

BERNARDS PUBLIC SCHOOLS

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

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2013*

Township of Bernards Board of Education

Basking Ridge, New Jersey

Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

Prepared by:

Business Office

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Introductory Section

BERNARDS TOWNSHIP PUBLIC SCHOOLS
101 Peachtree Road
Basking Ridge, New Jersey 07920

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November 22, 2013

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

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report of the Bernards Township School District (District) as of and for the year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information at June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter (designed to complement Management's discussion and analysis and should be read in conjunction with it), the District's organizational chart, and a list of principal officials and professionals. The financial section includes Management's discussion and analysis, the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and Amendments of 1996, the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non Profit Organizations," and the New Jersey State Treasury Circular Letter O4-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Audit Standards* and an independent auditors' report on compliance with requirements that could have a direct and material effect on each major program and on

internal control over compliance in accordance with OMB Circular A-133 and New Jersey Circular 04-04 are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels kindergarten through twelve. These include regular, as well as, special education for handicapped youngsters. The District completed the 2012/13 fiscal year with an average daily enrollment of 5,701 students, which is 14 students more than the previous year's enrollment. The following details the changes in average daily enrollment in the District over the last five years.

Average Daily Enrollment		
<u>Fiscal</u>	<u>Student</u>	<u>Percent</u>
<u>Year</u>	<u>Enrollment</u>	<u>Change</u>
2012-13	5,701	0.25%
2011-12	5,687	0.38%
2010-11	5,665	(0.67)%
2009-10	5,703	1.26%
2008-09	5,632	2.08%

2. ECONOMIC CONDITIONS AND OUTLOOK:

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

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

3. MAJOR INITIATIVES:

Below outlines a summary of major district activities and agendas of the 2012-2013 school year divided into the following areas: A. Goals, B. Finance, C. Curriculum, D. Facilities, E. Policy, and F. Human Resources.

A. Goals

The Board of Education set the following as Board goals for 2012-2103:

- 1) Implement a long term safety solution for Ridge traffic flow.
- 2) Bring closure to last year's work on student stressors.
- 3) Support implementation of televised board meetings as part of an overall effort to improve public communication.
- 4) Perform a complete wellness check of entire policy handbook and respond to all issues identified therein.
- 5) Identify a pathway to a strategic plan.

The Board commissioned a special task force to work with the Township of Bernards to ultimately agree on a plan to address goal 1 with a new driveway access for Ridge High School. Follow up to the student stressors initiative was tasked to the administration for the 2013-2014 school year. Significant progress was made in trial runs of televising Board meetings however technical issues proved to be insurmountable with existing infrastructure; investments being planned for 2013-2104 should allow goal 3 to be completed. The Board Policy Committee worked for many hours with the administration and Strauss Essmay to successfully adopt a fully revised policy and procedure handbook in August of 2013. The Board received multiple proposals for a consultant to pursue a strategic plan however there were no successful candidates and the idea has been tabled for the time being.

The District goals for the 2012-2013 school year included:

- 1) Develop a Strategic Plan.
- 2) Develop a comprehensive staff evaluation system
- 3) Establish a system that enables teachers to modify instruction based on the results of assessments to responsively align instruction to common core curriculum standards.
- 4) Create, develop, and promote Professional Learning Communities as the vehicle for achieving departmental, building, and district goals.
- 5) Revise District Curriculum as appropriate to align with specific state and national content area standards.

Efforts to effectuate a strategic plan are noted above. District staff and administration worked together to focus heavily on goals 2 through 5 throughout the school year. In-service programs, department meetings and faculty meetings were used extensively

throughout the year to train staff on the new evaluation systems and on professional learning communities. The effort to develop an effective and efficient program of staff evaluation connected to student outcomes and collaboration among colleagues remains at the core of the 2013-2014 district goals. During the summer of 2013 dozens of courses were aligned with the new Common Core.

As a follow up to the work on student stressors and assessment that was done in the 2011-2012 school year, the 2012-2013 school year saw the high school administer quarterly exams in lieu of the traditional midterm and final exams. Students performed significantly better under the new testing system. The new testing protocol remains a controversial topic with respect to the complexity of the schedule.

The final initiative to document here was one forced upon the district and that was a response to Superstorm Sandy. The district was very fortunate in that facilities sustained very little major damage from the storm however the district had to close for 10 consecutive school days due to the fact that entire town was without power for much of this time. The storm exposed some vulnerabilities and the district responded by relocating the technology hub to the Board Office and backing up the power at this site with a large natural gas powered generator.

FINANCE

Governor Christie reduced the level of education funding beginning in the 2010-11 school year. In that year, the District received only 17% of its entitlement in accordance with the School Funding Reform Act of 2008. In 2011-12, the district received 50% of its 2009-10 anticipated entitlement, and in 2012-13 it received 64% of its 2009-10 entitlement. Total aid lost as a result of not fully funding the SFRA is \$9,517,291. Consequently, this amount was levied on the taxpayers of Bernards Township.

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

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

All PowerPoint presentations regarding the preparation of the 2013-14 budget can be accessed on the District website.

A portion of the 2005 bond was refunded in April 2012, yielding a savings over 20 years of approximately \$800,000. In February of 2013, the District refunded an additional \$24.38 million of 2005 bonds, with an anticipated savings over 16 years of approximately \$2.51 million. In September of 2013 the district refunded approximately \$25.79 million of 2004 bonds and expects to close the sale in mid-October 2013 with anticipated savings over 10 years of \$2.82 million.

The auditing firm of Wiss & Company completed the 2011-12 Comprehensive Annual Financial Report and was appointed to perform the audit for the 2012-2013 fiscal year.

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

The New Jersey Department of Education released its 2011-12 School Report Card in May, 2013. It calculates per pupil expenditures in several categories, including classroom instruction, support services, administration, extracurricular activities, plant operations and maintenance, and total budget. It compares a districts cost in each area to the state average for similarly configured districts. The following compares our District with the State Average for K-12 districts with enrollments greater than 3,501 students.

	Bernards Township	State Average
Classroom Instruction	\$7,461	\$8,588
Support Services	\$1,904	\$2,338
Administration	\$1,095	\$1,389
Extracurricular	\$289	\$242
Plant operations/maintenance	\$1,596	\$1,632
Total	\$12,345	\$14,189

TRANSPORTATION

District busing is administered by the Somerset County Educational Services Commission (SCESC). It is responsible for the management and daily operation of all transportation needs. This year there were 100 routes servicing all regular, special education (including extended summer period), subscription and non-public students.

During the late spring and summer of 2013 underwent a significant turnover in key staff. During that time the district has met on a recurrent basis with the SCESC team to revise and enhance the level of service provided to our district

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

During the past year representatives of Board of Education and Township Committee met to discuss alternative arrival patterns, and methods of ingress/egress at Ridge High School in an effort to resolve the traffic congestion and safety concerns surrounding morning arrival. In the interim the district continued to the practice begun in February 2012 that Ridge buses

enter the Ridge/Cedar Hill campus through the Homestead Village neighborhood, utilizing either Winding Lane or Homestead Road, and proceeding either one or two blocks up Peachtree Road, exiting students at the Cedar Hill path to the high school. This interim practice of separating the buses from the parent drop-off and student car arrivals continued to afford noticeable relief and improved traffic safety on the Ridge High Campus.

CURRICULUM

C. Curriculum

The District continued its effort to align its curriculum to New Jersey's recently adopted Common Core standards. The summer of 2012 saw many courses being rewritten and this effort continued during the summer of 2013. Of significant note is the restructuring of the middle school math program to align to the Common Core; this program change is beginning in September of 2013.

Standardized test results from 2012-2013 were very good overall with particularly outstanding results at the high in the HSPA and AP scores. NJASK scores in grades three to eight were also excellent although there are areas of concern being analyzed at this writing. During the 2012-2013 school year the Measures of Academic Progress or MAP program was also expanded to include additional testing in the elementary and middle grades in language arts and math. The goal of the MAP testing program is to find growth rates during the school year between fall and spring testing administrations. During 2012-2103 the District also funded a small pilot wrap around program to provide additional after school instruction for students who performed below proficiency on the 2012 administration of the NJASK.

Finally, new courses were developed for the high school: Media Production and AP Human Geography.

FACILITIES

The Business Administrator updated the Comprehensive Maintenance Plan incorporating the results of a Feasibility Study that was completed in 2011 by the Spiezle Architectural Group. As a result several of these combined documents several large projects were completed between June 30 2012 and September 1 2013. Significant work included:

- Major asphalt, sidewalk, and retaining walk work at Liberty Corner School
- Significant drainage improvements at William Annin and Cedar Hill Schools
- Canopy replacement with lighting replacement at Cedar Hill School
- Renovation of several classroom spaces at Cedar Hill School
- Relocation of data center to Board of Education Office
- Natural gas generator installation at Board Office
- Renovation of office space at Oak Street School

Future projects under consideration include:

- HVAC controls and Uni-ventilator replacements

- Building envelope improvements
- Food and science lab renovations at William Annin
- Security upgrades to include door access controls, security cameras, and office improvements

Finally, the District opened its doors to the Adult School of Madison, Chatham and Florham Park with positive results from the community.

In December 2011 the Feasibility Study Review and attending cost estimates were developed and presented to the public at a meeting of the Board of Education. The study conducted by the Spiezle Architectural Group considered enrollment and capacity, educational space and program, physical plant and systems, and budgets by school. The work deemed necessary was rated within four priority tiers, and totaled almost \$14M worth of repair and replacement projects. Monies were appropriated from the 2011-12 budget to address the most critical areas, notably repairs and maintenance to several of the District roofs. Some projects were completed in the summer of 2011 and others were completed in the summer of 2012, including the Liberty Corner retaining wall, and an assortment of exterior and interior renovation projects. As part of its planning to address the remaining projects the district, beginning in June 2012 and again in June 2013 has made contributions totaling \$8.7 million as of June 30, 2013 to reserves to fund these projects and has applied for \$3.16 million in state grants for these projects.

POLICY

As noted above in response to Board goals, the Board successfully adopted a completely updated policy and procedure manual in August of 2013. However, prior to that the Board addressed the issue of the school calendar as a follow up to discussion regarding Diwali that occurred during the 2011-2012 school year.

The Board and in particular the Policy Committee of the Board spent months during the 2012-2013 school year in a comprehensive effort to gauge community opinion on the topic of the school calendar. At the heart of the issue was the aforementioned concern over which holidays were recognized with school closures and also the issue of how late in June school was letting out. A survey was administered to faculty, staff, and students. Survey results were compiled and presented at Board of Education meetings. Ultimately, the survey results were used to modify the District's calendar policy and adopt a 2013 – 2104 school year calendar that was responsive to the survey findings.

HUMAN RESOURCES

During the 2012-2013 school year the district managed typical hiring by replacing staff who retired or who were non-renewed. The volume of turnover was not atypical.

Of particular note in the 2012-2013 school year were the changes that occurred in the central office administration. In 2012-2013, a year that no longer had Valerie Goger and Regina Rudolph as superintendent and assistant superintendent respectively the position of guidance

supervisor was added. The guidance supervisor was added because the position of director of curriculum and assistant superintendent in charge of personnel were combined into one position. Sean Siet assumed this position in 2012-2013. Nick Markarian assumed the position of Superintendent. An additional change occurred in 2012-2013 when the Director of Information Technology position was hybridized to include duties of an assistant business administrator – James Rollo filled this role. Rod McLaughlin replaced Nick Markarian as the District Business Administrator.

The new central office administrative structure is in its second year at the time of this writing and is currently under review to determine if a change is necessary. Of particular note are the impacts of several initiatives all being rolled out during the 2013-2014 school year and how these are being administered. The agenda includes a new system of evaluating teachers, a new system of evaluating principals, new curriculum requirements in the Common Core and a new standardized testing protocol on the horizon as PARCC replaces NJASK and HSPA in 2014-2015.

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

In October 2013 the Board of Education and the Bernards Township Educators Association ratified a settlement that included salary increases of 2.15%, 2.15% and 2.15% for the respective school years of 2013-2016. In accordance with P.L.78, members of the BTEA, which includes Teachers, Aides and Secretaries began to contribute towards the cost of their health insurance. The legislation lays out a four year phase in of contributions based upon salary and type of coverage. In most cases, in the final year of the phase-in, administrators will contribute 35% of the cost of their coverage premium.

END OF YEAR

In closing the Major Initiatives section of this letter, the District wishes to thank the community of Bernards Township for its support, and renews the commitment to provide services that are in concert with the District's philosophy:

- ❖ Education is our first priority.
- ❖ Intellectual, social, physical and emotional developments are essential to a student's education.
- ❖ Children learn in different ways; we have a responsibility to help all students maximize their potential. Students will benefit from a challenging curriculum with high standards.
- ❖ Individual student achievement is maximized by high expectations.
- ❖ Co-curricular and community service activities are important components of effective education.

- ❖ Education provides a foundation for life-long learning, critical and analytical thinking, problem solving, decision-making and respect for the individual.

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

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

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

5. BUDGETARY CONTROLS: In addition to internal controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as fund balance, assigned to other purposes at June 30, 2013.

6. ACCOUNTING SYSTEM AND REPORTS: The District's financial statements are presented in conformity with generally accepted accounting principles in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and a district-wide presentation is also included. These funds and district-wide statements are explained in "Notes to the Basic Financial Statements," Note 1.

7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public

depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. For the 2013-14 fiscal year, the District continued participation in the Blue Cross / Blue Shield Cash Management / Minimum Premium Program for its health insurance that it commenced participation in the 2010-2011 fiscal year. Through a competitive renewal process and given a solid claims history at the time of renewal the board was able to hold premium increases to only +1%.

9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants. The accounting firm of Wiss & Company, LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and 1996 Amendments and the related OMB Circular A-133 and New Jersey State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Bernards Township School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

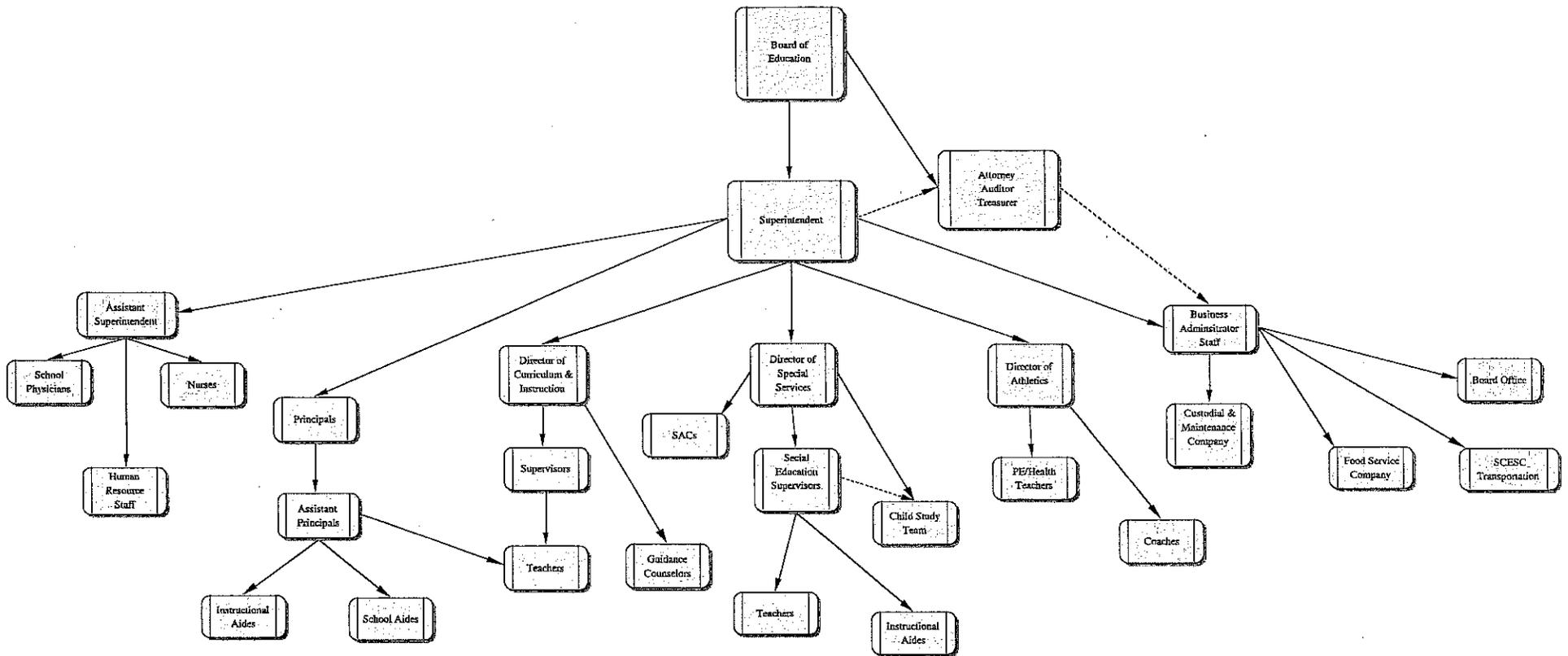


NICK MARKARIAN
SUPERINTENDENT



ROD MCLAUGHLIN
BUSINESS ADMINISTRATOR/BOARD SECRETARY

BERNARDS TOWNSHIP PUBLIC SCHOOLS
 ORGANIZATIONAL CHART
 JUNE 30, 2013



Township of Bernards Board of Education
Basking Ridge, New Jersey

Roster of Officials

June 30, 2013

Members of the Board of Education

Term

Susan McGowan, President	2011-2014
Audrey Cohen Sherwyn, Vice President	2013-2015
Michael Byrne	2010-2013
Beverly Darvin Cwerner	2013-2015
William Koch	2010-2013
Elaine Kusel	2010-2013
Robin McKeon	2013-2015
Priti Shah	2011-2014
Linda Wooldridge	2011-2014

Other Officials

Nick Markarian, Superintendent
Sean Siet, Assistant Superintendent
Roderic McLaughlin, School Business Administrator/ Board Secretary
Michael Petrizzo, Treasurer

Township of Bernards Board of Education
Basking Ridge, New Jersey

Independent Auditors and Advisors

Independent Auditors

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

Attorney

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

Official Depository

Wells Fargo
59 South Finley Avenue
Basking Ridge, NJ 07920

Financial Section



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bernards Township School District, County of Somerset, New Jersey (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, as required by the U.S. Office of Management and

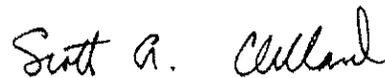
Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 22, 2013
Iselin, New Jersey

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

Township of Bernards Board of Education

Management's Discussion and Analysis Year Ended June 30, 2013 (Unaudited)

As management of the Bernards Township School District (the "District"), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the year ended June 30, 2013. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

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

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 27-28 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 29-31 of this report.

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

The basic proprietary fund financial statements can be found on pages 32-34 of this report.

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

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 35-36 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37-66 of this report.

Other information. The combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 67-84 of this report.

Financial Highlights

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,342,428 (net position) at the close of 2013 and the District's overall financial position has improved in the current year. Of this amount, the District currently has an unrestricted balance of net position in the amount of \$2,108,944.

Key financial highlights for the 2012-2013 fiscal year include the following:

- The State withheld both of the June fiscal year state aid payments until July 2013.
- The final approved extraordinary aid awarded to the District for 2012/2013 of \$2,227,710 exceeded the amount budgeted for by the District by \$527,710.
- The District transferred unrestricted funds during the year into restricted reserves for capital and maintenance of \$3,328,988 and \$1,186,061, respectively.
- The District issued \$23,745,000 of refunding bonds to provide resources to fund a portion of the District's 2004 outstanding debt of \$24,385,000.

The following table provides a summary of net position relating to the District's governmental and business-type activities as of June 30, 2013 and 2012:

Township of Bernards Board of Education
Basking Ridge, New Jersey
Net Position
June 30,

	2013			2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 18,764,925	\$1,339,416	\$ 20,104,341	\$15,580,828	\$1,199,724	\$ 16,780,552
Capital assets, net	83,537,148	88,332	83,625,480	84,448,210	98,714	84,546,924
Total assets	102,302,073	1,427,748	103,729,821	100,029,038	1,298,438	101,327,476
Current liabilities	7,791,448	479,241	8,270,689	7,167,417	299,178	7,466,595
Long-term liabilities outstanding	75,114,536	2,168	75,116,704	77,838,156	16,066	77,854,222
Total liabilities	82,905,984	481,409	83,387,393	85,005,573	315,244	85,320,817
Net position:						
Net investment in Capital Assets	5,971,475	72,266	6,043,741	4,428,832	64,559	4,493,391
Restricted	12,188,654		12,188,654	8,047,536		8,047,536
Unrestricted	1,235,960	874,073	2,110,033	2,547,097	918,635	3,465,732
Total net position	19,396,089	\$ 946,339	\$ 20,342,428	\$ 15,023,465	\$ 983,194	\$ 16,006,659

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

The balance of restricted net position consists of the excess surplus-current year of \$1,226,980, excess surplus-designated for subsequent year's expenditures of \$1,570,576, \$4,586,061 for a maintenance reserve, \$4,191,234 for a capital reserve, \$568,540 reserved for capital projects and \$45,263 is reserved for debt service. The remaining balance of net position represents an unrestricted balance of \$2,110,033.

The increase in current and other assets is mainly attributable to the increase in cash that was generated from excess revenues received and unexpended appropriations due to conservative budget management. The increase in capital assets, net is the result of current year capital asset additions exceeding current year depreciation expense. This is mainly attributed to the large scale of projects that have been completed and capitalized in the prior years. The increase in current liabilities is due to the timing of payment of year end bills to vendors which were not processed and paid until after year end. The decrease in long-term liabilities is mainly the result of the paydown and refinancing of prior year liabilities relating to school bonds and payment of compensated absences for retired employees. The increase in restricted net position is attributable to the District approving transfers of unexpended fund balances during the year into the capital reserve and maintenance reserve accounts of \$3,328,988 and \$1,186,061, respectively.

District activities. The key elements of the District's changes in net position for the years ended June 30, 2013 and 2012 are as follows:

Township of Bernards Board of Education
Basking Ridge, New Jersey
Changes in Net Position
Year ended June 30,

	2013			2012		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,426,634	\$ 3,422,396	\$ 4,849,030	\$ 1,491,437	\$ 3,527,876	\$ 5,019,313
Operating grants and contributions	2,324,645	100,101	2,424,746	1,698,237	124,916	1,823,153
Capital grants and contributions	3,226		3,226			
General revenues:						
Property taxes	81,618,245		81,618,245	80,135,119		80,135,119
Federal and State aid not restricted to specific purposes	13,446,943		13,446,943	11,210,045		11,210,045
Investment income	8,805		8,805	13,873		13,873
Miscellaneous	474,894	12,548	487,442	421,748		421,748
Total revenues	99,303,392	3,535,045	102,838,437	94,970,459	3,652,792	98,623,251
Expenses:						
Instructional services	56,516,152		56,516,152	51,490,483		51,490,483
Support services	35,046,112		35,046,112	37,321,508		37,321,508
Interest and other charges on Long term debt	3,368,504		3,368,504	3,585,293		3,585,293
Business-type activities		3,571,900	3,571,900		3,678,429	3,678,429
Total expenses	94,930,768	3,571,900	98,502,668	92,397,284	3,678,429	96,075,713
Changes in net position	4,372,624	(36,855)	4,335,769	2,573,175	(25,637)	2,547,538
Net position - beginning of year	15,023,465	983,194	16,006,659	12,450,290	1,008,831	13,459,121
Net position - end of year	\$ 19,396,089	\$ 946,339	\$ 20,342,428	\$ 15,023,465	\$ 983,194	\$ 16,006,659

The increase in governmental activities revenues of approximately \$4.3 million is mainly the result of the increase in the local tax levy of approximately \$1.5 million, increase of approximately \$0.6 million of operating grants and contributions and the increase in federal and state aid, not restricted for specific purposes of approximately \$2.2 million. The increase in revenues from operating grants and contributions is the mainly result of the additional revenue recognized in the current year for federal grant expenditures related to the IDEA grant as a result of the use of District election to reallocate the use of these funds during the current year to cover more of the District's tuition expenditures. The increase in unrestricted federal and state aid is mainly the result of approximately \$0.65 million of additional general state aid awarded as compared to the prior year and approximately \$1.5 million additional TPAF pension contributions made by the State of New Jersey on-behalf of the District during 2012/2013 than in the prior year.

The increase in instructional service expenditures is mainly the result of the District receiving increases in state aid awarded to the District, allowing the District to reinstate certain positions and programs that they were forced to eliminate in the prior years due to state budgetary cuts imposed during the previous years as well as the reallocation of prior year special education expenditures previously paid through use of operating grants and contributions into normal budget operations. The decrease in support service expenditures is mainly the result of the District's reallocation of prior year out-of-District tuition related expenditures out of budget operations and into expenses funded by operating grants and contributions.

Business-type revenues and expenses decreased from the prior year by approximately 3.2% and 2.9%, respectively and these fluctuations are minimal and current year activity is comparable to the prior year.

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The fund balance is divided into three separate components, restricted, assigned and unassigned as required by GASB.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the year ended June 30, 2013, and the increases in relation to the prior year:

Revenue	Amount	Percent of Total	Increase from 2012	Percent of Increase
Local sources	\$ 83,601,531	84.2 %	\$ 1,401,611	1.7 %
State sources	13,654,299	13.8	2,447,644	21.8
Federal sources	1,989,628	2.0	425,881	27.2
Total	<u>\$ 99,245,458</u>	<u>100.0 %</u>	<u>\$ 4,275,136</u>	<u>4.5 %</u>

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

The increase in state sources is mainly the result of approximately \$0.65 million of additional general state aid awarded in the current year and approximately \$1.5 million additional TPAF pension contributions made by the State of New Jersey on behalf of the District during 2012/2013.

The increase in federal sources is attributable the District expending various carryover federal funds in the current year relating to the federal IDEA program funds.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the year ended June 30, 2013 and the increases and decreases in relation to the prior year:

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2012</u>	<u>Percent of Increase (Decrease)</u>
Current expenditures:				
Instruction	\$ 40,149,278	41.4 %	\$ 2,640,955	7.0 %
Undistributed	49,216,931	50.7	193,043	0.4
Capital outlay	1,468,161	1.5	1,042,689	245.1
Charter School	19,750	0.0	9,985	102.3
Debt service:				
Principal	2,645,000	2.7	265,000	11.1
Interest and other charges	3,583,108	3.7	(251,211)	(6.6)
Total	<u>\$ 97,082,228</u>	<u>100.0 %</u>	<u>\$ 3,900,461</u>	<u>4.2 %</u>

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the enterprise fund revenues for the year ended June 30, 2013, and the decreases in relation to the prior year:

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>(Decrease) from 2012</u>	<u>Percent of Decrease</u>
Local sources	\$ 3,422,396	97.1%	\$ (105,480)	(3.0)%
State sources	5,841	0.2	(3,821)	(39.5)
Federal sources	94,260	2.7	(20,994)	(18.2)
Total	<u>\$ 3,522,497</u>	<u>100.0 %</u>	<u>\$ (130,295)</u>	<u>(3.6)%</u>

Local revenues are comparable to the prior year. The decrease in revenues from state and federal sources is due to a decrease in meals served from the prior year for which the District receives partial reimbursement from the state and federal government.

The following schedule presents a summary of the enterprise fund operating expenses for the year ended June 30, 2013, and the increases and decreases in relation to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2012	Percent of Increase (Decrease)
Salaries	\$ 2,324,504	65.1 %	\$ (11,945)	(0.5) %
Employee benefits	29,215	0.8	5,084	21.1
Other purchased services	194,969	5.4	(71,651)	(26.9)
Supplies and materials	130,433	3.7	(16,339)	(11.1)
Depreciation	29,630	0.8	423	1.4
Cost of sales	720,624	20.2	(23,185)	(3.1)
Management Fee	60,758	1.7	4,705	8.4
Miscellaneous expenses	81,767	2.3	6,379	8.5
Total	\$ 3,571,900	100.0 %	\$ (106,529)	(2.9) %

The decrease in other purchased services and supplies and materials is the result of several one-time expenses made during the prior year which were required in order to maintain sufficient operations that were not necessary in the current year. The remaining expenses were comparable to the prior year.

Capital Assets and Debt Administration

Capital Assets. At June 30, 2013, the District's governmental activities had capital assets of \$83,537,148 (net of accumulated depreciation), including land, construction in progress school buildings and improvements, machinery, equipment and vehicles. The District's governmental funds' capital assets, net of depreciation consisted of the following at June 30, 2013 and 2012:

	June 30	
	2013	2012
Land	\$ 5,277,400	\$ 5,277,400
Construction in progress	324,365	
Buildings and building improvements	76,866,955	77,108,519
Machinery, equipment and vehicles	1,068,428	2,062,291
Total capital assets, net	\$ 83,537,148	\$ 84,448,210

The decrease in capital assets is mainly due to the current year depreciation expense exceeding the costs of current year additions. Business-type activity capital assets, net of accumulated depreciation were \$88,332 and \$98,714 at June 30, 2013 and 2012, respectively. For more detailed information, please refer to Note 4 to the basic financial statements.

Debt Administration and Long Term Liabilities.

At June 30, 2013 and 2012, the District's governmental activity long-term liabilities consisted of:

	June 30	
	2013	2012
Bonds payable (net)	\$ 77,392,412	\$ 79,787,465
Obligations under capital leases	173,261	231,913
Compensated absences payable	318,820	463,086
Total long-term liabilities	<u>\$ 77,884,493</u>	<u>\$ 80,482,464</u>

During the 2013 fiscal year, the District issued \$23,745,000 of refunding bonds to provide resources to refund a \$24,385,000 of the Districts outstanding debt resulting in a total reduction of the Districts required debt service obligations over the next fifteen years of \$2,514,020.

Additionally, the District has business-type long term liabilities relating to a purchase agreement payable for equipment of \$16,066 and \$34,155 at June 30, 2013 and 2012, respectively.

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

General Fund Budgetary Highlights

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

- Special education instruction – Autism – an increase of \$370,199, Special education instruction – Basic Skills – an increase of \$168,243, Undistributed Instruction – Other Support Services – Related Services – an increase of \$198,671, Undistributed Instruction – Other Support Services - Extraordinary Services- an increase of \$243,513 and Undistributed Instruction – Child Study Teams – an increase of \$378,731 - are the result of additional students enrolled in the Special Education programs than were originally anticipated caused by new students entering the District and the movement of students from various other programs as well as the reallocation of various special education costs previously funded by federal grants into the general fund budget.
- School sponsored athletics – instruction – an increase of \$126,853 is the result of additional salary costs required during the current year as a result of additional coaching instruction and supervision required for larger athletic rosters and additional financial support of the middle school athletic association.
- Instruction (tuition) – a decrease of \$364,229 is the result of federal grant fund being used to cover costs of expenditures originally budgeted for in the general fund budget.

- Undistributed Expenditures – Required Maintenance for School Facilities – a decrease of \$627,590, Undistributed Expenditures – Custodial Services – a decrease of \$109,056 are the result of the reallocation of funds budgeted for in the current year and rolled over from the prior year encumbrances for roof maintenance costs that were in excess of the actual costs required to complete the updates and maintenance.
- Unallocated benefits decreased by \$534,845 mainly due to excess funds budgeted for health benefits that were no longer needed and were utilized for other appropriations.

Economic Factors and Next Year’s Budget

- The District budgeted \$2,104,714 of its 2013 fund balance to partially fund the 2013/2014 operations, a decrease of \$1,823,812 from the prior year.
- The 2013/2014 tax levy was increased in accordance with state regulations.

All of these factors were considered in preparing the District’s budget for the 2013/2014 fiscal year.

Requests for Information

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

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2013.

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Net Position
June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,117,420	\$ 1,312,415	\$ 6,429,835
Receivables, Net	4,097,792	12,599	4,110,391
Deferred Charges	373,974		373,974
Inventories		14,402	14,402
Restricted assets:			
Cash Held with Fiscal Agents	398,444		398,444
Cash and Cash Equivalents	8,777,295		8,777,295
Capital Assets, Non-Depreciable	5,601,765		5,601,765
Capital Assets, Depreciable, Net	<u>77,935,383</u>	<u>88,332</u>	<u>78,023,715</u>
Total Assets	<u>102,302,073</u>	<u>1,427,748</u>	<u>103,729,821</u>
LIABILITIES			
Accounts Payable	1,430,061	360,570	1,790,631
Accrued Liability for Insurance Claims	1,358,392		1,358,392
Accrued Interest Payable	1,427,859		1,427,859
Payable to State Government	46,616		46,616
Unearned Revenue	758,563	104,773	863,336
Noncurrent Liabilities:			
Due Within One Year	2,769,957	13,898	2,783,855
Due Beyond One Year	<u>75,114,536</u>	<u>2,168</u>	<u>75,116,704</u>
Total Liabilities	<u>82,905,984</u>	<u>481,409</u>	<u>83,387,393</u>
NET POSITION			
Net Investment in Capital Assets	5,971,475	72,266	6,043,741
Restricted For:			
Debt Service	45,263		45,263
Capital Projects	568,540		568,540
Other Purposes	11,574,851		11,574,851
Unrestricted	<u>1,235,960</u>	<u>874,073</u>	<u>2,110,033</u>
Total Net Position	<u>\$ 19,396,089</u>	<u>\$ 946,339</u>	<u>\$ 20,342,428</u>

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

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
Instruction:						
Regular	\$ 36,921,273		\$ 286,696		\$ (36,634,577)	\$ (36,634,577)
Special Education	15,643,646		1,535,797		(14,107,849)	(14,107,849)
Other Special Instruction	2,005,530				(2,005,530)	(2,005,530)
School Sponsored/Other Instructional	1,945,703				(1,945,703)	(1,945,703)
Support Services:						
Tuition	2,420,182	\$ 1,203,364			(1,216,818)	(1,216,818)
Student and Instruction Related Services	13,157,717		502,152		(12,655,565)	(12,655,565)
General Administrative Services	877,443				(877,443)	(877,443)
School Administrative Services	4,601,249				(4,601,249)	(4,601,249)
Central Administrative Services	845,125				(845,125)	(845,125)
Administrative Information Technology	800,194				(800,194)	(800,194)
Plant Operations and Maintenance	6,898,263			\$ 3,226	(6,895,037)	(6,895,037)
Pupil Transportation	5,445,939	223,270			(5,222,669)	(5,222,669)
Interest and Other Charges on Long-Term Debt	3,368,504				(3,368,504)	(3,368,504)
Total Governmental Activities	94,930,768	1,426,634	2,324,645	3,226	(91,176,263)	(91,176,263)
Business-type Activities:						
Food Service	2,069,346	2,109,131	100,101		\$ 139,886	139,886
After School Enrichment	139,716	153,863			14,147	14,147
Project Jump Start	85,069	105,189			20,120	20,120
Before and After School Care	1,277,769	1,054,213			(223,556)	(223,556)
Total Business-type Activities	3,571,900	3,422,396	100,101		(49,403)	(49,403)
Total Primary Government	\$ 98,502,668	\$ 4,849,030	\$ 2,424,746	\$ 3,226	(91,176,263)	(91,225,666)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				75,856,316		75,856,316
Property Taxes, Levied for Debt Service				5,761,929		5,761,929
State Aid Not Restricted				13,446,943		13,446,943
Interest on Investments				8,805		8,805
Miscellaneous				474,894	12,548	487,442
Total General Revenues				95,548,887	12,548	95,561,435
Changes in Net Position				4,372,624	(36,855)	4,335,769
Net Position - Beginning				15,023,465	983,194	16,006,659
Net Position - Ending				\$ 19,396,089	\$ 946,339	\$ 20,342,428

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

Fund Financial Statements

Governmental Funds

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
ASSETS					
Cash and Cash Equivalents	\$ 4,648,826		\$ 423,331	\$ 45,263	\$ 5,117,420
Intergovernmental Receivable - State	2,430,190	\$ 3,074	145,209		2,578,473
Intergovernmental Receivable - Federal		1,397,599			1,397,599
Intergovernmental Receivable - Local	83,886	2,101			85,987
Interfund Receivable	443,810				443,810
Other Accounts Receivable	35,733				35,733
Restricted assets:					
Restricted Cash	8,777,295				8,777,295
Cash Held With Fiscal Agents	398,444				398,444
Total Assets	\$ 16,818,184	\$ 1,402,774	\$ 568,540	\$ 45,263	\$ 18,834,761
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 1,129,844	\$ 300,217			\$ 1,430,061
Accrued Liability for Insurance Claims	1,358,392				1,358,392
Interfund Payable		443,810			443,810
Payable to State Government		46,616			46,616
Unearned Revenue	146,432	612,131			758,563
Total Liabilities	2,634,668	1,402,774			4,037,442
Fund Balances:					
Restricted for:					
Excess Surplus - Current Year	1,226,980				1,226,980
Excess Surplus - Designated for Subsequent Year's Expenditures	1,570,576				1,570,576
Capital Reserve	4,191,234				4,191,234
Maintenance Reserve	4,586,061				4,586,061
Capital Projects			\$ 568,540		568,540
Debt Service				\$ 45,263	45,263
Assigned to:					
Designated for Subsequent Year's Expenditures	534,138				534,138
Other Purposes	160,904				160,904
Unassigned Reported In:					
General Fund	1,913,623				1,913,623
Total Fund Balances	14,183,516	-	568,540	45,263	14,797,319
Total Liabilities and Fund Balances	\$ 16,818,184	\$ 1,402,774	\$ 568,540	\$ 45,263	

Amounts reported for *governmental activities* in the Statement of Net Position (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 capital assets is \$116,411,775 and the accumulated depreciation is \$32,874,627 (See Note 4).	83,537,148
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(1,427,859)
Unamortized portion of debt issuance costs is not reported as an asset in the funds.	373,974
Long-term liabilities, including bonds payable and related unamortized premiums, and deferred interest costs, capital leases, and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5).	(77,884,493)
Net Position of Governmental Activities	\$ 19,396,089

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
REVENUES					
Local Sources:					
Local Tax Levy	\$ 75,856,316			\$ 5,761,929	\$ 81,618,245
Tuition from Other LEA's	1,167,864				1,167,864
Tuition from Other Sources	35,500				35,500
Transportation Fees from Individuals	223,270				223,270
Interest Revenue	8,551		\$ 254		8,805
Miscellaneous	420,440	\$ 127,661			548,101
Total - Local Sources	77,711,941	127,661	254	5,761,929	83,601,785
State Sources	13,113,144	207,356	3,226	333,799	13,657,525
Federal Sources		1,989,628			1,989,628
Total Revenues	90,825,085	2,324,645	3,480	6,095,728	99,248,938
EXPENDITURES					
Current:					
Regular Instruction	25,530,861	286,696			25,817,557
Special Education Instruction	9,938,174	1,535,797			11,473,971
Other Special Instruction	1,364,300				1,364,300
School Sponsored Instruction	1,493,450				1,493,450
Support Services and Undistributed Costs:					
Tuition	2,400,432				2,400,432
Student and Instruction Related Services	9,830,625	265,814			10,096,439
General Administrative Services	750,997				750,997
School Administrative Services	3,300,578				3,300,578
Central Administrative Services	632,848				632,848
Administrative Information Technology	606,420				606,420
Plant Operations and Required Maintenance	6,536,556				6,536,556
Pupil Transportation	5,262,726				5,262,726
Unallocated Benefits	11,807,022				11,807,022
On-behalf TPAF FICA and Pension	7,822,913				7,822,913
Debt Service:					
Principal				2,645,000	2,645,000
Interest				3,406,864	3,406,864
Cost of Issuance				176,244	176,244
Charter School	19,750				19,750
Capital Outlay	1,231,823	236,338			1,468,161
Total Expenditures	88,529,475	2,324,645	-	6,228,108	97,082,228
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,295,610	-	3,480	(132,380)	2,166,710
OTHER FINANCING SOURCES (USES)					
Payment to Refunded Bond Escrow Agent				(26,930,622)	(26,930,622)
Refunding Bonds Issued				23,745,000	23,745,000
Premium on Bond Refunding				3,361,866	3,361,866
Insurance Proceeds	54,454				54,454
Transfers In	254				254
Transfers Out			(254)		(254)
Total Other Financing Sources (Uses)	54,708	-	(254)	176,244	230,698
Net Change in Fund Balances	2,350,318	-	3,226	43,864	2,397,408
Fund Balance - July 1	11,833,198	-	565,314	1,399	12,399,911
Fund Balance - June 30	<u>\$ 14,183,516</u>	<u>\$ -</u>	<u>\$ 568,540</u>	<u>\$ 45,263</u>	<u>\$ 14,797,319</u>

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

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2013

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ 2,397,408

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

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

Depreciation Expense	\$ (2,342,367)	
Capital Asset Additions	<u>1,431,305</u>	(911,062)

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

Refunding Bonds Issued	(23,745,000)	
Bonds refunded	<u>24,385,000</u>	640,000

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

Serial Bonds Payable	2,645,000	
Obligations Under Capital Leases	<u>58,652</u>	2,703,652

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

Premium on Bond Issuance	(3,361,866)	
Amortization of Premium on Bonds	99,318	
Deferred Interest Costs on Bond Refunding	2,545,622	
Amortization of Deferred Interest Costs	(173,021)	
Payment of Bond Issuance Costs	176,244	
Amortization of Bond Issuance Costs	<u>(16,730)</u>	(730,433)

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.

128,793

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

144,266

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

\$ 4,372,624

Proprietary Funds

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Net Position
Proprietary Funds
June 30, 2013

	Major Funds				Totals
	Business-type Activities - Enterprise Funds				
	Food Service	After School Enrichment	Project Jump Start	Before and After School Care	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 818,633	\$ 21,016	\$256,548	\$216,218	\$ 1,312,415
Intergovernmental Accounts Receivable:					
Federal	6,727				6,727
State	617				617
Other Accounts Receivable				5,255	5,255
Inventories	14,402				14,402
Total Current Assets	840,379	21,016	256,548	221,473	1,339,416
Noncurrent Assets:					
Furniture, Machinery and Equipment	280,762				280,762
Less Accumulated Depreciation	(192,430)				(192,430)
Total Noncurrent Assets	88,332	-	-	-	88,332
Total Assets	928,711	21,016	256,548	221,473	1,427,748
LIABILITIES					
Current Liabilities:					
Accounts Payable	200,433	336		159,801	360,570
Unearned Revenue	93		104,680		104,773
Purchase Agreement Payable	13,898				13,898
Total Current Liabilities	214,424	336	104,680	159,801	479,241
Noncurrent Liabilities:					
Purchase Agreement Payable	2,168				2,168
Total Noncurrent Liabilities	2,168				2,168
Total Liabilities	216,592	336	104,680	159,801	481,409
NET POSITION					
Net Investment in Capital Assets	72,266				72,266
Unrestricted	639,853	20,680	151,868	61,672	874,073
Total Net Position	\$ 712,119	\$ 20,680	\$151,868	\$ 61,672	\$ 946,339

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	Major Funds				Totals
	Business-type Activities - Enterprise Funds				
	Food Service	After School Enrichment	Project Jump Start	Before and After School Care	
Operating Revenues:					
Charges for Services:					
Daily Sales - Reimbursable Programs	\$2,109,131				\$2,109,131
Tuition and fees		\$ 153,863	\$ 105,189	\$ 1,054,213	1,313,265
Total Operating Revenues	2,109,131	153,863	105,189	1,054,213	3,422,396
Operating Expenses:					
Salaries	908,299	134,836	68,280	1,218,089	2,324,504
Employee Benefits	29,215				29,215
Other Purchased Services	194,969				194,969
Supplies and Materials	65,016	4,880	6,600	53,937	130,433
Depreciation	29,630				29,630
Cost of Sales	720,624				720,624
Management Fee	60,758				60,758
Miscellaneous	60,835		15,189	5,743	81,767
Total Operating Expenses	2,069,346	139,716	85,069	1,277,769	3,571,900
Operating Income (Loss)	39,785	14,147	20,120	(223,556)	(149,504)
Nonoperating Revenues:					
State Sources:					
State School Lunch Program	5,841				5,841
Federal Sources:					
National School Lunch Program	63,696				63,696
Food Donation Program	30,564				30,564
Other nonoperating revenue	12,548				12,548
Total Nonoperating Revenues	112,649	-	-	-	112,649
Change in Net Position	152,434	14,147	20,120	(223,556)	(36,855)
Total Net Position - Beginning	559,685	6,533	131,748	285,228	983,194
Total Net Position - Ending	\$ 712,119	\$ 20,680	\$ 151,868	\$ 61,672	\$ 946,339

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Major Funds				Totals
	Business-type Activities - Enterprise Funds				
	Food Service	After School Enrichment	Project Jump Start	Before and After School Care	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 2,109,131	\$ 153,863	\$ 116,540	\$ 1,048,958	\$ 3,428,492
Payments to employees	(908,299)	(134,836)	(63,280)	(1,058,588)	(2,165,003)
Payments for employee benefits	(29,215)				(29,215)
Payments to suppliers	(1,088,370)	(5,684)	(21,789)	(63,089)	(1,178,932)
Net cash provided by (used for) operating activities	<u>83,247</u>	<u>13,343</u>	<u>31,471</u>	<u>(72,719)</u>	<u>55,342</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Cash received from state and federal reimbursements	80,998				80,998
Receipts from food donation program	30,657				30,657
Receipts from other purposes	12,548				12,548
Net cash provided by non-capital financing activities	<u>124,203</u>				<u>124,203</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payment of purchase agreement payable	(18,089)				(18,089)
Purchases of capital assets	(19,248)				(19,248)
Net cash (used for) capital and related financing activities	<u>(37,337)</u>				<u>(37,337)</u>
Net increase (decrease) in cash and cash equivalents	170,113	13,343	31,471	(72,719)	142,208
Cash and cash equivalents, beginning of year	648,520	7,673	225,077	288,937	1,170,207
Cash and cash equivalents, end of year	<u>\$ 818,633</u>	<u>\$ 21,016</u>	<u>\$ 256,548</u>	<u>\$ 216,218</u>	<u>\$ 1,312,415</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 39,785	\$ 14,147	\$ 20,120	\$ (223,556)	\$ (149,504)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	29,630				29,630
(Increase) in other accounts receivable				(5,255)	(5,255)
(Increase) in inventories	(3,690)				(3,690)
Increase in unearned revenue			11,351		11,351
Increase (decrease) in accounts payable	17,522	(804)		156,092	172,810
Net cash provided by (used for) operating activities	<u>\$ 83,247</u>	<u>\$ 13,343</u>	<u>\$ 31,471</u>	<u>\$ (72,719)</u>	<u>\$ 55,342</u>

Noncash noncapital financing activities:

The District received \$30,657 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2013.

Fiduciary Funds

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	\$ 353,864	\$ 783	\$ 750,941
Interfunds Receivable	24,685		
Total Current Assets	378,549	783	\$ 750,941
LIABILITIES			
Accounts Payable	\$ 1,369		
Interfunds Payable			\$ 24,685
Due to Student Groups			687,418
Payroll Deductions and Withholdings Payable			38,838
Total Liabilities	1,369	-	\$ 750,941
NET POSITION			
Held in Trust for Unemployment Claims	\$ 377,180		
Held in Trust for Scholarship Awards		\$ 783	

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS		
Contributions:		
Plan Members	\$ 76,410	
Donations		\$ 87
Total Additions	<u>76,410</u>	<u>87</u>
DEDUCTIONS		
Payment of Unemployment Claims	99,785	
Payment of Scholarship Awards and Other Expenses		<u>1,541</u>
Total Deductions	<u>99,785</u>	<u>1,541</u>
Change in Net Position	(23,375)	(1,454)
Net Position - Beginning of the Year	<u>400,555</u>	<u>2,237</u>
Net Position - End of the Year	<u><u>\$ 377,180</u></u>	<u><u>\$ 783</u></u>

Township of Bernards Board of Education

Notes to the Basic Financial Statements

Year ended June 30, 2013

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

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

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

The District has reported the following major governmental funds:

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

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

Capital Projects Fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to an expenditure for capital outlays, including the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds and state aid that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund: The debt service fund accounts for and reports financial resources that are restricted, committed, or assigned to an expenditure for the principal and interest on long-term general obligation debt of governmental funds.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

The District reports the following major proprietary fund:

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

The District's Enterprise Funds are comprised of the Food Service Fund, After School Enrichment Program, Project Jump Start and Before and After School Care.

Additionally, the District reports the following fiduciary fund types:

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

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

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

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

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

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable."

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

D. Budgets/Budgetary Control

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

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

E. Interfund Receivables/Payables

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

F. Inventories

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. At June 30, 2013, the District had inventories in the Food Service Enterprise Fund of \$14,402, of which, the portion of unused Food Donation Program commodities in the amount of \$93 is reported as unearned revenue.

G. Tuition

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined. Tuition charges for the 2012-2013 fiscal year were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined. The District does not anticipate a significant change based on these estimates.

H. Capital Assets

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

H. Capital Assets (Continued)

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

H. Capital Assets (Continued)

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

Food Service Enterprise Fund:	
Equipment	10-12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

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

I. Compensated Absences

A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The District uses the "vesting method" for estimating its accrued sick and vacation leave liability.

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

Under terms of association agreements, employees earn vacation and sick leave in amounts varying with tenure and classification. The liability for vested compensated absences of the District is recorded in the Government-wide financial statements and includes salary related payments.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2013, a liability existed for compensated absences in the Government-wide financial statements in the amount of \$318,820 and there was no liability for compensated absences in the enterprise funds.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

J. Unearned Revenue

Unearned revenue in the general fund represents subscription busing fees received in advance. Unearned revenue in the special revenue fund represents cash, which has been received but not yet earned and outstanding encumbrances. Unearned revenue in the food service enterprise fund represents the value of unused U.S.D.A. commodities.

K. Long-Term Obligations

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

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

The District's management does not anticipate any arbitrage rebate liability at June 30, 2013.

L. Fund Balances

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

L. Fund Balances (continued)

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

L. Fund Balances (continued)

Of the \$14,183,516 of fund balances in the General Fund at June 30, 2013, \$160,904 of encumbrances is assigned to other purposes, \$1,226,980 has been restricted for excess surplus-current year, \$1,570,576 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$4,191,234 has been restricted for the capital reserve, \$4,586,061 has been restricted for the maintenance reserve, \$534,138 has been classified as assigned fund balance designated for subsequent years expenditures and \$1,913,623 is classified as unassigned.

M. Net Position

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred inflows, deferred outflows and liabilities in the Government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the Government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

N. Management Estimates

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

O. On-Behalf Payments

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

1. Summary of Significant Accounting Policies (continued)

P. Calculation of Excess Surplus

The designation for restricted fund balance - excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2013 was \$2,797,556. Of this amount, \$1,570,576 has been appropriated in the 2013/14 budget and the remaining \$1,226,980 will be appropriated in the 2014/15 budget.

Q. Implementation of GASB No. 65

In March, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The District has not completed the process of evaluating the impact that will result from adopting GASB No. 65.

R. Reclassifications

Certain capital assets and related accumulated depreciation values reported in the prior year have been reclassified between building and building improvements and machinery and equipment. The reclassification has no impact on overall net position.

S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2013 and November 22, 2013, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure, other than the September 2013 refunding bond issue disclosed in footnote 5.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

2. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable and related deferred interest costs and un-amortized premiums, capital leases and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$77,884,493 difference are as follows:

Bonds payable	\$ 78,170,000
Unamortized deferred interest costs	(4,147,510)
Unamortized premium on bonds	3,369,922
Capital leases payable	173,261
Compensated absences payable	<u>318,820</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 77,884,493</u>

3. Deposits and Investments

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

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Deposits

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

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

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

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

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

At June 30, 2013, the carrying amount of the District's deposits for all funds was \$16,312,718 and the bank balance was \$17,979,092. Of the bank balances, \$500,000 of the District's cash deposits on June 30, 2013 were secured by federal depository insurance and \$17,479,092 was covered by GUDPA. In addition, there is cash held with CIGNA for health insurance claims in the amount of \$398,444, which is classified as cash held by fiscal agents.

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

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

Investments

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

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

3. Deposits and Investments (continued)

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

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2013, the District had no investments.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The District did not have any funds held as investments during the year ended June 30, 2013.

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2013:

	Beginning Balance	Increases	Ending Balance
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 5,277,400		\$ 5,277,400
Construction in progress	-	\$ 324,365	324,365
Total capital assets, not being depreciated	<u>5,277,400</u>	<u>324,365</u>	<u>5,601,765</u>
Capital assets, being depreciated:			
Buildings and building improvements	103,863,594	1,037,699	104,901,293
Machinery, equipment and vehicles	<u>5,839,476</u>	<u>69,241</u>	<u>5,908,717</u>
Total capital assets, being depreciated	<u>109,703,070</u>	<u>1,106,940</u>	<u>110,810,010</u>
Less accumulated depreciation for:			
Buildings and building improvements	(25,968,654)	(2,065,684)	(28,034,338)
Machinery, equipment and vehicles	<u>(4,563,606)</u>	<u>(276,683)</u>	<u>(4,840,289)</u>
Total accumulated depreciation	<u>(30,532,260)</u>	<u>(2,342,367)</u>	<u>(32,874,627)</u>
Total capital assets, being depreciated, net	<u>79,170,810</u>	<u>(1,235,427)</u>	<u>77,935,383</u>
Governmental activities capital assets, net	<u>\$84,448,210</u>	<u>\$ (911,062)</u>	<u>\$83,537,148</u>

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

4. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the District for the year ended June 30, 2013 as follows:

Instruction:			
Regular		\$	898,700
Special education			399,448
Other special instruction			47,496
School sponsored/ other instructional			51,992
Support Services:			
Student and instruction related services			351,478
General administrative services			26,145
School administrative services			114,904
Central administrative services			22,032
Administrative information technology			21,112
Plant operations and maintenance			225,847
Pupil transportation			183,213
Total		\$	<u>2,342,367</u>

The following schedule is a summarization of the business-type changes in capital assets for the year ended June 30, 2013:

Business-type activities:	Beginning Balance	Additions	Ending Balance
Capital assets, being depreciation:			
Machinery and equipment	\$ 261,514	\$ 19,248	\$ 280,762
Less accumulated depreciation for:			
Machinery and equipment	(162,800)	(29,630)	(192,430)
Total business-type activities capital assets, net	<u>\$ 98,714</u>	<u>(\$10,382)</u>	<u>\$ 88,332</u>

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

5. Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
School bonds	\$ 81,455,000	\$ 23,745,000	\$ (27,030,000)	\$ 78,170,000	\$ 2,735,000
Unamortized premium on bonds	107,374	3,361,866	(99,318)	3,369,922	230,057
Unamortized deferred interest costs	(1,774,909)	(2,545,622)	173,021	(4,147,510)	(272,017)
Obligations under capital leases	231,913	-	(58,652)	173,261	61,990
Compensated absences payable	463,086	41,051	(185,317)	318,820	14,927
Total governmental activity long-term liabilities	\$ 80,482,464	\$ 24,602,295	\$ (27,200,266)	\$ 77,884,493	\$ 2,769,957
Business-Type Activities					
Purchase agreement payable	\$ 34,155	\$ -	\$ (18,089)	\$ 16,066	\$ 13,898
Total Business-Type activity long-term liabilities	\$ 34,155	\$ -	\$ (18,089)	\$ 16,066	\$ 13,898

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

Bonds Payable

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

Year ending June 30,	Principal	Interest	Total
2014	\$ 2,735,000	\$ 3,124,670	\$ 5,859,670
2015	2,790,000	3,100,641	5,890,641
2016	2,920,000	2,966,591	5,886,591
2017	3,050,000	2,825,966	5,875,966
2018	3,195,000	2,677,716	5,872,716
2019 - 2023	18,315,000	11,082,809	29,397,809
2024 - 2028	26,320,000	6,216,420	32,536,420
2029 - 2031	18,845,000	1,164,147	20,009,147
	\$ 78,170,000	\$ 33,158,960	\$ 111,328,960

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

5. Long-Term Liabilities (continued)

In December 2006, the District issued \$10,000,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. As of June 30, 2013, \$9,273,000 of defeased debt remains outstanding.

In April 2012, the District issued \$9,700,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. As of June 30, 2013, \$8,440,000 of defeased debt remains outstanding.

In February 2013, the District issued \$23,745,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. As a result, \$24,385,000 of refunded bonds are considered defeased and the liability has been removed from the basic financial statements. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by \$2,514,020 and resulted in a net present value savings of \$2,074,731. As of June 30, 2013, \$24,385,000 of defeased debt remains outstanding. The difference between the re-acquisition price of the defeased debt of \$26,930,622 and the net carrying value amount of the old bonds of \$24,385,000 is being amortized over the remaining life of the defeased debt.

In September 2013, the District issued \$23,920,000 of refunding bonds to provide resources to refund a portion of the District's outstanding debt. This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$2,822,675 and resulted in a net present value savings of \$2,553,455.

Capital Leases Payable

The District is leasing several copiers totaling \$305,669 under capital leases. The following is a schedule of the future minimum lease payments under these capital leases and the net minimum lease payments at June 30, 2013:

Year ending June 30,	Principal	Interest	Total
2014	\$ 61,990	\$ 6,993	\$ 68,983
2015	65,502	3,808	69,310
2016	29,378	1,253	30,631
2017	16,391	293	16,684
Total	<u>\$ 173,261</u>	<u>\$ 12,347</u>	<u>\$ 185,608</u>

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

5. Long-Term Liabilities (continued)

Assets capitalized through capital leases at June 30, 2013 are as follows:

Machinery, equipment and vehicles	\$ 305,669
Less accumulated depreciation	<u>(154,689)</u>
Total	<u>\$ 150,980</u>

Purchase Agreement Payable – Enterprise Fund

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Payments</u>
2014	\$ 13,898
2015	<u>2,168</u>
Total	<u>\$ 16,066</u>

6. Pension Plans

Description of Systems

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively, with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be $1/60^{\text{th}}$ of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be $1/55^{\text{th}}$ of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be $1/60^{\text{th}}$ of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2013, the State of New Jersey contributed \$4,991,202 to the TPAF for on-behalf medical and pension contributions on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$2,831,711 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the Government-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2013, 2012 and 2011 were \$793,924, \$836,157 and \$767,682, respectively, equal to the required contributions for each year.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

Post-Retirement Benefits

Plan Description

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

Funding Policy

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, 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, 2012, there were 97,661 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 \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

6. Pension Plans (continued)

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2013, 2012 and 2011 were \$2,648,737, \$2,295,615, and \$2,357,992 respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

7. Interfund Receivables and Payables

The total interfund accounts receivable and payable balances for the District amounted to the following as of June 30, 2013:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 443,810	
Special Revenue Fund		\$ 443,810
Payroll Agency Fund		24,685
Unemployment Compensation Trust Fund	24,685	
	\$ 468,495	\$ 468,495

The interfund between the General Fund and the Special Revenue Fund represents a payable from the Special Revenue Fund to the General Fund to cover a potential cash deficit. The interfund between the Payroll Agency Fund and the Unemployment Compensation Trust Fund represents employee deductions withheld for unemployment during the second Quarter 2013 that were not transferred over to the Unemployment Compensation Trust Fund before year end. All interfunds are expected to be liquidated within one year.

8. Economic Dependency

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

9. Contingent Liabilities

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

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2013 may be impaired. In addition, the District is receiving funding from the New Jersey Schools Development Authority (NJSDA), in connection with its capital projects. The costs associated with the funding received from the NJSDA are subject to final review of eligible costs and compliance by the New Jersey Department of Education and the NJSDA. To the extent that the District has not complied with the rules and regulations governing the NJSDA funds or has not met the final eligible requirements, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2013 may be impaired.

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

10. Capital Reserve Account

A capital reserve account was established by the Township of Bernards Board of Education by inclusion of \$1 on September 25, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

10. Capital Reserve Account (continued)

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 (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g) the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning balance, July 1, 2012	\$ 862,246
Deposits:	
Approved by Resolution at the June 24, 2013 meeting	<u>3,328,988</u>
Ending balance, June 30, 2013	<u>\$ 4,191,234</u>

The June 30, 2013 LRFP balance of local support costs of uncompleted capital projects exceeded the amount in capital reserve.

11. Maintenance Reserve Account

On June 20, 2011, the District elected to establish a reserve to be used to accumulate funds for the required maintenance of a facility, and in accordance with N.J.S.A. 18A:7G-9, as amended by P.L. 2004, c. 73 (S1701), passed a board resolution authorizing the establishment of a maintenance reserve account in the District's General Fund. As allowed by N.J.S.A. 18A:F-41 and N.J.A.C. 6A:23A-14.3 the District can pass a board resolution to deposit funds into a maintenance reserve account between June 1 and June 30 of each budget year. During the 2013, fiscal year the District elected to transfer unexpended line item appropriations of \$1,186,061 in the maintenance reserve increasing the balance of the reserve to \$4,586,061 at June 30, 2013.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

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 and does not retain risk of loss. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverages over the past three years. A complete schedule of insurance coverage can be found in the statistical section of this report.

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

Health Insurance

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

This activity is reported in the General Fund and includes an accrual for health insurance claims incurred but not reported in the amount of \$1,358,392 at June 30, 2013. This represents the amount estimated by categorizing the various claims and reviewing past history primarily on actual claims during the previous fiscal years, for which information was available and supplemental information with respect to certain other individual claims and proceedings. The stated liability is the District's best estimate based on currently known information and application of the foregoing procedures and management believes that funded amount is adequate to cover this liability at June 30, 2013.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

12. Risk Management (continued)

Changes in the funds incurred but not reported claims liability amount for health insurance for the years ended June 30, 2013, 2012 and 2011 were:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments / Reductions	Balance at End of Year
2012-13	\$ 1,161,429	\$ 9,307,448	\$ 9,110,485	\$ 1,358,392
2011-12	1,561,424	9,723,883	10,123,878	1,161,429
2010-11	-	9,841,680	8,280,256	1,561,424

13. Transfers -- Reconciliation

The following represents a reconciliation of transfers made during the 2013 fiscal year:

	In	Out
General Fund	\$ 254	
Capital Projects Fund		\$ 254
	<u>\$ 254</u>	<u>\$ 254</u>

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

14. Deferred Compensation

The Board offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by Lincoln Investment Planning, VALIC, Thomas Seely Agency, Security First Group and the Equitable, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. Since the District does not hold the assets in a trustee capacity, the related assets are not included in the District's fiduciary fund financial statements.

15. Commitments

The District has contractual commitments at June 30, 2013 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$160,904.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2013

16. Deferred Charges

The deferred charges recorded in the Government-wide statement of net position represents debt issuance costs that are being amortized using the straight line method over the life of the related bonds. The unamortized costs associated with the issues of the various bonds amounts to \$373,974 at June 30, 2013. As a result of the bond refunding during the 2013 fiscal year, the District incurred current year issuance costs of \$176,244. The amortization expense for the year ended June 30, 2013 amounted to \$16,730. In governmental funds, debt issuance costs are expended in the current period.

Required Supplementary Information – Part II

Budgetary Comparison Schedules

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
General Fund
Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Revenues					
Local Sources					
Local Tax Levy	\$ 75,856,316		\$ 75,856,316	\$ 75,856,316	
Tuition from other LEA's	1,068,086		1,068,086	1,167,864	\$ 99,778
Tuition from Individuals				35,500	35,500
Transportation Fees from Individuals	230,000		230,000	223,270	(6,730)
Interest Revenue				8,551	8,551
Miscellaneous	280,034		280,034	420,440	140,406
Total - Local Sources	77,434,436		77,434,436	77,711,941	277,505
State Sources					
Special Education Aid	2,621,603		2,621,603	2,621,603	
Extraordinary Aid	1,700,000		1,700,000	2,227,710	527,710
Security Aid	85,173		85,173	85,173	
Transportation Aid	350,690		350,690	350,690	
Additional Nonpublic Transportation Aid				64,332	64,332
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				4,991,202	4,991,202
TPAF Social Security (Reimbursed - Non-Budgeted)				2,831,711	2,831,711
Total - State Sources	4,757,466		4,757,466	13,172,421	8,414,955
Total Revenues	82,191,902		82,191,902	90,884,362	8,692,460
Expenditures					
Current Expenditures					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	52,065	\$ 2,920	54,985	54,985	
Kindergarten	1,100,560	(84,642)	1,015,918	1,015,914	4
Grades 1-5	7,798,582	111,787	7,910,369	7,908,767	1,602
Grades 6-8	6,468,016	53,137	6,521,153	6,520,799	354
Grades 9-12	7,805,031	57,230	7,862,261	7,861,870	391
Home Instruction					
Salaries of Teachers	53,040	647	53,687	53,687	
Purchased Professional-Educational Services	28,748		28,748	9,599	19,149
Undistributed Instruction					
Other Salaries for Instruction	26,301	(26,301)			
Purchased Professional-Educational Services	25,270	(16,000)	9,270	1,288	7,982
Other Purchased Services	239,261	16,000	255,261	185,479	69,782
General Supplies	1,660,679	(87,762)	1,572,917	1,405,703	167,214
Textbooks	600,054	(48,443)	551,611	512,770	38,841
Total Regular Programs - Instruction	25,857,607	(21,427)	25,836,180	25,530,861	305,319
Special Education					
Cognitive - Moderate					
Salaries of Teachers	259,697	5,199	264,896	264,896	
Other Salaries for Instruction	276,824	(21,080)	255,744	255,744	
General Supplies	11,215	2,600	13,815	13,800	15
Textbooks	4,000	(1,600)	2,400	1,191	1,209
Total Cognitive - Moderate	551,736	(14,881)	536,855	535,631	1,224
Learning and/or Language Disabilities					
Salaries of Teachers	485,730	6,273	492,003	492,003	
Other Salaries for Instruction	530,508	25,938	556,446	556,446	
General Supplies	11,000	(3,000)	8,000	7,873	127
Textbooks	1,500	(728)	772	772	
Total Learning and/or Language Disabilities	1,028,738	28,483	1,057,221	1,057,094	127
Resource Room/Resource Center					
Salaries of Teachers	4,095,975	(18,262)	4,077,713	4,077,713	
Other Salaries for Instruction	219,314	(20,639)	198,675	198,675	
General Supplies	27,247	161,126	188,373	179,363	9,010
Total Resource Room/Resource Center	4,342,536	122,225	4,464,761	4,455,751	9,010

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
General Fund
Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Expenditures (continued)					
Current Expenditures (continued)					
Autism					
Salaries of Teachers	\$ 791,368	\$ 203,864	\$ 995,232	\$ 995,232	\$ 9
Other Salaries for Instruction	2,453,424	166,052	2,619,476	2,619,467	1,100
General Supplies	21,600	(182)	21,418	20,318	465
Other Transportation Costs		465	465		
Total Autism	3,266,392	370,199	3,636,591	3,635,017	1,574
Preschool Disabilities-Part-Time					
Salaries of Teachers	107,770	5,558	113,328	113,328	
Other Salaries for Instruction	111,089	15,682	126,771	126,771	
General Supplies	5,000	100	5,100	5,100	
Total Preschool Disabilities-Part-Time	223,859	21,340	245,199	245,199	
Preschool Disabilities-Full-Time					
Salaries of Teachers	66,198	(66,198)			
General Supplies	9,000	628	9,628	9,482	146
Total Preschool Disabilities-Full-Time	75,198	(65,570)	9,628	9,482	146
Total Special Education - Instruction	9,488,459	461,796	9,950,255	9,938,174	12,081
Basic Skills/Remedial - Instruction					
Salaries of Teachers	546,897	168,243	715,140	715,140	
Total Basic Skills/Remedial - Instruction	546,897	168,243	715,140	715,140	
Bilingual Education - Instruction					
Salaries of Teachers	163,015		163,015	163,015	
Other Purchased Services	500		500	328	172
General Supplies	500		500	125	375
Total Bilingual Education - Instruction	164,015		164,015	163,468	547
School-Sponsored Cocurricular Activities - Instruction					
Salaries	280,000	40,398	320,398	320,398	
Supplies and Materials	37,849		37,849	31,862	5,987
Other Objects	1,000	40	1,040	40	1,000
Total School-Sponsored Cocurricular Activities - Instruction	318,849	40,438	359,287	352,300	6,987
School-Sponsored Athletics - Instruction					
Salaries	701,400	126,853	828,253	828,253	
Purchased Services	74,950		74,950	39,077	35,873
Supplies and Materials	140,200		140,200	123,658	16,542
Other Objects	61,800		61,800	36,077	25,723
Transfers to Cover Deficit (Agency Funds)	181,820		181,820	114,085	67,735
Total School-Sponsored Athletics - Instruction	1,160,170	126,853	1,287,023	1,141,150	145,873
Other Supplemental / At-Risk Programs - Instruction					
Salaries of Reading Specialists	574,091	(88,399)	485,692	485,692	
Total Other Supplemental / At Risk Programs - Instruction	574,091	(88,399)	485,692	485,692	
Total Instruction	38,110,088	687,504	38,797,592	38,326,785	470,807
Undistributed Expenditures - Instruction					
Instruction:					
Tuition To Other LEAs Within the State - Regular	28,750	(19,750)	9,000	7,295	1,705
Tuition To Other LEAs Within the State - Special	784,713	278,238	1,062,951	327,321	735,630
Tuition To Private Schools for the Disabled Within State	2,487,071	(657,874)	1,829,197	1,688,901	140,296
Tuition To Private Schools for the Disabled and Other LEAs	341,758	35,157	376,915	376,915	
Total Undistributed Instruction	3,642,292	(364,229)	3,278,063	2,400,432	877,631
Health Services:					
Salaries	621,290	(4,928)	616,362	616,122	240
Purchased Professional and Technical Services	15,500	(7,025)	8,475	5,939	2,536
Other Purchased Services	2,500		2,500	1,815	685
Supplies and Materials	20,525		20,525	19,412	1,113
Total Health Services	659,815	(11,953)	647,862	643,288	4,574
Other Support Services Students - Related Services					
Salaries	938,685	53,602	992,287	992,287	
Purchased Professional-Educational Services	94,450	143,869	238,319	233,028	5,291
Supplies and Materials	5,050	1,200	6,250	6,174	76
Total Other Support Services Students - Related Services	1,038,185	198,671	1,236,856	1,231,489	5,367

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
General Fund
Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Expenditures (continued)					
Current Expenditures (continued):					
Undistributed Expenditures (continued):					
Other Support Services Students - Extra Services					
Salaries	\$ 546,389	\$ 77,483	\$ 623,872	\$ 623,872	
Purchased Professional-Educational Services	70,400	(12,596)	57,804	47,411	\$ 10,393
Other Purchased Services		177,954	177,954	142,655	35,299
Supplies and Materials	4,000	672	4,672	4,240	432
Total Other Support Services Students - Extra Services	620,789	243,513	864,302	818,178	46,124
Guidance					
Salaries of Other Professional Staff	1,580,274	(120,473)	1,459,801	1,459,761	40
Salaries of Secretarial and Clerical Assistants	427,951	46,204	474,155	474,155	
Purchased Professional-Educational Services	13,385	25,000	38,385	35,801	2,584
Other Purchased Prof. and Tech. Services	127,350	1,100	128,450	127,886	564
Other Purchased Services	1,000		1,000	660	340
Supplies and Materials	9,655	(1,100)	8,555	6,951	1,604
Other Objects	210		210	190	20
Total Guidance	2,159,825	(49,269)	2,110,556	2,105,404	5,152
Child Study Teams					
Salaries of Other Professional Staff	1,680,799	127,806	1,808,605	1,803,201	5,404
Salaries of Secretarial and Clerical Assistants	100,814	120,555	221,369	221,369	
Other Purchased Prof. and Tech. Services	107,400	128,560	235,960	229,032	6,928
Misc Purchased Services	7,700	(25)	7,675	5,455	2,220
Supplies and Materials	30,000	1,835	31,835	31,830	5
Other Objects	2,000		2,000	1,760	240
Total Child Study Teams	1,928,713	378,731	2,307,444	2,292,647	14,797
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	497,656	14,791	512,447	512,447	
Salaries of Secretarial and Clerical Assistants	91,144	9,455	100,599	100,599	
Other Salaries	192,955	10,577	203,532	203,532	
Other Purchased Services	300		300	212	88
Supplies and Materials	6,569	4,563	11,132	11,058	74
Other Objects	7,000	1,500	8,500	7,866	634
Total Improvement of Instructional Services	795,624	40,886	836,510	835,714	796
Educational Media Serv./School Library					
Salaries	643,040	1,000	644,040	644,040	
Salaries of Technology Coordinators	69,565	1,353	70,918	70,918	
Purchased Professional and Technical Services	178,190	(52,209)	125,981	123,062	2,919
Supplies and Materials	45,090	(5,973)	39,117	36,428	2,689
Total Educational Media Serv./School Library	935,885	(55,829)	880,056	874,448	5,608
Instructional Staff Training Services					
Salaries of Supervisors of Instruction	725,678	(139,563)	586,115	586,115	
Salaries of Secretarial and Clerical Assistants	249,064	7,061	256,125	256,125	
Other Salaries	41,500	445	41,945	41,945	
Purchased Professional-Educational Services	25,000	38,000	63,000	61,332	1,668
Other Purchased Prof. and Tech. Services	61,600	(16,850)	44,750	42,722	2,028
Other Purchased Services	30,989	(8,500)	22,489	19,764	2,725
Supplies and Materials	48,145	(27,396)	20,749	20,260	489
Other Objects	2,725		2,725	1,194	1,531
Total Instructional Staff Training Services	1,184,701	(146,803)	1,037,898	1,029,457	8,441
Support Services - General Administration					
Salaries	343,477	(24,915)	318,562	318,561	1
Professional Services	150,000	(8,778)	141,222	140,606	616
Other Purchased Prof Services	62,400	18,667	81,067	73,672	7,395
Communications/Telephone	139,000	(76,248)	62,752	60,410	2,342
BOE Other Purchased Services	9,000		9,000	7,108	1,892
Miscellaneous Purchased Services	103,000	4,748	107,748	107,748	
General Supplies	13,800	(1,100)	12,700	11,278	1,422
Miscellaneous Expenditures	57,350	80,632	137,982	31,614	106,368
Total Support Services - General Administration	878,027	(6,994)	871,033	750,997	120,036

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
General Fund
Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Expenditures (continued)					
Current Expenditures (continued):					
Undistributed Expenditures (continued):					
Support Services - School Administration					
Salaries of Principals/Asst. Principals	\$ 2,138,559	\$ (16,355)	\$ 2,122,204	\$ 2,122,204	\$ 9
Salaries of Other Professional Staff	145,027	(1,512)	143,515	143,506	
Salaries of Secretarial and Clerical Assistants	981,841	(107,277)	874,564	874,564	
Other Purchased Services	152,748	311,258	464,006	136,914	327,092
Supplies and Materials	14,800	250	15,050	10,669	4,381
Other Objects	15,325	(640)	14,685	12,721	1,964
Total Support Services - School Administration	3,448,300	185,724	3,634,024	3,300,578	333,446
Central Services					
Salaries	554,066	(9,145)	544,921	544,921	
Purchased Professional Services	33,668	16,176	49,844	46,543	3,301
Miscellaneous Purchased Services	24,373	350	24,723	19,022	5,701
Supplies and Materials	12,479	9,050	21,529	20,512	1,017
Miscellaneous Expenditures	1,125	800	1,925	1,850	75
Total Central Services	625,711	17,231	642,942	632,848	10,094
Admin. Info. Tech.					
Salaries	560,377	(11,992)	548,385	548,385	
Purchased Technical Services	15,200	80,112	95,312	39,035	56,277
Supplies and Materials	17,000	2,438	19,438	19,000	438
Total Admin. Info. Tech.	592,577	70,558	663,135	606,420	56,715
Required Maint. For School Facilities					
Cleaning, Repair, and Maintenance Services	2,953,240	(627,590)	2,325,650	1,581,479	744,171
General Supplies	223,775		223,775	189,653	34,122
Total Required Maint. For School Facilities	3,177,015	(627,590)	2,549,425	1,771,132	778,293
Custodial Services					
Purchased Professional and Technical Services	120,000		120,000	82,724	37,276
Cleaning, Repair, and Maintenance Services	2,422,350	(214,231)	2,208,119	2,069,441	138,678
Other Purchased Property Services	201,400	22,676	224,076	216,727	7,349
Insurance	354,640	(18,000)	336,640	314,645	21,995
General Supplies	201,548		201,548	197,486	4,062
Energy (Electricity)	1,133,705	(178,747)	954,958	323,433	631,525
Salaries of Non-Instructional Aides	342,460	7,400	349,860	349,860	
Energy (Natural Gas)	417,000	271,846	688,846	688,846	
Total Custodial Services	5,193,103	(109,056)	5,084,047	4,243,162	840,885
Care and Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services	617,497		617,497	522,262	95,235
Total Care and Upkeep of Grounds	617,497		617,497	522,262	95,235
Student Transportation Services					
Management Fee - ESC & CTSA Transportation Prog.	148,419		148,419	131,941	16,478
Cleaning, Repair and Maint. Services	1,020		1,020	1,020	
Contracted Services (Between Home and School)-Vendors	2,769,717	(3,000)	2,766,717	2,764,852	1,865
Contracted Services (Other Than Between Home and School) - Vendors	272,183	200	272,383	243,697	28,686
Contracted Services (Spec. Ed. Students)-Vendors	10,200	(200)	10,000	1,277	8,723
Contracted Services (Spec. Ed. Students)-ESCs and CTSAs	1,908,000	67,900	1,975,900	1,961,621	13,379
Contracted Services-Aid in Lieu of Payments	185,640		185,640	156,248	29,392
Miscellaneous Purchased Services-Transportation	15,594	(2,000)	13,594		13,594
Other Objects	2,122	2,000	4,122	3,090	1,032
Total Student Transportation Services	5,312,895	64,000	5,376,895	5,262,726	114,169
Unallocated Benefits					
Social Security Contributions	897,396	35,000	932,396	932,277	119
Other Retirement Contributions - Regular	857,791	18,527	876,318	875,489	829
Unemployment Compensation	71,000		71,000	1,689	69,311
Workmen's Compensation	250,869	37,473	288,342	288,005	337
Health Benefits	10,444,002	(675,843)	9,768,159	9,294,209	473,950
Tuition Reimbursement	363,394		363,394	228,616	134,778
Other Employee Benefits	140,000	49,998	189,998	186,737	3,261
Total Unallocated Benefits	13,024,452	(534,845)	12,489,607	11,807,022	682,585
On-Behalf TPAF Pension Contributions				4,991,202	(4,991,202)
Reimbursed TPAF Social Security Contributions				2,831,711	(2,831,711)
Total On-Behalf and Reimbursed Contributions				7,822,913	(7,822,913)
Total Undistributed Expenditures	45,835,406	(707,254)	45,128,152	48,951,117	(3,822,965)
Total Current Expenditures	83,945,494	(19,750)	83,925,744	87,277,902	(3,352,158)

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
General Fund
Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Expenditures (continued)					
Current Expenditures (continued):					
Capital Outlay:					
Equipment:					
Instruction Expenditures					
Grade 1-5		\$ 4,242	\$ 4,242	\$ 4,242	
Grade 9-12	\$ 47,739	27,004	74,743	67,131	\$ 7,612
Undistributed Expenditures					
Care and Upkeep of Grounds	29,750		29,750	29,750	
Required Maintenance	92,731	(31,246)	61,485	31,334	30,151
Total Equipment	170,220		170,220	132,457	37,763
Facilities Acquisition and Construction Services					
Legal Services	9,000		9,000		9,000
Architectural/Engineering Services	81,382	33,900	115,282	111,116	4,166
Construction Services	2,105,800	(33,900)	2,071,900	988,250	1,083,650
Total Facilities Acquisition and Construction Services	2,196,182		2,196,182	1,099,366	1,096,816
Total Expenditures - Capital Outlay	2,366,402	-	2,366,402	1,231,823	1,134,579
Payment of funds to Charter Schools		19,750	19,750	19,750	-
Total Expenditures	86,311,896	-	86,311,896	88,529,475	(2,217,579)
(Deficiency) Excess of Revenues (Under) Over Expenditures	(4,119,994)	-	(4,119,994)	2,354,887	6,474,881
Other Financing Sources:					
Insurance Proceeds from Super Storm Sandy				54,454	54,454
Transfers In - Capital Projects Fund				254	254
Total Other Financing Sources				54,708	54,708
(Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures	(4,119,994)	-	(4,119,994)	2,409,595	6,529,589
Fund Balances, July 1	12,066,471	-	12,066,471	12,066,471	
Fund Balances, June 30	\$ 7,946,477	\$ -	\$ 7,946,477	\$ 14,476,066	6,529,589
Recapitulation of (Deficiency) excess of revenues and other financing sources (under) over expenditures					
Budgeted Fund Balance	\$ (3,928,526)		(3,928,526)	\$ 2,601,063	6,529,589
Adjustment for Prior Year Encumbrances	(191,468)		(191,468)	(191,468)	
Total	\$ (4,119,994)	\$ -	(4,119,994)	\$ 2,409,595	6,529,589
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserved - Excess Surplus Designated for Subsequent Year's Expenditures				\$ 1,570,576	
Reserved - Excess Surplus				1,226,980	
Capital Reserve				4,191,234	
Maintenance Reserve				4,586,061	
Committed Fund Balance:					
Year End Encumbrances				160,904	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				534,138	
Unassigned Fund Balance				2,206,173	
				14,476,066	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payments not recognized on GAAP Basis				(292,550)	
Fund Balance per Governmental Funds (GAAP)				\$ 14,183,516	

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
Special Revenue Fund
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES:					
Local Sources		\$ 287,560	\$ 287,560	\$ 126,297	\$(161,263)
State Sources		252,181	252,181	207,356	(44,825)
Federal Sources	\$ 1,050,000	1,376,587	2,426,587	2,418,175	(8,412)
Total Revenues	<u>1,050,000</u>	<u>1,916,328</u>	<u>2,966,328</u>	<u>2,751,828</u>	<u>(214,500)</u>
EXPENDITURES					
Instruction:					
Salaries of Teachers		258,226	258,226	257,871	355
Purchased Professional-Educational Services		206,551	206,551	174,877	31,674
Other Purchased Services		1,245,640	1,245,640	1,245,152	488
General Supplies		83,161	83,161	61,740	21,421
Textbooks		33,395	33,395	32,479	916
Total Instruction		<u>1,826,973</u>	<u>1,826,973</u>	<u>1,772,119</u>	<u>54,854</u>
Support Services:					
Salaries of Other Professional Staff	421,669	(309,812)	111,857	111,856	1
Personal Services - Employee Benefits		16,031	16,031	6,904	9,127
Purchased Professional and Technical Services		131,362	131,362	72,454	58,908
Other Purchased Services	628,331	(628,331)			
Supplies and Materials		88,948	88,948	60,173	28,775
Total Support Services	<u>1,050,000</u>	<u>(701,802)</u>	<u>348,198</u>	<u>251,387</u>	<u>96,811</u>
Facilities Acquisition and Construction Services:					
Construction Services		721,258	721,258	708,510	12,748
Noninstructional Equipment		69,899	69,899	19,812	50,087
Total Facilities Acquisition and Construction Services		<u>791,157</u>	<u>791,157</u>	<u>728,322</u>	<u>62,835</u>
Total Expenditures	<u>1,050,000</u>	<u>1,916,328</u>	<u>2,966,328</u>	<u>2,751,828</u>	<u>214,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Note to Required Supplementary Information
Budget to GAAP Reconciliation
Year Ended June 30, 2013

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules (C-1, C-2)	\$ 90,884,362	\$ 2,751,828
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year		
Prior Year (net of cancellations)		(434,039)
		6,856
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	233,273	
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(292,550)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (B-2)	<u>\$ 90,825,085</u>	<u>\$ 2,324,645</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 88,529,475	\$ 2,751,828
Difference - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year		(434,039)
Prior Year (net of Cancellations)		6,856
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 88,529,475</u>	<u>\$ 2,324,645</u>

Supplementary Information

Special Revenue Fund

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures
Budgetary Basis
Year Ended June 30, 2013

	NJ Nonpublic Auxiliary Services, Ch. 192			NJ Nonpublic Handicapped Services, Ch. 193			Nonpublic Nursing Services	Nonpublic Technology	
	Nonpublic Textbooks	Nonpublic Comp. Education	Home Instruction	E.S.L.	Nonpublic Exam and Class.	Nonpublic Corrective Speech			Nonpublic Suppl. Instruction
REVENUES:									
State Sources	\$ 32,479	\$ 21,989	\$ 3,074	\$ 1,705	\$ 38,540	\$ 40,935	\$ 19,981	\$ 37,936	\$ 10,717
Federal Sources									
Other Sources									
Total Revenues	<u>\$ 32,479</u>	<u>\$ 21,989</u>	<u>\$ 3,074</u>	<u>\$ 1,705</u>	<u>\$ 38,540</u>	<u>\$ 40,935</u>	<u>\$ 19,981</u>	<u>\$ 37,936</u>	<u>\$ 10,717</u>
EXPENDITURES:									
Instruction:									
Salaries of Teachers									
Purchased Prof. - Educ. Services		\$ 21,989	\$ 3,074	\$ 1,705	\$ 38,540	\$ 40,935	\$ 19,981	\$ 37,936	\$ 10,717
Other Purchased Services									
General Supplies									
Textbooks	\$ 32,479								
Total Instruction	<u>32,479</u>	<u>21,989</u>	<u>3,074</u>	<u>1,705</u>	<u>38,540</u>	<u>40,935</u>	<u>19,981</u>	<u>37,936</u>	<u>10,717</u>
Support Services:									
Salaries of Other Professional Staff									
Personal Svcs. - Employee Benefits									
Other Purchased Services									
Supplies and Materials									
Total Support Services									
Facilities Acquisition and Construction Services:									
Construction Services									
Noninstructional Equipment									
Total Facilities Acquisition and Construction Services									
Total Expenditures	<u>\$ 32,479</u>	<u>\$ 21,989</u>	<u>\$ 3,074</u>	<u>\$ 1,705</u>	<u>\$ 38,540</u>	<u>\$ 40,935</u>	<u>\$ 19,981</u>	<u>\$ 37,936</u>	<u>\$ 10,717</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures
Budgetary Basis
Year Ended June 30, 2013

	FEMA	Local Grants	I.D.E.A. Part B	I.D.E.A Part B Preschool	Title III	Title III Immigrant	Title IIA	Totals
REVENUES:								
State Sources								\$ 207,356
Federal Sources	\$ 13,063		\$ 2,192,365	\$ 121,177	\$ 3,621	\$ 28,943	\$ 59,006	2,418,175
Other Sources		\$ 126,297						126,297
Total Revenues	<u>\$ 13,063</u>	<u>\$ 126,297</u>	<u>\$ 2,192,365</u>	<u>\$ 121,177</u>	<u>\$ 3,621</u>	<u>\$ 28,943</u>	<u>\$ 59,006</u>	<u>\$ 2,751,828</u>
EXPENDITURES:								
Instruction:								
Salaries of Teachers			\$ 219,694	\$ 20,402		\$ 17,775		\$ 257,871
Purchased Prof. - Educ. Services								174,877
Other Purchased Services			1,192,137	53,015				1,245,152
General Supplies		\$ 2,659	37,073	7,984	\$ 3,621	10,403		61,740
Textbooks								32,479
Total Instruction		<u>2,659</u>	<u>1,448,904</u>	<u>81,401</u>	<u>3,621</u>	<u>28,178</u>		<u>1,772,119</u>
Support Services:								
Salaries of Other Prof. Staff			72,720				\$ 39,136	111,856
Personal Svcs-Employee Benefits						765	6,139	6,904
Purchased Prof. and Tech. Svcs.		18,677	53,777					72,454
Supplies and Materials		46,442					13,731	60,173
Total Support Services		<u>65,119</u>	<u>126,497</u>			<u>765</u>	<u>59,006</u>	<u>251,387</u>
Facilities Acquisition and Construction Services:								
Construction Services	\$ 13,063	38,707	616,964	39,776				708,510
NonInstructional Equipment		19,812						19,812
Total Facilities Acquisition and Construction Services	<u>13,063</u>	<u>58,519</u>	<u>616,964</u>	<u>39,776</u>				<u>728,322</u>
Total Expenditures	<u>\$ 13,063</u>	<u>\$ 126,297</u>	<u>\$ 2,192,365</u>	<u>\$ 121,177</u>	<u>\$ 3,621</u>	<u>\$ 28,943</u>	<u>\$ 59,006</u>	<u>\$ 2,751,828</u>

Capital Projects Fund

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Capital Projects Fund
Summary Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budgetary Basis
Year Ended June 30, 2013

Revenues:	
Local Sources:	
Interest on Investments	\$ 254
Total Local Source	<u>254</u>
State Sources:	
SDA Grant	3,226
Total State Sources	<u>3,226</u>
Total Revenues	<u>3,480</u>
Excess of Revenues Over Expenditures	<u>3,480</u>
Other Financing (Uses):	
Transfers Out	<u>(254)</u>
Total Other Financing (Uses)	<u>(254)</u>
Excess of Revenues Over Expenditures and Other Financing (Uses)	3,226
Fund Balance - Beginning of Year	<u>565,314</u>
Fund Balance - End of Year	<u>\$ 568,540</u>

Fiduciary Funds

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	\$ 353,864	\$ 783	\$ 750,941
Interfund Receivable	24,685		
Total Current Assets	378,549	783	\$ 750,941
LIABILITIES			
Accounts Payable	\$ 1,369		
Interfund Payable			\$ 24,685
Due to Student Groups			687,418
Payroll Deductions and Withholdings Payable			38,838
Total Liabilities	1,369	-	\$ 750,941
NET POSITION			
Held in Trust for Unemployment Claims	\$ 377,180		
Held in Trust for Scholarship Awards		\$ 783	

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
	<u> </u>	<u> </u>
ADDITIONS		
Contributions:		
Plan Members	\$ 76,410	
Donations		\$ 87
Total Additions	<u>76,410</u>	<u>87</u>
DEDUCTIONS		
Payment of Unemployment Claims	99,785	
Payment of Scholarship Awards and Other Expenses		1,541
Total Deductions	<u>99,785</u>	<u>1,541</u>
Change in Net Position	(23,375)	(1,454)
Net Position - Beginning of the Year	<u>400,555</u>	<u>2,237</u>
Net Position - End of the Year	<u>\$ 377,180</u>	<u>\$ 783</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Fiduciary Funds
Schedule of Cash Receipts and Disbursements
Student Activity Agency Fund
Year Ended June 30, 2013

	<u>Balance</u> <u>June 30,2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30,2013</u>
ASSETS:				
Cash and Cash Equivalents	\$ 650,180	\$ 1,527,700	\$ 1,490,462	\$ 687,418
Total Assets	<u>\$ 650,180</u>	<u>\$ 1,527,700</u>	<u>\$ 1,490,462</u>	<u>\$ 687,418</u>
LIABILITIES:				
Due to Student Groups	\$ 650,180	\$ 1,527,700	\$ 1,490,462	\$ 687,418
Total Liabilities	<u>\$ 650,180</u>	<u>\$ 1,527,700</u>	<u>\$ 1,490,462</u>	<u>\$ 687,418</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Fiduciary Funds
Schedule of Cash Receipts and Disbursements
Student Activity Agency Fund
Year Ended June 30, 2013

	<u>Balance</u> <u>June 30,2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30,2013</u>
Elementary Schools:				
Liberty Corner	\$ 12,318	\$ 59,944	\$ 56,687	\$ 15,575
Oak Street	19,591	48,797	45,126	23,262
Cedar Hill	27,215	59,469	49,631	37,053
Mount Prospect	7,892	37,937	32,320	13,509
Total Elementary Schools	<u>67,016</u>	<u>206,147</u>	<u>183,764</u>	<u>89,399</u>
Middle School:				
William Annin	<u>66,213</u>	<u>277,931</u>	<u>273,763</u>	<u>70,381</u>
High School:				
Athletic Fund	8,257	156,947	125,712	39,492
Performing Arts	75,102	133,046	177,717	30,431
Ridge High School	433,592	753,629	729,506	457,715
Total High School	<u>516,951</u>	<u>1,043,622</u>	<u>1,032,935</u>	<u>527,638</u>
Totals	<u>\$ 650,180</u>	<u>\$ 1,527,700</u>	<u>\$ 1,490,462</u>	<u>\$ 687,418</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Fiduciary Funds
Schedule of Cash Receipts and Disbursements
Payroll Agency Fund
Year Ended June 30, 2013

	<u>Balance June 30, 2012</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2013</u>
ASSETS:				
Cash and Cash Equivalents	\$ 37,354	\$55,578,288	\$55,552,119	\$ 63,523
Total Assets	<u>\$ 37,354</u>	<u>\$55,578,288</u>	<u>\$55,552,119</u>	<u>\$ 63,523</u>
LIABILITIES:				
Interfund Payable	\$ 23,616	\$ 694,183	\$ 693,114	\$ 24,685
Payroll Deductions and Withholdings Payable	<u>13,738</u>	<u>54,884,105</u>	<u>54,859,005</u>	<u>38,838</u>
Total Liabilities	<u>\$ 37,354</u>	<u>\$55,578,288</u>	<u>\$55,552,119</u>	<u>\$ 63,523</u>

Long-Term Debt

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Long-Term Debt
Schedule of Serial Bonds Payable
Year Ended June 30, 2013

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013
			Date	Amount					
Refunding School Bonds	03/15/02	\$ 15,035,000	02/01/14	\$2,085,000	5.375 %	\$ 4,060,000		\$ 1,975,000	\$ 2,085,000
Refunding School Bonds	03/15/04	25,955,000	01/01/14	120,000	3.400	25,955,000		45,000	25,910,000
			01/01/15	2,345,000	5.000				
			01/01/16	2,465,000	5.000				
			01/01/17	2,590,000	5.000				
			01/01/18	2,720,000	5.000				
			01/01/19	2,860,000	5.000				
			01/01/20	3,005,000	4.100				
			01/01/21	3,130,000	4.200				
			01/01/22	3,265,000	4.250				
			01/01/23	3,410,000	4.300				
School Bonds	12/01/05	44,648,000	07/15/13	360,000	4.000	25,885,000		24,805,000	1,080,000
			07/15/14	355,000	4.000				
			07/15/15	365,000	4.000				
Refunding School Bonds	12/1/06	10,000,000	07/15/13	30,000	4.000	9,955,000			9,955,000
			07/15/14	30,000	4.000				
			07/15/15	30,000	4.000				
			07/15/16	35,000	4.000				
			07/15/17	35,000	4.000				
			07/15/18	35,000	4.000				
			07/15/19	35,000	4.000				
			07/15/20	40,000	4.000				
			07/15/21	40,000	4.000				
			07/15/22	40,000	4.000				
			07/15/23	45,000	4.000				
			07/15/24	45,000	4.000				
			07/15/25	50,000	4.000				
			07/15/26	50,000	4.000				
			07/15/27	50,000	4.000				
			07/15/28	55,000	4.000				
			07/15/29	3,615,000	4.000				
			07/15/30	5,695,000	4.375				
School Bonds	7/31/08	6,500,000	07/15/23	870,000	4.250	5,900,000		45,000	5,855,000
			07/15/24	330,000	4.250				
			07/15/25	830,000	4.250				
			07/15/26	670,000	4.250				
			07/15/27	745,000	4.250				
			07/15/28	750,000	4.250				
			07/15/29	790,000	4.250				
			07/15/30	870,000	4.250				
Refunding School Bonds	5/22/12	9,700,000	7/15/13-7/15/15	60,000	2.000	9,700,000		160,000	9,540,000
			7/15/16-7/15/17	65,000	3.000				
			7/15/18-7/15/19	70,000	3.000				
			07/15/20	70,000	4.000				
			07/15/21	75,000	4.000				
			07/15/22	80,000	4.000				
			07/15/23	80,000	2.375				
			07/15/24	85,000	2.500				
			07/15/25	85,000	2.750				
			07/15/26	90,000	3.000				
			07/15/27	1,455,000	3.000				
			07/15/28	5,230,000	3.000				
			07/15/29	1,840,000	3.000				
Refunding School Bonds	2/6/13	23,745,000	07/15/13	80,000	2.000		\$ 23,745,000		23,745,000
			07/15/16	360,000	4.000				
			07/15/17	375,000	4.000				
			07/15/18	390,000	4.000				
			07/15/19	405,000	4.000				
			07/15/20	425,000	4.000				
			07/15/21	430,000	2.000				
			07/15/22	440,000	4.000				
			07/15/23	4,090,000	4.000				
			07/15/24	4,260,000	4.000				
			07/15/25	4,435,000	4.000				
			07/15/26	4,620,000	4.000				
			07/15/27	3,435,000	4.000				
						<u>\$ 81,455,000</u>	<u>\$ 23,745,000</u>	<u>\$ 27,030,000</u>	<u>\$ 78,170,000</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Long-Term Debt
Schedule of Obligations Under Capital Leases
Year Ended June 30, 2013

Series	Date of Lease	Term of Lease	Amount of Original Lease		Interest Rate	Balance July 1, 2012	Retired	Balance June 30, 2013
			Principal	Interest				
2010 Savin Copier - William Annin Middle School	7/1/2010	5 Years	\$ 153,873	\$ 20,264	13.20 %	\$ 104,311	\$30,319	\$ 73,992
2010 Savin Copier - Oak Street School	7/1/2010	5 Years	13,911	2,352	17.00	8,866	2,770	6,096
2010 Savin Copier - Ridge High School	7/1/2010	5 Years	14,026	2,369	17.00	8,940	2,794	6,146
2010 Savin Copier - William Annin Middle School	7/1/2010	5 Years	14,378	2,429	17.00	9,165	2,864	6,301
2010 Savin Copier - Cedar Hill School	7/1/2010	5 Years	12,892	2,181	17.00	8,217	2,568	5,649
2012 Savin Copier - Ridge High School	3/7/2012	5 Years	26,300	4,156	15.80	25,162	4,726	20,436
2012 Savin Copier - Ridge High School Guidance	3/7/2012	5 Years	15,458	2,611	16.89	14,795	2,758	12,037
2012 Savin Copier - Board of Education Office	3/7/2012	5 Years	28,244	4,463	15.80	27,021	5,076	21,945
2012 Savin Copier - Board of Education Office	3/7/2012	5 Years	26,587	4,201	15.80	25,436	4,777	20,659
						<u>\$ 231,913</u>	<u>\$58,652</u>	<u>\$ 173,261</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Debt Service Fund
Budgetary Comparison Schedule
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:				
Local Sources:				
Local Tax Levy	<u>\$5,761,929</u>	<u>\$5,761,929</u>	<u>\$ 5,761,929</u>	
Total Local Source Revenues	5,761,929	5,761,929	5,761,929	
State Sources-Debt Service Aid	<u>333,799</u>	<u>333,799</u>	<u>333,799</u>	
Total Revenue Sources	<u>6,095,728</u>	<u>6,095,728</u>	<u>6,095,728</u>	
EXPENDITURES:				
Regular Debt Service:				
Redemption of Principal	2,485,000	2,645,000	2,645,000	
Interest on Bonds	3,610,728	3,450,728	3,406,864	\$ 43,864
Cost of Issuance			176,244	(176,244)
Total Expenditures	<u>6,095,728</u>	<u>6,095,728</u>	<u>6,228,108</u>	<u>(132,380)</u>
Deficiency of Revenues under Expenditures	-	-	(132,380)	(132,380)
OTHER FINANCING SOURCES (USES)				
Payment to Escrow Agent			(26,930,622)	(26,930,622)
Refunding Bonds Issued			23,745,000	23,745,000
Premium on Bond Refunding			<u>3,361,866</u>	<u>3,361,866</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>176,244</u>	<u>176,244</u>
Net Change in Fund Balances	-	-	43,864	43,864
Fund Balance, July 1	<u>1,399</u>	<u>1,399</u>	<u>1,399</u>	
Fund Balance, June 30	<u>\$ 1,399</u>	<u>\$ 1,399</u>	<u>\$ 45,263</u>	<u>\$ 43,864</u>

Statistical Section
(Unaudited)

**Statistical Section
Unaudited**

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Year Ended June 30,									
	2004	2005	2006	2007	2008	2009 (as Restated)	2010	2011	2012	2013
Governmental Activities:										
Net Investment in Capital Assets	\$ 19,389,614	\$ 17,575,118	\$ 11,045	\$ 2,569,015	\$ 2,812,148	\$ 4,996,379	\$ 4,504,723	\$ 4,266,351	\$ 4,428,832	\$ 5,971,475
Restricted	963,522	729,716	2,767,502	4,501,931	4,229,149	2,934,632	3,780,705	3,899,177	8,047,536	12,188,654
Unrestricted (deficit)	943,266	1,127,309	(922,252)	(372,787)	1,606,902	1,375,005	1,835,740	4,284,762	2,547,097	1,235,960
Total Governmental Activities Net Position	\$ 21,296,402	\$ 19,432,143	\$ 1,856,295	\$ 6,698,159	\$ 8,648,199	\$ 9,306,016	\$ 10,121,168	\$ 12,450,290	\$ 15,023,465	\$ 19,396,089
Business-type Activities:										
Net Investment in Capital Assets	\$ 100,939	\$ 91,914	\$ 73,287	\$ 77,357	\$ 69,094	\$ 52,700	\$ 54,958	\$ 56,950	\$ 64,559	\$ 72,266
Unrestricted	127,453	170,798	179,670	225,616	323,954	407,256	737,189	951,881	918,635	874,073
Total Business-type Activities Net Position	\$ 228,392	\$ 262,712	\$ 252,957	\$ 302,973	\$ 393,048	\$ 459,956	\$ 792,147	\$ 1,008,831	\$ 983,194	\$ 946,339
Government-wide:										
Net Investment in Capital Assets	\$ 19,490,553	\$ 17,667,032	\$ 84,332	\$ 2,646,372	\$ 2,881,242	\$ 5,049,079	\$ 4,559,681	\$ 4,323,301	\$ 4,493,391	\$ 6,043,741
Restricted	963,522	729,716	2,767,502	4,501,931	4,229,149	2,934,632	3,780,705	3,899,177	8,047,536	12,188,654
Unrestricted (deficit)	1,070,719	1,298,107	(742,582)	(147,171)	1,930,856	1,782,261	2,572,929	5,236,643	3,465,732	2,110,033
Total Government Net Position	\$ 21,524,794	\$ 19,694,855	\$ 2,109,252	\$ 7,001,132	\$ 9,041,247	\$ 9,765,972	\$ 10,913,315	\$ 13,459,121	\$ 16,006,659	\$ 20,342,428

Source: District CAFR A-1

GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

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

	Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2011	2013
Expenses										
Governmental Activities:										
Instruction:										
Regular	\$ 26,925,528	\$ 28,765,765	\$ 28,741,378	\$ 30,534,516	\$ 32,110,702	\$ 33,905,897	\$ 34,797,822	\$ 33,204,783	\$ 35,050,837	\$ 36,921,273
Special Education	6,259,900	7,746,670	8,975,858	10,102,520	11,336,917	11,539,915	13,146,006	12,209,009	12,941,908	15,643,646
Other Special Instruction			947,528	1,320,658	1,309,818	1,280,227	1,753,775	1,711,885	1,684,511	2,005,530
Other Instruction	2,360,657	2,468,799	1,537,578	1,416,919	1,711,342	1,963,708	1,668,722	1,669,936	1,813,227	1,945,703
Support Services:										
Tuition	1,802,592	1,910,583	2,029,238	2,199,570	2,362,867	2,303,699	2,680,778	3,109,736	3,477,234	2,420,182
Related Services	9,733,382	10,707,833	9,984,617	11,058,793	11,098,225	11,776,754	13,480,530	12,125,105	12,811,041	13,157,717
General Administration	910,478	1,041,458	983,863	1,113,947	1,088,805	1,101,854	1,078,925	985,457	1,036,011	877,443
School Administration Services	3,303,266	3,401,405	3,697,978	3,787,151	3,740,792	3,749,775	4,170,456	4,268,077	4,391,229	4,601,249
Central Services		721,843	637,512	678,965	526,904	641,946	692,896	706,896	734,577	845,125
Administrative Information										
Technology		374,101	423,631	551,973	504,806	669,800	754,135	772,235	771,620	890,194
Plant Operations and Maintenance	5,919,187	6,558,595	7,372,857	7,794,911	9,205,253	8,950,358	7,444,538	8,107,321	8,824,096	6,898,263
Pupil Transportation	3,579,070	3,591,818	3,686,570	4,012,105	4,212,269	5,049,825	4,112,652	4,972,228	5,275,700	5,445,939
Capital outlay	403,831				265,159					
Other Support Services										
Interest and other charges on Long-Term De	2,186,187	1,756,113	1,941,100	3,696,376	4,051,794	4,009,003	3,926,665	3,845,737	3,585,293	3,368,504
Total Governmental Activities Expenses	63,384,078	69,044,983	70,989,806	78,268,404	83,625,653	86,942,761	89,708,000	87,689,405	92,397,284	94,930,768
Business-type Activities:										
Food Service	1,281,619	1,471,187	1,703,726	1,788,270	1,972,075	1,962,215	1,911,960	1,944,455	2,184,302	2,069,346
After School Enrichment	108,436	135,192	153,693	148,688	216,126	210,271	258,311	204,380	162,681	139,716
Project Jump Start	3,996	33,112	63,326	50,325	52,215	76,115	91,640	82,501	98,082	85,069
Camp Bridge			10,096	20,611	43,783					
Before and After School Care		43,858	358,657	446,502	434,770	545,341	1,034,402	1,085,360	1,233,364	1,277,769
Total Business-type Activities Expense	1,394,051	1,683,349	2,259,498	2,454,396	2,718,969	2,793,942	3,296,313	3,316,496	3,678,429	3,571,900
Total District Expenses	\$ 64,778,129	\$ 70,728,332	\$ 73,259,304	\$ 80,722,800	\$ 86,344,622	\$ 89,736,703	\$ 93,004,313	\$ 91,005,901	\$ 96,075,713	\$ 98,502,668
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	\$ 316,600	\$ 305,283	\$ 499,848	\$ 860,467	\$ 502,434	\$ 748,296	\$ 691,186	\$ 1,020,789	\$ 1,268,721	\$ 1,203,364
Pupil Transportation	226,553	228,985	273,825	205,974	251,257	235,341	272,498	229,278	222,716	229,270
Operating Grants and Contributions	4,129,763	4,446,311	5,101,146	1,486,333	1,535,043	1,489,669	2,706,434	1,446,222	1,698,297	2,324,645
Capital Grants and Contributions						145,287	-	1,765		3,226
Total Governmental Activities Program Revenues	4,672,916	4,980,579	5,874,819	2,552,774	2,289,734	2,618,593	3,670,118	2,698,054	3,189,674	3,754,505
Business-type Activities:										
Charges for Services:										
Food Service	1,200,534	1,362,213	1,561,470	1,581,523	1,749,572	1,876,347	2,007,314	1,970,688	2,140,832	2,109,131
After School Enrichment	79,845	128,088	150,855	161,235	231,969	216,580	233,410	186,759	171,084	153,863
Project Jump Start	27,525	77,945	72,370	52,448	120,604	119,946	112,887	112,105	106,760	105,189
Camp Bridge		9,350	10,450	48,319	1,075					
Before and After School Care		48,836	359,065	483,347	534,432	648,639	1,155,211	1,128,752	1,109,200	1,054,213
Operating Grants and Contributions	93,844	91,237	135,533	123,447	131,197	118,668	119,882	134,876	124,916	100,101
Total Business-type Activities Program Revenues	1,401,748	1,717,669	2,289,743	2,450,319	2,768,849	2,980,180	3,628,504	3,533,180	3,652,792	3,522,497
Total District Program Revenues	\$ 6,074,664	\$ 6,698,248	\$ 8,164,562	\$ 5,003,093	\$ 5,058,583	\$ 5,598,773	\$ 7,298,622	\$ 6,231,234	\$ 6,842,466	\$ 7,277,002
Net (Expense) Revenue										
Governmental Activities										
Governmental Activities	\$ (58,711,162)	\$ (64,064,404)	\$ (66,084,987)	\$ (75,715,630)	\$ (81,335,919)	\$ (84,324,168)	\$ (86,037,882)	\$ (84,991,351)	\$ (89,207,610)	\$ (91,176,263)
Business-type Activities										
Business-type Activities	7,697	34,320	(9,755)	(4,077)	49,880	186,238	332,191	216,684	(25,637)	(49,403)
Total Government-wide Net Expense	\$ (58,703,465)	\$ (64,030,084)	\$ (66,094,742)	\$ (75,719,707)	\$ (81,286,039)	\$ (84,137,930)	\$ (85,705,691)	\$ (84,774,667)	\$ (89,233,247)	\$ (91,225,666)

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

	Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other										
Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$ 49,846,708	\$ 54,373,909	\$ 58,055,146	\$ 61,313,765	\$ 63,779,923	\$ 66,837,438	\$ 70,158,926	\$ 72,910,723	\$ 74,368,937	\$ 75,856,316
Taxes Levied for Debt Service	3,444,720	3,104,825	3,361,148	5,661,267	5,461,181	5,243,925	5,500,706	5,591,242	5,766,182	5,761,929
Unrestricted Grants and Contributions	4,321,373	4,217,473	13,368,307	10,488,375	10,878,874	12,539,127	10,864,349	8,922,247	11,210,945	13,446,943
Investment Earnings	48,352	163,098	978,574	3,040,622	1,036,083	129,895	63,067	42,182	13,873	8,805
Miscellaneous Income	925,197	340,840	452,088	53,466	2,799,935	231,600	267,986	154,079	421,748	474,894
Transfers					(40,195)					
Prior Year Adjustment	81,899									
Total Governmental Activities	58,568,249	62,200,145	76,225,263	80,557,495	83,915,801	84,981,985	86,853,034	87,320,473	91,780,785	95,548,887
Business-type Activities:										
Miscellaneous Income	13,269			54,093						12,548
Transfers					40,195					
Total Business-type Activities	13,269	-	-	54,093	40,195	-	-	-	-	12,548
Prior Period Restatement			(28,716,125)							
Total Government-wide	\$ 58,681,518	\$ 62,200,145	\$ 47,509,138	\$ 80,611,588	\$ 83,955,996	\$ 84,981,985	\$ 86,853,034	\$ 87,320,473	\$ 91,780,785	\$ 95,561,435
Change in Net Position										
Governmental Activities	\$ (42,913)	\$ (1,864,259)	\$ (17,575,849)	\$ 4,841,865	\$ 2,579,882	\$ 657,817	\$ 815,152	\$ 2,329,122	\$ 2,573,175	\$ 4,372,624
Business-type Activities	20,966	34,320	(9,755)	50,016	90,075	186,238	332,191	216,684	(25,637)	(36,855)
Total District	\$ (21,947)	\$ (1,829,939)	\$ (17,585,604)	\$ 4,891,881	\$ 2,669,957	\$ 844,055	\$ 1,147,343	\$ 2,545,806	\$ 2,547,538	\$ 4,335,769

Source: District CAFR A-2

GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

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

	Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Reserved	\$ 430,837	\$ 55,067	\$ 1,543,118	\$ 4,771,640	\$ 4,250,314	\$ 3,192,027	\$ 3,985,240			
Unreserved	1,970,220	2,207,652	1,529,902	1,538,095	3,947,427	3,156,914	3,265,329			
Restricted for										
Assigned to								\$ 3,333,862	\$ 7,480,823	\$ 11,574,851
Unassigned								4,793,453	2,471,993	695,042
								1,714,905	1,880,382	1,913,623
Total General Fund	<u>\$ 2,401,057</u>	<u>\$ 2,262,719</u>	<u>\$ 3,073,020</u>	<u>\$ 6,309,735</u>	<u>\$ 8,197,741</u>	<u>\$ 6,348,941</u>	<u>\$ 7,250,569</u>	<u>\$ 9,842,220</u>	<u>\$ 11,833,198</u>	<u>\$ 14,183,516</u>
All Other Governmental Funds:										
Reserved					\$ 2,839,671	\$ 4,000				
Unreserved, Reported In:										
Capital Projects Fund *	\$ 503,805	\$ 664,696	\$ 51,014,766	\$ 24,207,584	237,506	563,549	\$ 563,549			
Debt Service Fund	28,880	9,953	1	1	1					
Restricted for:										
Capital Projects Fund *								\$ 565,314	\$ 565,314	\$ 568,540
Debt Service Fund								1	1,399	45,263
Total All Other Governmental Funds	<u>\$ 532,685</u>	<u>\$ 674,649</u>	<u>\$ 51,014,767</u>	<u>\$ 24,207,585</u>	<u>\$ 3,077,178</u>	<u>\$ 567,549</u>	<u>\$ 563,549</u>	<u>\$ 565,315</u>	<u>\$ 566,713</u>	<u>\$ 613,803</u>

Source: District CAFR B-1

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

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

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

	Year ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax Levy	\$ 53,291,428	\$ 57,478,734	\$ 61,426,294	\$ 66,975,032	\$ 69,241,104	\$ 72,081,353	\$ 75,657,632	\$ 78,501,965	\$ 80,135,119	\$ 81,618,245
Tuition Charges	316,600	305,283	499,848	860,467	502,434	748,296	691,186	1,020,789	1,268,721	1,203,364
Interest Earnings	48,352	163,098	978,574	3,040,622	1,036,083	129,895	63,067	42,182	13,873	8,805
Miscellaneous	1,151,750	502,184	650,371	327,757	3,184,338	565,167	632,321	514,882	782,344	771,371
State Sources	7,607,853	7,708,853	17,534,132	10,723,172	11,131,142	12,931,937	11,093,362	8,862,302	11,206,655	13,657,525
Federal Sources	843,283	954,643	935,321	1,183,219	1,150,629	1,143,920	2,385,584	1,076,407	1,563,747	1,989,628
Total Revenues	63,259,266	67,112,795	82,024,540	83,110,269	86,245,730	87,600,578	90,523,152	90,018,527	94,970,459	99,248,938
Expenditures										
Instruction:										
Regular Instruction	20,380,535	21,423,665	22,032,344	22,365,402	23,763,583	25,112,992	24,835,229	24,070,737	25,436,003	25,817,557
Special Education Instruction	4,612,268	5,612,599	6,724,715	7,312,819	8,471,628	8,659,776	9,453,524	8,893,940	9,479,261	11,473,971
Other Special Instruction	822,701	718,794	708,573	943,809	926,385	931,147	1,221,772	1,217,099	1,187,619	1,364,300
School-sponsored/Other Instructional Support Services:	1,004,722	1,169,773	1,245,086	1,103,475	1,386,510	1,542,525	1,275,094	1,290,187	1,405,440	1,493,450
Tuition	1,802,592	1,910,583	2,029,238	2,152,476	2,313,922	2,303,699	2,680,778	3,109,736	3,467,469	2,400,432
Student and Instruction Related Serv	7,514,171	8,035,678	7,732,169	8,359,544	8,351,266	9,326,920	10,470,913	9,259,142	9,961,962	10,096,439
General Administrative Services	713,961	709,897	882,112	969,360	942,838	977,098	926,229	832,971	888,616	750,997
School Administrative Services	2,541,161	2,512,091	2,802,219	2,723,995	2,659,460	2,835,015	3,011,454	3,137,486	3,229,189	3,300,578
Central Services		721,843	514,769	561,064	508,263	501,705	516,161	532,298	558,173	632,848
Admin. Information Technology		374,101	316,558	414,537	365,946	511,976	550,564	571,542	578,041	606,420
Plant Operations and Maintenance	5,840,100	6,458,845	7,287,982	7,633,494	9,282,058	8,442,915	7,101,641	7,287,634	8,324,895	6,536,556
Pupil Transportation	3,579,070	3,591,818	3,685,264	3,926,203	4,125,016	4,946,968	3,976,834	4,784,527	5,097,286	5,262,726
Other Support Services	403,831									
Employee Benefits	8,664,459	10,133,043	11,555,745	14,905,089	15,277,194	15,312,735	17,421,783	15,868,492	16,918,257	19,629,935
Charter Schools									9,765	19,750
Capital Outlay	1,170,714	680,616	4,709,789	18,108,798	28,075,456	4,270,907	315,596	860,359	425,472	1,468,161
Cost of Issuance									107,095	176,244
Debt Service:										
Principal	1,297,638	1,367,639	1,430,000	1,500,000	1,655,000	2,155,000	1,940,000	2,075,000	2,380,000	2,645,000
Interest and Other Charges	2,186,187	1,756,113	1,941,100	4,112,475	3,843,411	4,127,629	3,927,852	3,843,040	3,727,224	3,406,864
Total Expenditures	62,534,110	67,177,098	75,597,663	97,092,540	111,947,936	91,959,007	89,625,524	87,634,190	93,181,767	97,082,228
Excess (Deficiency) of Revenues Over (Under) Expenditures	725,156	(64,303)	6,426,877	(13,982,271)	(25,702,206)	(4,358,429)	897,628	2,384,337	1,788,692	2,166,710
Other Financing Sources (Uses)										
Proceeds from Borrowing			44,648,000		6,500,000					
Capital Leases (Non-budgeted)	71,944	67,929	75,542							
Refunding Bonds Issued	27,077,561			10,000,000				209,080	96,589	23,745,000
Payments to Escrow Agent	(27,067,606)			(10,113,265)					(9,651,344)	(26,930,622)
Premium on Bonds Refunded				64,473					58,439	3,361,866
Insurance Proceeds										54,454
Transfers In	863,734	392,988	664,304	2,607,177	658,508	38,787	209	82	137	254
Transfers Out	(863,734)	(392,988)	(664,304)	(2,607,177)	(698,703)	(38,787)	(209)	(82)	(137)	(254)
Total Other Financing Sources (Uses)	81,899	67,929	44,723,542	(48,792)	6,459,805	-	-	209,080	203,684	230,698
Net Change in Fund Balances	\$ 807,055	\$ 3,626	\$ 51,150,419	\$ (14,031,063)	\$ (19,242,401)	\$ (4,358,429)	\$ 897,628	\$ 2,593,417	\$ 1,992,376	\$ 2,397,408
Debt service as a percentage of noncapital expenditures	6.28%	5.68%	4.70%	7.11%	6.56%	7.16%	6.57%	6.82%	6.58%	6.33%

Source: District Records

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

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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Transportation</u> <u>Fees</u>	<u>Rentals</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Annual Totals</u>
2004	\$ 226,553		\$ 24,080	\$ 898,778	\$ 1,149,411
2005	228,985		47,221	225,690	501,896
2006	273,825		90,885	285,661	650,371
2007	205,974			53,466	259,440
2008	251,257		2,699,612	100,323	3,051,192
2009	235,341	\$ 76,557	49,366	196,785	558,049
2010	272,498	96,413	131,706	102,725	603,342
2011	229,278	69,618		84,461	383,357
2012	222,716	170,110	202,894	48,744	644,464
2013	223,270	83,056	106,720	230,664	643,710

Source: District Records

Note:

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

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
2004	\$ 24,071,700	\$ 4,484,126,800	\$ 15,606,600	\$ 486,040	\$ 763,549,195	\$ 7,020,500	\$ 7,380,100	\$ 5,302,240,935	\$ 7,657,412	\$ 5,309,898,347	\$ 5,452,589,814	\$ 1.034
2005	34,921,300	5,625,239,400	22,896,000	397,610	700,421,000	7,425,000	7,858,900	6,399,159,210	6,813,032	6,405,972,242	5,902,410,904	0.930
2006	29,299,400	6,195,479,100	23,636,500	344,100	752,979,125	7,620,900	8,283,200	7,017,642,325	6,813,032	7,024,455,357	6,479,272,097	0.915
2007	38,810,400	6,211,176,500	23,098,000	336,800	848,521,100	7,748,900	8,540,100	7,138,231,800	7,347,852	7,145,579,652	7,103,135,463	0.957
2008	45,096,900	6,186,564,700	22,422,300	312,600	864,983,780	8,168,700	9,399,600	7,136,948,580	8,309,100	7,145,257,680	7,260,742,618	0.992
2009	36,643,900	5,849,444,900	20,329,100	870,200	884,170,700	11,490,000	9,301,900	6,812,250,700	11,324,300	6,823,575,000	7,145,967,376	1.083
2010	33,184,300	5,524,809,100	23,254,300	354,700	816,560,311	11,184,000	8,205,800	6,417,552,511	10,219,966	6,427,772,477	7,009,122,445	1.199
2011	26,355,000	5,531,687,400	23,808,100	354,000	776,172,100	11,044,500	7,876,400	6,377,297,500	7,963,597	6,385,261,097	6,863,212,979	1.243
2012	25,561,600	5,499,098,700	23,782,900	321,200	740,862,500	5,446,500	7,988,200	6,303,061,600	7,736,493	6,310,798,093	6,618,043,174	1.282
2013	21,252,500	5,599,386,300	24,226,100	319,000	727,722,100	5,260,000		6,386,058,000	8,607,710	6,394,665,710	6,596,323,728	1.286

Source: Municipal Tax Assessor

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

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

- Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

^b Tax rates are per \$100

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

Fiscal Year Ended June 30,	Bernards School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	(From J-6) Total Direct School Tax Rate	Bernards Township	Somerset County	
2004	\$ 0.967	\$ 0.067	\$ 1.034	\$ 0.350	\$ 0.376	\$ 1.760
2005	0.880	0.050	0.930	0.303	0.317	1.550
2006	0.864	0.051	0.915	0.276	0.299	1.490
2007	0.878	0.079	0.957	0.268	0.305	1.530
2008	0.914	0.078	0.992	0.264	0.306	1.562
2009	1.004	0.079	1.083	0.274	0.319	1.676
2010	1.113	0.086	1.199	0.298	0.331	1.828
2011	1.154	0.089	1.243	0.306	0.333	1.882
2012	1.190	0.092	1.282	0.318	0.341	1.941
2013	1.198	0.088	1.286	0.318	0.349	1.953

Source: Municipal Tax Collector

- ^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.

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

	2013			2004		
	Taxable Assessed Value	Rank	% of Total Direct Net Assessed Value	Taxable Assessed Value	Rank	% of Total Direct Net Assessed Value
Verizon Corporate Services Group, Inc.	\$ 200,331,692	1	3.13%			
Fellowship Village, Inc.	50,912,500	2	0.80%	\$ 36,761,500	5	0.69%
Avaya Inc./CB R. Ellis/German	36,250,000	3	0.57%	48,250,000	3	0.91%
AREP Westgate I&II	29,967,500	4	0.47%			
Ashford Basking Ridge LLP	23,500,000	5	0.37%			
131 Morristown Rd. c/o UBS Realty Inv.	23,282,800	6	0.36%	33,007,600	7	0.62%
110 Allen Road LLC	22,195,900	7	0.35%			
KBSII Mountainview LLC	20,264,000	8	0.32%	53,370,895	2	1.01%
Affinity Federal Credit Union	18,954,000	9	0.30%			
Bernards Plaza Associates	16,465,000	10	0.26%			
Pharmacia & Upjohn Co.				193,527,200	1	3.64%
OTR / Mack-Cali Realty Corp				36,883,300	4	0.69%
Realty Assoc Fund C/O Kwartler Assoc.				36,464,000	6	0.69%
Allen Center, LLC / Quinlan Prop, LLC				30,161,900	8	0.57%
CNL Hotel MI-4/CNL Ctr@City Comm				23,500,000	9	0.44%
MC-SJP Pinson Development				20,800,000	10	0.39%
Total	<u>\$ 442,123,392</u>		<u>6.91%</u>	<u>\$ 512,726,395</u>		<u>9.66%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$53,291,428	\$53,291,428	100.00%	
2005	57,478,734	57,478,734	100.00%	
2006	61,426,294	61,426,294	100.00%	
2007	66,975,032	66,975,032	100.00%	
2008	69,241,104	69,241,104	100.00%	
2009	72,081,363	72,081,363	100.00%	
2010	75,657,632	75,657,632	100.00%	
2011	78,501,965	78,501,965	100.00%	
2012	80,135,119	80,135,119	100.00%	
2013	81,618,245	81,618,245	100.00%	

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

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

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

Fiscal Year Ended June 30,	Governmental Activities					Business - Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	School Facilities Loan	Capital Leases	Other Leases	Compensated Absences Payable	Purchase Agreement Payable			
2004	\$ 42,890,000	\$ 2,640	\$ 362,222		\$ 1,026,954		\$ 44,281,816	2.89%	\$ 60,269
2005	41,525,000		420,701	\$ 1,007,784	1,080,343		44,033,828	2.76%	62,710
2006	84,743,000		367,267	767,327	382,173		86,259,767	4.97%	68,040
2007	83,900,000		226,347	519,368	407,790		85,053,505	4.59%	72,015
2008	88,745,000		239,959	247,815	318,032		89,550,806	4.68%	74,196
2009	86,590,000		21,242		341,943	\$ 88,672	87,041,857	4.86%	68,753
2010	84,650,000		869		533,825	71,154	85,255,848	4.57%	69,886
2011	82,575,000		178,670		589,377	52,758	83,395,805	4.27%	73,011
2012	81,455,000		231,913		463,086	34,155	82,184,154	Not Available	Not Available
2013	78,170,000		173,261		392,105	16,066	78,751,432	Not Available	Not Available

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

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

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

Fiscal Year Ended <u>June 30,</u>	<u>General Bonded Debt Outstanding</u>			
	<u>General Obligation Bonds</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value ^a of Property</u>	<u>Per Capita ^b</u>
2004	\$ 42,890,000	\$ 42,890,000	0.81%	\$ 60,269
2005	41,525,000	41,525,000	0.65%	62,710
2006	84,743,000	84,743,000	1.21%	68,040
2007	83,900,000	83,900,000	1.17%	72,015
2008	88,745,000	88,745,000	1.24%	74,196
2009	86,590,000	86,590,000	1.27%	68,753
2010	84,650,000	84,650,000	1.32%	69,886
2011	82,575,000	82,575,000	1.28%	73,011
2012	81,455,000	81,455,000	1.28%	Not Available
2013	78,170,000	78,170,000	1.24%	Not Available

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

^a See J-6 for property tax data.

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

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013
Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u> ^a	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Bernards Township	\$ 13,840,000	100.000%	\$ 13,840,000
Somerset County General Obligation Debt	158,095,935	11.500%	<u>18,181,033</u>
Subtotal, Overlapping Debt			32,021,033
Bernards School District Direct Debt			<u>78,170,000</u>
Total Direct and Overlapping Debt			<u>\$ 110,191,033</u>

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

Debt outstanding data provided by each governmental unit.

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

^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.

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

Legal Debt Margin Calculation for Fiscal Year 2013

Year	Equalized Valuation Basis
2013	\$ 6,745,571,062
2012	7,006,100,933
2011	6,863,212,979
	<u>\$ 20,614,884,974</u>
	Average Equalized Valuation of Taxable Property
	<u>\$ 6,871,628,325</u>
	Debt Limit (4% of Average Equalization Value)
	<u>\$ 274,865,133</u>
	Total Net Debt Application to Limit
	<u>78,170,000</u>
	Legal Debt Margin
	<u>\$ 196,695,133</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>2013</u>
Debt Limit	\$ 195,805,671	\$ 216,154,443	\$ 235,292,668	\$ 274,258,157	\$ 285,996,501	\$ 285,885,713	\$ 290,748,866	\$ 283,579,726	\$ 278,379,151	\$ 274,865,133
Total Net Debt Applicable to Limit	<u>42,892,640</u>	<u>41,525,000</u>	<u>84,743,000</u>	<u>83,900,000</u>	<u>88,745,000</u>	<u>86,590,000</u>	<u>84,650,000</u>	<u>82,575,000</u>	<u>81,455,000</u>	<u>78,170,000</u>
Legal Debt Margin	<u>\$ 152,913,031</u>	<u>\$ 174,629,443</u>	<u>\$ 150,549,668</u>	<u>\$ 190,358,157</u>	<u>\$ 197,251,501</u>	<u>\$ 199,295,713</u>	<u>\$ 206,098,866</u>	<u>\$ 201,004,726</u>	<u>196,924,151</u>	<u>196,695,133</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	24.85%	21.91%	19.21%	36.02%	31.03%	30.29%	29.11%	29.12%	29.26%	28.44%

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

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

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

<u>Year</u>	<u>Population</u> ^a	<u>Personal Income</u> ^b	<u>Per Capita Personal Income</u> ^c	<u>Unemployment Rate</u> ^d
2004	25,422	\$ 1,532,158,518	\$ 60,269	3.10%
2005	25,446	1,595,718,660	62,710	2.50%
2006	25,508	1,735,564,320	68,040	2.60%
2007	25,714	1,851,793,710	72,015	2.20%
2008	25,785	1,913,143,860	74,196	3.20%
2009	26,034	1,789,915,602	68,753	5.90%
2010	26,704	1,866,235,744	69,886	5.90%
2011	26,771	1,954,577,481	73,011	5.50%
2012	26,833	Not Available	Not Available	5.80%
2013	Not Available	Not Available	Not Available	Not Available

Source:

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

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

	2013		2004	
<u>Employer</u>	<u>Employees</u>	Percentage of Total Municipal <u>Employment</u>	<u>Employees</u>	Percentage of Total Municipal <u>Employment</u>

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>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>2013</u>
Teachers - General Fund	336.9	409.0	416.8	449.0	450.5	482.6	469.8	442.8	440.6	450.0
Classroom Aides - General Fund	5.0	50.0	83.0	92.8	100.5	116.5	123.0	96.5	109.0	120.0
Health Services	7.0	8.0	8.0	10.0	10.5	11.9	11.9	11.0	11.0	10.0
Related Services	8.0	11.0	10.0	8.0	9.0	12.0	11.6	11.6	12.0	13.0
Extraordinary Services	-	-	-	2.0	5.0	5.2	6.0	8.4	11.0	9.0
Guidance - Professional	15.0	17.0	18.0	18.2	19.2	22.0	20.2	19.2	21.2	21.0
Guidance - Support	4.0	4.0	5.0	5.0	5.2	7.0	6.0	8.0	8.0	8.0
Child Study Team	12.0	13.0	17.0	15.8	15.8	17.2	17.2	16.4	17.8	21.0
Child Study Team - Support	3.0	4.0	5.0	2.0	2.0	2.0	2.0	2.0	2.0	6.0
Supervisors and Other Professionals	4.0	4.0	5.0	4.5	4.5	4.6	4.0	3.5	9.8	5.0
Improvement of Instruction - Support	2.0	2.0	3.0	2.0	2.0	2.0	3.0	2.0	4.0	3.0
Media Services/Technology	12.0	7.0	6.0	15.0	14.0	14.0	13.0	10.0	10.0	10.0
Professional Development - Professionals	5.0	5.0	6.0	5.0	4.5	5.5	5.5	5.0	5.5	0.0
Professional Development - Support	4.0	4.0	3.0	4.0	4.8	6.0	6.0	5.0	5.0	5.0
General District Administrators	1.0	1.0	1.0	1.5	-	-	-	-	-	3.0
General Administration - Professional	1.0	-	-	-	1.5	1.5	1.5	1.5	2.5	3.0
General Administration - Support	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	6.0
Principals/Assistant Professionals	14.0	15.0	15.0	17.0	16.0	16.0	17.0	17.0	16.0	17.0
School Administration - Support	16.5	17.0	19.0	19.0	18.0	19.0	18.0	19.0	21.0	19.0
Central Services - Administrators	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	7.0	1.0
Central Services - Support	-	4.0	5.0	6.6	2.5	5.6	5.6	4.6	-	0.0
Administration Information Technology Services	-	-	6.0	5.5	5.3	9.0	9.0	8.0	9.0	11.0
Support Staff - Special Revenue	-	-	-	7.6	1.8	3.0	3.0	3.0	6.0	0.0
Total	451.4	577.0	633.8	692.5	694.6	764.6	755.3	696.5	728.4	741.0

Source: District Records

N/A - Not Available

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

Fiscal Year	Enrollment	Operating Expenditures ^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	Middle School	Senior High School				
2004	4,987	\$ 57,879,571	\$ 11,606	4.07%	481	10.5	10.5	10.2	4,998	4,805	#DIV/0!	96.14%
2005	5,207	63,372,730	12,171	4.86%	526	10.8	10.8	9.8	5,199	4,990	4.02%	95.98%
2006	5,346	67,516,774	12,629	3.77%	511	10.7	10.4	10.8	5,307	5,111	2.08%	96.31%
2007	5,529	69,266,377	12,528	-0.80%	515	10.8	10.5	10.7	5,466	5,263	3.00%	96.29%
2008	5,519	70,425,155	12,760	1.86%	530	11.7	10.3	10.8	5,517	5,310	0.95%	96.25%
2009	5,640	81,405,471	14,434	13.11%	524	11.3	9.8	10.7	5,632	5,413	2.08%	96.11%
2010	5,725	83,442,076	14,575	0.98%	548	10.7	9.5	10.7	5,703	5,490	1.26%	96.27%
2011	5,671	80,855,788	14,258	-2.18%	443	10.8	10.0	11.0	5,665	5,444	-0.67%	96.10%
2012	5,705	86,541,976	15,169	6.39%	454	14.7	9.9	12.6	5,687	5,481	0.39%	96.38%
2013	5,765	89,385,959	15,505	2.21%	450	12.9	11.6	13.6	5,701	5,461	0.25%	95.79%

Source: District Records.

Note: Enrollment based on annual October District count.

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

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

<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>2013</u>
<u>Elementary:</u>										
Cedar Hill Elementary School										
Square Feet	59,500	59,500	59,500	59,500	59,500	59,500	68,022	68,022	68,022	68,022
Capacity (students)	724	724	724	724	724	724	724	724	724	724
Enrollment	624	678	650	649	649	614	624	607	604	593
Liberty Corner Elementary School										
Square Feet	82,200	82,200	82,200	82,200	82,200	82,200	82,240	82,240	82,240	82,240
Capacity (students)	682	682	682	682	682	682	682	682	682	682
Enrollment	608	607	610	626	626	608	575	561	570	598
Mount Prospect Elementary School										
Square Feet	87,000	87,000	87,000	87,000	87,000	87,000	97,708	97,708	97,708	97,708
Capacity (students)	625	625	625	625	625	625	839	839	839	839
Enrollment	626	683	687	713	713	780	761	719	715	707
Oak Street Elementary School										
Square Feet	65,470	65,470	65,470	65,470	65,470	65,470	69,272	69,272	69,272	69,272
Capacity (students)	686	686	686	686	686	686	686	686	686	686
Enrollment	605	593	593	623	623	607	623	627	636	607
<u>Middle School:</u>										
William Arin Middle School										
Square Feet	146,000	146,000	146,000	146,000	146,000	146,000	162,713	162,713	162,713	162,713
Capacity (students)	1,460	1,460	1,460	1,460	1,460	1,460	1,471	1,471	1,471	1,471
Enrollment	1,193	1,222	1,260	1,277	1,277	1,348	1,399	1,433	1,406	1,405
<u>High School:</u>										
Ridge High School										
Square Feet	209,500	209,500	209,500	209,500	209,500	209,500	297,158	297,158	297,158	297,158
Capacity (students)	1,831	1,831	1,831	1,831	1,831	1,831	1,976	1,976	1,976	1,976
Enrollment	1,319	1,416	1,525	1,604	1,604	1,695	1,715	1,724	1,774	1,815
<u>Other:</u>										
Administration Building										
Square Feet	5,200	5,200	5,200	6,224	6,224	6,224	6,224	6,224	6,224	6,224
Number of Schools at June 30, 2013:										
Elementary =	4									
Middle School =	1									
Senior High School =	1									
Other =	1									

Source: District Facilities Office

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

N/A - Not Available

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

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

*School Facilities	<u>Ridge H.S.</u>	<u>William Anlnn M.S.</u>	<u>Cedar Hill E.S.</u>	<u>Liberty Corner E.S.</u>	<u>Mount Prospect E.S.</u>	<u>Oak Street E.S.</u>	<u>Total</u>
Project # (s)	SP201527, SP202749, <u>0350-050-05-100</u>	0350-055-04-1000, <u>0350-055-05-1000</u>	0350-070-02-1005, 0350-070-05-1000, <u>0350-070-05-2000</u>	0350-080-02-0816, 0350-080-04-1000, <u>0350-080-05-1000</u>		0350-060-03-0947, 0350-060-05-1000, <u>0350-060-05-2000</u>	
2004	\$ 534,585	\$ 201,084	\$ 148,685	\$ 154,402	\$ 141,114	\$ 172,527	\$ 1,352,397
2005	831,091	312,631	231,057	240,098	219,283	268,270	2,102,430
2006	237,971	89,517	66,160	68,748	62,789	76,815	602,000
2007	896,847	616,748	252,089	344,521	411,746	279,038	2,800,989
2008	2,224,072	637,354	230,235	299,848	374,319	330,047	4,095,875
2009	1,200,629	574,109	260,651	298,627	409,919	276,833	3,020,768
2010	660,922	361,897	151,291	182,914	217,317	154,070	1,728,411
2011	660,846	361,855	151,273	182,892	217,291	154,053	1,728,210
2012	1,281,483	701,694	293,342	354,657	421,362	298,733	3,351,271
2013	<u>677,258</u>	<u>370,842</u>	<u>155,030</u>	<u>187,435</u>	<u>222,688</u>	<u>157,879</u>	<u>1,771,132</u>
Total School Facilities	<u>\$ 9,205,704</u>	<u>\$ 4,227,731</u>	<u>\$ 1,939,813</u>	<u>\$ 2,314,142</u>	<u>\$ 2,697,828</u>	<u>\$ 2,168,265</u>	<u>\$ 22,553,483</u>

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

Source: District Records

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Insurance Schedule
June 30, 2013

School Package Policy - NJSBAIG:	<u>Coverage</u>	<u>Deductible</u>
Blanket Building and Contents	\$ 121,591,933	\$ 5,000
Electronic Data Processing	1,000,000	1,000
Boiler and Machinery	100,000,000	5,000
Crime	1,000,000	1,000
Comprehensive General Liability	11,000,000	-
Automobile	11,000,000	1,000
Commercial Excess	Included	-
Workers' Compensation	2,000,000	-
School Leaders Errors and Omissions	11,000,000	5,000
N.J. Cap Program - Fireman's Fund Insurance Co.	50,000,000	-
Environmental Liability - NJSBAIG	1,000,000	25,000
Public Official's Bonds - Selective Insurance Co.		
Board Secretary	369,000	-
Treasurer	400,000	-
Student Accident - Bollinger Insurance	\$ 1,000,000	-

Source: Bernards Township Board of Education.

Single Audit Section



**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bernards Township School District, in the County of Somerset, New Jersey (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

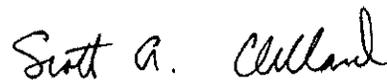
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Scott A. Clelland

Licensed Public School Accountant

No. 1049



WISS & COMPANY, LLP

November 22, 2013
Iselin, New Jersey



Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Bernards Township School District, in the County of Somerset, New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on an audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to previously that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purposes.

Scott A. Clelland

Scott A. Clelland

Licensed Public School Accountant

No. 1049

Wiss & Company

WISS & COMPANY, LLP

November 22, 2013
Iselin, New Jersey

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Grant Period		Balance at June 30, 2012	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	(Accounts Receivable) June 30, 2013	Unearned Revenue June 30, 2013	Due to Grantor at June 30, 2013
			From	To								
U.S. Department of Education												
Passed-through State Department of Education												
General Fund:												
Education Jobs Fund	84.410A	\$ 161,678	08/01/10	08/31/12	\$ (52,305)		\$ 52,305					
Total General Fund					(52,305)		52,305					
U.S. Department of Education												
Passed-through State Department of Education												
Special Revenue Fund:												
Title II - Part A	84.367A	60,863	09/01/12	08/31/13				\$ 48,511		\$ (48,511)		
Title II - Part A, Carryover	84.367A	72,307	09/01/11	08/31/12	\$ (32,832)		43,327	10,495				
Title III	84.365	13,130	09/01/11	08/31/12	(8,716)		4,072	3,621	\$ 3,558	(4,707)		
Title III, Carryover	84.365	15,376	09/01/10	08/31/11	(366)		366					
Title III Immigrant	84.365	29,990	09/01/12	08/31/13				28,176		(28,176)		
Title III Immigrant, Carryover	84.365	20,675	09/01/11	08/31/12	(14,857)		15,624	767				
I.D.E.A., Part B, Basic	84.027	1,887,055	09/01/12	08/31/13			662,512	1,883,993	445	(1,221,036)		
I.D.E.A., Part B, Basic, Carryover	84.027	1,181,471	09/01/11	08/31/12	(270,760)		578,947	308,372	185			
I.D.E.A., Part B, Basic, Carryover	84.027	1,150,696	09/01/10	08/31/11	(88,970)		88,970					
I.D.E.A., Part B, Preschool	84.173	84,136	09/01/12	08/31/13				95,169		(95,169)		
I.D.E.A., Part B, Preschool, Carryover	84.173	44,227	09/01/11	08/31/12			26,008	26,008				
U.S. Department of Homeland Security												
Passed-through State Department of Education												
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	13,063	10/29/12	06/30/13			13,063	13,063				
Total Special Revenue Fund					(416,501)		1,432,889	2,418,175	4,188	(1,397,599)		
U.S. Department of Agriculture												
Passed-through State Department of Education												
Enterprise Fund:												
Food Donation Program (NC)	10.555	30,657	07/01/12	06/30/13			30,657	30,564			\$ 93	
National School Lunch Program	10.555	63,696	07/01/12	06/30/13			56,969	63,696		(6,727)		
National School Lunch Program	10.555	80,181	07/01/11	06/30/12	(16,806)		16,806					
Total Enterprise Fund					(16,806)		104,432	94,260	-	(6,727)	93	-
Total expenditures of Federal Awards					\$ (485,612)	\$ -	\$ 1,589,626	\$ 2,512,435	\$ 4,188	\$ (1,404,326)	\$ 93	\$ -

NC - non cash expenditures.

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

Township of Bernards Board of Education

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance
Year ended June 30, 2013

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance programs of the District. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

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

3. Relationship to Basic Financial Statements

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

Township of Bernards Board of Education

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance
Year Ended June 30, 2013

3. Relationship to Basic Financial Statements (continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$59,277 for the general fund and \$427,183 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 13,113,144	\$ 13,113,144
Special Revenue Fund	\$ 1,989,628	207,356	2,196,984
Capital Projects Fund		3,226	3,226
Debt Service Fund		333,799	333,799
Enterprise Food Service Fund	94,260	5,841	100,101
Total award revenues	<u>\$ 2,083,888</u>	<u>\$ 13,663,366</u>	<u>\$ 15,747,254</u>

4. Relationship to Federal and State Financial Reports

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

Township of Bernards Board of Education

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance
Year ended June 30, 2013

5. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions, respectively. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer's share of Social Security for TPAF members for the year ended June 30, 2013.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2013 amounted to \$4,991,202. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB Circular 04-04 and are not reported on the Schedule of Expenditures of State Financial Assistance, as directed by the funding agency.

6. Adjustments

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

Township of Bernards Board of Education
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part I - Summary of Auditors' Results

Financial Statement Section

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u>	No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u>	None Reported
Noncompliance material to basic financial statements noted?	<u> </u> Yes	<u> X </u>	No

Federal Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>		
Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u>	No
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>		
Internal control over major programs:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u>	No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u>	None Reported
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	<u> </u> Yes	<u> X </u>	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 , 84.173	IDEA Part B, Basic and Preschool Cluster

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

Year ended June 30, 2013

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

State Awards Section

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

Auditee qualified as low-risk auditee? X Yes No

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

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

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

Identification of major programs:

<u>GMIS/Program Number</u>	<u>Name of State Program or Cluster</u>
495-034-5120-089 & 495-034-5120-084	General State Aid Cluster
495-034-5120-014	Transportation Aid

Township of Bernards Board of Education
Schedule of Findings and Questioned Costs (continued)
Year ended June 30, 2013

Part II – Schedule of Financial Statement Findings

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

Township of Bernards Board of Education

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2013

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required by U.S. OMB Circular A-133.

Federal Award Programs

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

State Award Programs

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

Township of Bernards Board of Education
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2013

Not Applicable