	393
Enrollment	323	354	330	330	318	303	360	359	301
Hoppock School									
Square Feet	48,921	48,921	48,921	48,921	48,921	48,921	48,921	48,921	48,921
Capacity (students)	352	352	352	352	352	352	352	352	352
Enrollment	273	280	281	281	288	283	202	189	196

Number of Schools at June 30, 2012

Elementary = 1
 Middle School = 1

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Nine Fiscal Years Ending June 30, 2012

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>	<u>Total</u>
Conley School	N/A	\$ 102,496	\$ 128,353	\$ 101,572	\$ 133,946	\$ 104,471	\$ 113,018	\$ 151,054	\$ 179,599	\$ 109,886	\$ 1,124,395
Hoppock School	N/A	68,331	73,773	73,765	109,396	85,476	92,470	123,590	146,944	89,907	863,652
Total School Facilities		170,827	202,126	175,337	243,342	189,947	205,488	274,644	326,543	199,793	1,988,047
Other Facilities		NONE									
Grand Total		\$ 170,827	\$ 202,126	\$ 175,337	\$ 243,342	\$ 189,947	\$ 205,488	\$ 274,644	\$ 326,543	\$ 199,793	\$ 1,988,047

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2012

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMMERCIAL PACKAGE POLICY-NJSBAIG		
Property-Blanket Building and Contents, Boiler/Machinery and Stated Equipment/Papers	\$300,000,000	\$5,000
Comprehensive General Liability:		
General Aggregate	6,000,000	
Comprehensive Automobile Liability	6,000,000	
UMBRELLA LIABILITY-NJSBAIG		
Aggregate Limit	5,000,000	
Occurrence Limit	5,000,000	
SCHOOL LEADERS PROFESSIONAL LIABILITY-NJSBAIG		
Directors and officers Policy:		
Limit Each Period	2,000,000	5,000
Limit Each Claim	100,000	5,000
WORKER'S COMPENSATION-NJSBAIG		
Statutory Benefits	Included	
Employers Liability:		
Each Accident	2,000,000	5,000
Disease-Each Employee	2,000,000	
Disease-Each Aggregate Limit	2,000,000	
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET		
Position BOND-Selective Insurance Company		
Blanket Employee Limit	250,000	
Treasurer's Bond	180,000	
Board Secretary Bond	200,000	

SOURCE: District Records

Single Audit Section



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 Douglas R. Williams, CPA, RMA, PSA
 Anthony F. Ardito, PA, RMA, PSA

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

Honorable President and
 Members of the Board of Education
 Bethlehem Township School District
 County of Hunterdon
 Asbury, New Jersey 08802

We have audited the financial statements of the Board of Education of the Bethlehem Township School District in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Bethlehem Township School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Bethlehem Township School District Board of Education'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 Bethlehem Township School District Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bethlehem Township School District Board of Education's internal control over financial reporting.

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

-Continued-

We noted certain matters that we reported to the Board of Education of the Bethlehem Township School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 31, 2012.

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 Bethlehem Township School District Board of Education'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 the Board of Education of the Bethlehem Township School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 31, 2012.

This report is intended solely for the information and use of the audit committee, management, the Bethlehem Township School District Board of Education, the New Jersey State Department of Education, and other 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.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: October 31, 2012



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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 NEW JERSEY OMB CIRCULAR 04-04

Honorable President and
 Members of the Board of Education
 Bethlehem Township School District
 County of Hunterdon
 Asbury, New Jersey 08802

Compliance

We have audited the compliance of the Bethlehem Township School District in the County of Hunterdon, State of New Jersey, with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012. The Bethlehem Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Bethlehem Township School District Board of Education's management. Our responsibility is to express an opinion on the Bethlehem Township School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the Bethlehem Township School District Board of Education'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 Bethlehem Township School District Board of Education's compliance with those requirements.

-Continued-

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

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey OMB's Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as items 2012-1.

Internal Control Over Compliance

The management of the Board of Education of the Bethlehem Township School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Bethlehem Township School District of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Bethlehem Township School District Board of Education's internal control over compliance.

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

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

This report is intended solely for the information and use of the audit committee, management, the Bethlehem Township School District Board of Education, the New Jersey State Department of Education, and other 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.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: October 31, 2012

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2012

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2011	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2012			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$ 1,054,613			\$ 1,054,613	\$ (1,054,613)							\$ 104,474	\$ 1,054,613
Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	42,907			42,907	(42,907)							4,251	42,907
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	297,380			297,380	(297,380)							29,459	297,380
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	38,906			38,906	(38,906)							3,854	38,906
Extraordinary Aid	12-495-034-5120-044	7/1/11-6/30/12	42,319				(42,319)			\$ (42,319)					42,319
Extraordinary Aid	11-495-034-5120-044	7/1/10-6/30/11		\$ (115,514)		115,514									
Non-Public Transportation Aid	12-100-034-5120-068	7/1/11-6/30/12	2,543				(2,543)			(2,543)					2,543
Non-Public Transportation Aid	11-100-034-5120-068	7/1/10-6/30/11		(8,061)		8,061									
Anti-Bullying Aid	N/A	7/1/11-6/30/12	591			591	(591)								591
On-behalf TPAF Pension Contrib.	12-495-034-5095-001	7/1/11-6/30/12	414,273			414,273	(414,273)								414,273
Reimbursed TPAF Soc.Secur.Contrib.	12-495-034-5095-002	7/1/11-6/30/12	272,855	(14,011)		273,136	(272,855)			(13,730)					272,855
Total General Fund				(137,586)		2,245,381	(2,166,387)			(58,592)				142,038	2,166,387
Special Revenue Fund:															
Child Abuse Prevention	N/A	7/1/06-6/30/07		(2,007)						(2,007)					-
				(2,007)		-	-	-	-	(2,007)				-	-
Capital Projects Fund:															
SDA Grant - Ethel Hoppock ES	0370-20-05-OCAZ	7/1/06-6/30/07	423,549	(423,549)						(423,549)					423,549
SDA Grant - Thomas Conley ES	0370-20-05-ODAA	7/1/06-6/30/07	59,784	(59,194)						(59,194)					59,784
Total Enterprise Fund				(482,743)		-	-			(482,743)					483,333
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	12-100-010-3350-023	7/1/11-6/30/12	1,373			1,171	(1,373)			(202)					1,373
Total Enterprise Fund						1,171	(1,373)			(202)					1,373
Total State Financial Assistance				\$ (622,336)		\$ 2,246,552	\$ (2,167,760)			\$ (543,544)				\$ 142,038	\$ 2,651,093

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Board of Education, Bethlehem Township School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditure of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on 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 Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE 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 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 last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$46,873 for the general fund and (\$22,666) for the special revenue fund. See Exhibit C-3 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 revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 33,301	\$ 2,147,247	\$ 2,180,548
Special Revenue Fund	177,582	-	177,582
Food Service Fund	<u>25,208</u>	<u>1,373</u>	<u>26,581</u>
Total Financial Assistance	<u>\$ 236,091</u>	<u>\$ 2,148,620</u>	<u>\$ 2,384,711</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified

- B) Internal control over financial reporting:
 - 1) Material weakness(es) identified? ___ Yes x No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes
x None
Reported

- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000

- E) Auditee qualified as low-risk auditee? ___ Yes ___ No

- F) Type of auditor's report on compliance for major programs: Unqualified

- G) Internal Control over compliance:
 - 1) Material weakness(es) identified? ___ Yes ___ No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No

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

- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x_yes__no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? ___yes_x_no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___yes_x_none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? x_yes__no
- O) Identification of major programs:

GMIS Number(s)

12-495-034-5120-078

12-495-034-5095-002

Name of State Program

Equalization Aid

TPAF Social Security Reimbursements

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section II-Financial Statement Findings

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

Section III - State Financial Assistance Findings and Questioned Costs

STATE FINANCIAL ASSISTANCE-The following state financial assistance findings or questioned costs noted, are required to be reported in accordance with NJOMB Circular 04-04.

Finding 2012-1

Information on state program:

0370-20-05-0CAZ

SDA Grant - Ethel Hoppock ES/ Thomas Conley ES

Criteria:

Outstanding grants receivables should be collected in a timely manner.

Condition:

The state SDA grants for the school additions and renovations of \$482,743 remains outstanding and is recorded as an accounts receivable on the balance sheet of the capital projects fund. This receivable is over six years old.

Questioned Costs:

None.

Context:

As of June 30, 2010, \$998,048 in SDA grants receivable remained outstanding, but through diligent investigation and collections efforts, \$515,305 was collected from the state in fiscal year 2011. The \$515,305 in collections was utilized to pay off the related short term notes payable on June 22, 2011. The remaining receivable balance of \$482,743, which was internally financed in years past with general fund cash, will need to be collected to avoid eventual funding from the taxpayers.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**Finding 2012-1 (Continued)****Effect:**

If the \$482,783 receivable balance is deemed uncollectible, either in whole or in part, the uncollectible amounts will need to be funded and paid through the tax levy. This is due to the fact that the capital projects have been completed in years past, and all grant funds have been previously spent.

Cause:

Lack of timely submission of required documentation to the state, coupled with the state's fiscal condition, resulting in stringent state review of documentation, has left the district with out proper previously approved funding for their major capital projects. It should be noted that difficulty in collections of SDA grants is not unique to Bethlehem Township School District.

Recommendation:

That all efforts are made to collect the \$482,743 receivable in fiscal 2013, as any write-down of this balance will adversely effect the current fund or debt service budget, necessitating tax increases to pay for the unfunded projects.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. All prior year findings were fully corrected except for item 2012-1, which repeated from the prior year.