

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, 2010*

Township of Bernards Board of Education

Basking Ridge, New Jersey

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2010**

Prepared by:

Business Office

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organizational Chart	8
Roster of Officials	9
Independent Auditors and Advisors	10
FINANCIAL SECTION	
Independent Auditors' Report	11
Required Supplementary Information – Part I	
Management's Discussion and Analysis	14
Basic Financial Statements	
District-wide Financial Statements:	
A-1 Statement of Net Assets	25
A-2 Statement of Activities	26
Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	27
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	28
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Proprietary Funds:	
B-4 Statement of Net Assets	30
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	31
B-6 Statement of Cash Flows	32
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	33
B-8 Statement of Changes in Fiduciary Net Assets	34

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Notes to the Basic Financial Statements	35
Required Supplementary Information – Part II	
Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund (Budgetary Basis)	63
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Not Applicable	N/A
C-1b American Recovery and Reinvestment Act – Budget and Actual – Not Applicable	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund (Budgetary Basis)	68
C-3 Note to Required Supplementary Information - Budget to GAAP Reconciliation	69
Other Supplementary Information	
D School Based Budget Schedules - Not Applicable	N/A
Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	70
E-2 Schedule of Preschool Education Aid Expenditures – Budgetary Basis – Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis	72
F-2 Summary Schedule of Project Expenditures – Not Applicable	N/A
Enterprise Funds:	
G-1 Combining Statement of Net Assets – Not Applicable	N/A
G-2 Combining Statement of Revenues, Expenses and Changes in Net Assets – Not Applicable	N/A
G-3 Combining Statement of Cash Flows – Not Applicable	N/A

Table of Contents (continued)

FINANCIAL SECTION (continued)

Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Assets	73
H-2 Combining Statement of Changes in Fiduciary Net Assets	74
H-3 Schedule of Cash Receipts and Disbursements – Student Activity Agency Fund	75
H-4 Schedule of Cash Receipts and Disbursements – Payroll Agency Fund	77
Long-Term Debt:	
I-1 Schedule of Serial Bonds Payable	78
I-2 Schedule of Obligations Under Capital Leases	79
I-3 Budgetary Comparison Schedule – Debt Service Fund	80

STATISTICAL SECTION (Unaudited)

Financial Trends:	
J-1 Net Assets by Component	81
J-2 Changes in Net Assets	82
J-3 Fund Balances – Governmental Funds	84
J-4 Changes in Fund Balances – Governmental Funds	85
J-5 General Fund - Other Local Revenue by Source	86
Revenue Capacity:	
J-6 Assessed Value and Actual Value of Taxable Property	87
J-7 Direct and Overlapping Property Tax Rates	88
J-8 Principal Property Tax Payers	89
J-9 Property Tax Levies and Collections	90
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	91
J-11 Ratios of Net General Bonded Debt Outstanding	92
J-12 Ratios of Overlapping Governmental Activities Debt	93
J-13 Legal Debt Margin Information	94
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	95
J-15 Principal Employers	96
Operating Information:	
J-16 Full-Time Equivalent District Employees by Function/Program	97
J-17 Operating Statistics	98
J-18 School Building Information	99
J-19 Schedule of Required Maintenance	100
J-20 Insurance Schedule	101

Table of Contents (continued)

SINGLE AUDIT SECTION	Page
K-1 Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102
K-2 Independent Auditors' Report on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04	104
K-3 Schedule A – Schedule of Expenditures of Federal Awards	107
K-4 Schedule B – Schedule of Expenditures of State Financial Assistance	108
K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	109
K-6 Schedule of Findings and Questioned Costs	112
K-7 Summary Schedule of Prior Year Audit Findings	116

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

NICK MARKARIAN
Business Administrator/Board Secretary

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October 4, 2010

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, 2010, 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, 2010, 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, 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 auditor's report on internal control over compliance and on compliance and a separate report on internal control over financial reporting and related findings and questioned costs, 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) as established by Statement No. 14. All funds 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 2009/2010 fiscal year with an average daily enrollment of 5,703 students, which is 71 students above 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 Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2009-10	5,703	1.26%
2008-09	5,632	2.08%
2007-08	5,517	0.95%
2006-07	5,465	1.03%
2005-06	5,307	2.08%

2. ECONOMIC CONDITIONS AND OUTLOOK:

All indications are that Bernards Township School District is coming to the end of a period of substantial commercial and residential development. New housing starts have dramatically decreased over the last year and a significant portion of growth is directly attributed to housing inflation.

Student enrollment is expected to continue to grow for the next several years at the high school, while middle school enrollments are expected to peak and level off in 2010-2011. Simultaneously slow declines in elementary enrollments are expected in correlation with the end of residential development.

Clearly, Bernards Township has not been unaffected by the financial times. The immediate future would seem to hold continuing financial and budgeting challenges for the district.

3. MAJOR INITIATIVES:

BERNARDS TOWNSHIP PUBLIC SCHOOLS

DISTRICT GOALS 2009-2012

To understand the philosophy of Differentiated Instruction (DI) through the examination of learning styles, instructional strategies, and assessments.

Strategies	Evidence
Build a training model that differentiates for the level of teacher experience during new teacher induction	January workshop for new teachers on incorporating and extending the use of Differentiated strategies
Develop a template to be used for lesson planning to include DI	Use Understanding By Design curriculum mapping format as evidenced in Rubicon Atlas system
In-class support versus general ed classes: differentiating lessons	Reinforce the use of "Above the line" accommodations at department meetings
Middle School note taking issues – differentiating student study skills	Guidance study skills module addressing the use of study skills and effective note taking and effective organizational skills
Better utilization of team meetings to promote DI in a supportive environment	Lesson studies within each content area
Promote development of professional learning communities (i.e. PBL)	School-based professional development committees attend NJDOE training
Interdisciplinary Department Meetings focused on specific classroom examples of project based learning and tiered performance assessments	Discussion and presentations at combined department meetings
Observe colleagues	Reflection or journal entry
Teacher & Administrative Professional Development on DI (philosophy, instructional strategies, assessments etc.)	Trainings during Cabinet meetings, attendance at regional and national conferences
Include DI in all teachers Professional Development Plans for 2009-12	DI evidenced through lesson plans and observations

In addition to striving toward achieving the major initiative outlined in the table above in the future, the district is also proud to have achieved the 2009-2010 Board of education goals this year which were:

BERNARDS TOWNSHIP BOARD OF EDUCATION
2009- 2010 Goals
June 15, 2009

1. Develop a budget model which enables a thorough and speedy analysis of the school district's priorities in light of changes in funding levels and mandates. Prior to finalizing model, review other high achieving, low cost school districts for cost saving practices and determine if Bernards Township School District should adopt similar practices to ensure that the highest priority is given to student achievement.

This goal was referred to the finance committee and is due back to the full board for review in September.

2. Review K-12 drug and alcohol prevention programs with the goal of recommending changes and/or improvements as necessary to address problem of underage drinking and illegal drug use. If possible, determine why Bernards Township rates are higher than the national average.

The district has accepted an invitation from Rutgers University to participate in a federally funded study reviewing the efficacy of adolescent drug and alcohol prevention programs. An administrator and board member are monitoring the study and its results. The curriculum committee will review current prevention programs over the course of the year.

3. Increase public participation and awareness without incurring large costs.

This goal was referred to the community relations committee. The committee will develop a plan for lobbying Trenton. The committee will develop cost effective ways to inform/engage the public. Finally, the committee will regularly report its activities to the full board.

The Board accomplished the first goal by developing an excel spreadsheet that allowed for the input of variables such as state aid figures and various budgetary expenses whereby upon entry a 3 year budget projection was automatically updated. The second goal was accomplished by participating in and reporting on the Rutgers study. The last goal was accomplished by a community relations committee that kept the public informed and even had a face to face meeting with former Commissioner Schundler.

Several other notable honors were achieved during the 2009-2010 school year. The District was proud to announce that Barbara DeLorenzo, Michael Pepitone, Andrew Henthorn, Tracy Underhill, Margaret Mitchell, and Megan Malone were honored as the 2010 Governor's Teachers of the Year. Newsweek magazine ranked the top 1,600 High Schools in the Nation and Ridge High School, at #194, is the top rated comprehensive

high school in New Jersey. Forbes magazine named our district as one of its 25 Best Schools For Your Housing Buck for 2010. Ridge High School was recognized by the U.S. Department of Education as a **National Blue Ribbon School** November 3, 2009 in Washington D.C. The Liberty Corner Elementary School was selected as a 2010 National Schools of Character Promising Practices award winner. Finally, The International Technology Education Association (ITEA) announced in the fall of 2009 that William Annin Middle School has been given the International Technology Education Middle School Program Excellence Award. This prestigious award identifies quality programs of technology education that are in place to help students become more technologically literate.

In addition to the accomplishments above the District is proud to have continued success in its athletic and cocurricular programs. Despite the extremely difficult financial times the District has maintained all of its core athletic programs without charging fees to parents. Cocurricular programs such as the Drama Club and the Forensics Team continue to have tremendous success at the high school. For example, this years Forensics Team achieved their ninth straight State Championship title and the high school Latin team was the 2010 Junior Classical League State Champion.

The concerted effort by the administration, teaching staff and guidance personnel continues to keep the Bernards Township School District successful and focused on its initiative to move from 'good' to 'great.'

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 canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2010.

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.

9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal 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.

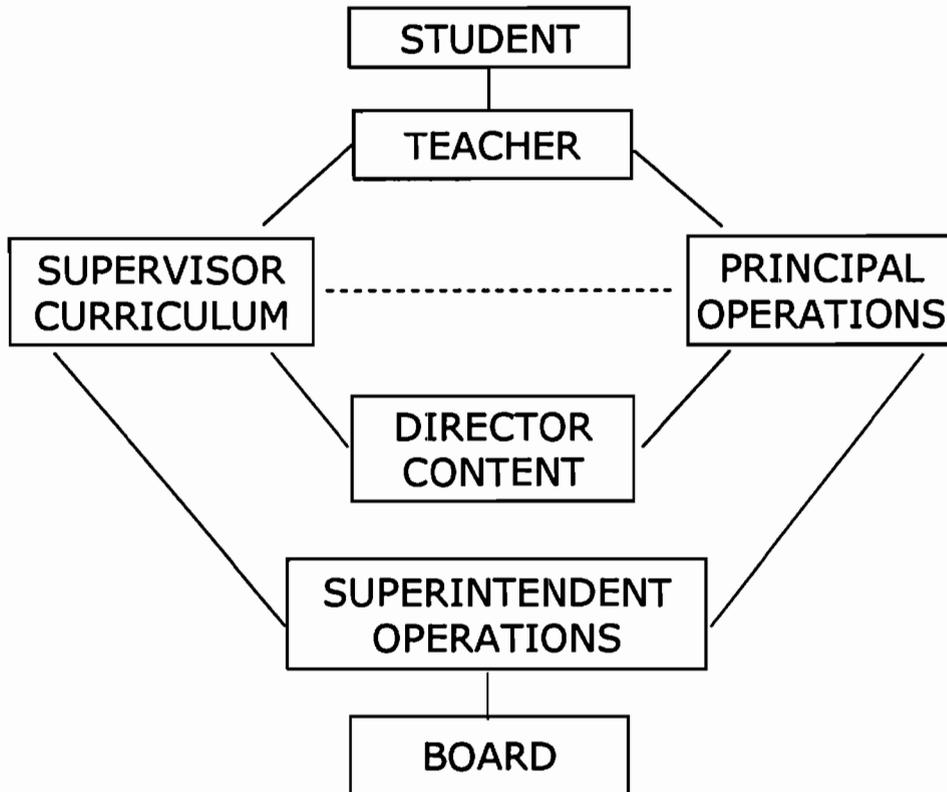
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Nick Markarian', written in a cursive style.

NICK MARKARIAN
BUSINESS ADMINISTRATOR/BOARD SECRETARY

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Basking Ridge, New Jersey
Organizational Chart**

June 30, 2010



Township of Bernards Board of Education
Basking Ridge, New Jersey

Roster of Officials

June 30, 2010

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Susan Carlson, President	2012
Beverly Darvin Cwerner, Vice President	2011
Michael Byrne	2013
William Koch	2013
Elaine Kusel	2013
Susan McGowan	2011
Robin McKeon	2012
Audrey Cohen Sherwyn	2012
Ken Wilke	2011

Other Officials

Valerie A. Goger, Superintendent

Regina Rudolph, Assistant Superintendent

Nick Markarian, School Business Administrator/Board Secretary

Michael Petrizzo, Treasurer

Phil Stern, Attorney

**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

Wachovia
59 South Finley Avenue
Basking Ridge, NJ 07920

Financial Section



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Bernards Township School District, County of Somerset, New Jersey (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 14 through 24 and 63 through 69 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Scott A. Clelland

Licensed Public School Accountant

No. 1049



WISS & COMPANY, LLP

October 4, 2010
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, 2010 (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, 2010. We encourage readers to consider the information presented, in conjunction with additional information that we have furnished in our letter of transmittal.

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

Overview of the Financial Statements

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

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

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

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

The district-wide financial statements can be found on pages 25-26 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 27-29 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 30-32 of this report.

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

The District uses agency funds to account for resources held for student activities and groups, and payroll related liabilities. The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 35-62 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 63-80 of this report.

Financial Highlights

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,913,315 (net assets) at the close of 2010 and our overall financial position has remained stable in the current year. Of this amount, the District currently has an unrestricted balance of net assets in the amount of \$2,572,929.

Key financial highlights for the 2009-2010 fiscal year include the following:

- The State notified Districts that as done in the prior year, the State would again be withholding both of the June fiscal year state aid payments until July 2010.
- The State decreased the approved state aid to the District for 2009/10 by approximately \$1.6 million, subsequent to the adoption of the District's 2009/10 budget.
- The District capitalized the prior year construction in progress costs relating to the referendum projects, since the projects were all substantially completed and now fully in use.

The following table provides a summary of net assets relating to the District's governmental and business-type activities as of June 30, 2010 and 2009:

**Township of Bernards Board of Education
Basking Ridge, New Jersey**

Net Assets

June 30,

	2010			2009		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business-type Activities (as restated)	Total (as restated)
Current and other assets	\$ 9,809,897	\$ 1,006,504	\$ 10,816,401	\$ 9,786,568	\$ 701,197	\$ 10,487,765
Capital assets, net	88,565,635	54,958	88,620,593	90,417,789	52,700	90,470,489
Total assets	98,375,532	1,061,462	99,436,994	100,204,357	753,897	100,958,254
Current liabilities	5,722,094	269,315	5,991,409	6,514,278	293,941	6,808,219
Long-term liabilities outstanding	82,532,270		82,532,270	84,384,063		84,384,063
Total liabilities	88,254,364	269,315	88,523,679	90,898,341	293,941	91,192,282
Net assets:						
Invested in capital assets, net of related debt	5,068,272	54,958	5,123,230	4,996,379	52,700	5,049,079
Restricted	3,217,156		3,217,156	2,934,632		2,934,632
Unrestricted	1,835,740	737,189	2,572,929	1,375,005	407,256	1,782,261
Total net assets, as restated	\$ 10,121,168	\$ 792,147	\$ 10,913,315	\$ 9,306,016	\$ 459,956	\$ 9,765,972

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

The balance of restricted net assets consists of the excess surplus-current year of \$623,615, excess surplus-designated for subsequent year's expenditures of \$1,731,795, \$800,000 of the waiver offset reserve and the District's capital reserve of \$61,746.

The remaining balance represents an unrestricted balance of \$2,572,929.

District activities. The key elements of the District's changes in net assets for the years ended June 30, 2010 and 2009 are as follows:

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

Year ended June 30,

	2010			2009		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business-type Activities (as restated)	Total (as restated)
Revenues:						
Program revenues:						
Charges for services	\$ 963,684	\$ 3,508,622	\$ 4,472,306	\$ 983,637	\$ 2,861,512	\$ 3,845,149
Operating grants and contributions	2,706,434	119,882	2,826,316	1,489,669	118,668	1,608,337
Capital grants and contributions				145,287		145,287
General revenues:						
Property taxes	75,657,632		75,657,632	72,081,363		72,081,363
Federal and State aid not restricted to specific purposes	10,864,349		10,864,349	12,539,127		12,539,127
Investment income	63,067		63,067	129,895		129,895
Miscellaneous	267,986		267,986	231,600		231,600
Total revenues	90,523,152	3,628,504	94,151,656	87,600,578	2,980,180	9,058,758
Expenses:						
Instructional services	51,366,325		51,366,325	48,689,747		48,689,747
Support services	34,415,010		34,415,010	34,244,011		34,244,011
Interest and other charges on Long term debt	3,926,665		3,926,665	4,009,003		4,009,003
Business type activities		3,296,313	3,296,313		2,793,942	2,793,942
Total expenses	89,708,000	3,296,313	93,004,313	86,942,761	2,793,942	89,736,703
Increase in net assets	815,152	332,191	1,147,343	657,817	186,238	844,055
Change in net assets	815,152	332,191	1,147,343	657,817	186,238	844,055
Net assets – beginning of year, as restated	9,306,016	459,956	9,765,972	8,648,199	273,718	8,921,917
Net assets – end of year, as restated	\$ 10,121,168	\$ 792,147	\$ 10,913,315	\$ 9,306,016	\$ 459,956	\$ 9,765,972

The increase in governmental revenues of \$2,922,574 is mainly the result of an increase in the local tax levy of \$3,576,269 and an increase in operating grants and contributions of \$1,216,765 which is mostly the result of the District expending federal funds relating to the new federal funding received by the District related to the American Recovery and Reinvestment Act, offset by a decrease in revenue from the federal and state aid not restricted for a specific purpose of \$1,634,778, which is the result of the State of New Jersey's reduction of the District's 2009/10 general state aid.

Business-type revenues and expenses increased from the prior year mainly as a result of the increase in the before and after school care program. The increase in total revenues of \$648,324 is mainly the result of the program being offered at two additional school locations during 2009/10 resulting in enrollment in the programs approximately doubling from the prior years. The increase in total expenses of \$502,371 is also attributed to the new costs associated with the program expansion.

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain district-wide liabilities that are not recognized in the governmental funds.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, Special Revenue Fund and Debt Service Fund revenues for the year ended June 30, 2010, and the increases and decreases in relation to the prior year:

Revenue	Amount	Percent of Total	Increase (Decrease) from 2009	Percent of Increase (Decrease)
Local sources	\$ 77,043,997	85.1%	\$ 3,558,063	4.8%
State sources	11,093,362	12.3%	(1,693,288)	(13.2)%
Federal sources	2,385,584	2.6%	1,241,664	108.5%
Total	\$ 90,522,943	100.0%	\$ 3,106,439	3.6%

The decrease in state sources is mainly attributable to the State of New Jersey's reduction of the District's general state aid during 2009/10 in the amount of \$1,634,388.

The increase in federal sources is mainly attributable the District expending federal funds relating to the new federal funding received by the District for the American Recovery and Reinvestment Act.

Local sources remained relatively consistent with the prior year with a slight fluctuation noted resulting from the increase in the taxes levied.

The following schedule presents a summary of General Fund, Special Revenue Fund and Debt Service Fund expenditures for the year ended June 30, 2010 and the increases and decreases in relation to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2009	Percent of Increase (Decrease)
Current expenditures:				
Instruction	\$ 36,785,619	41.0%	\$ 539,179	1.5%
Undistributed	46,656,457	52.1%	1,497,426	3.3%
Capital outlay	311,596	0.3%	(1,304,396)	(80.7)%
Debt service:				
Principal	1,940,000	2.2%	(215,000)	(10.0)%
Interest	3,927,852	4.4%	(199,777)	(4.8)%
Total	\$ 89,621,524	100.0%	\$ 317,432	0.4%

The increase in instruction and undistributed expenditures is mainly the result of contractual salaries and benefit increases, along with an increase in maintenance costs and special education costs. The decrease in capital outlay expenditures is mainly attributable to timing of funds expended for capital purposes, which were expended in prior years, and the amount included in the budget for capital purposes. The decrease in principal and interest payments are attributed to the overall decline in outstanding debt balances resulting from the current year debt payments.

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the enterprise fund revenues for the year ended June 30, 2010, and the increases and decreases in relation to the prior year:

Revenue	Amount	Percent of Total	Increase (Decrease) from 2009	Percent of Increase (Decrease)
Local sources	\$ 3,508,622	96.7%	\$ 647,110	22.6%
State sources	9,659	0.3%	(702)	(6.8)%
Federal sources	110,223	3.0%	1,916	1.8%
Total	\$ 3,628,504	100.0%	\$ 648,324	21.8%

The increase in local sources is mainly attributable to an increase in the participation (meals sold) in the cafeteria fund and an increase in enrollment of students in the before and after school care program, which is the result of the District opening the program in two additional schools in 2009/10. The decrease in state sources is attributable to a decrease in the number of eligible meals served in 2009/2010 for free and reduced lunches. The increase in federal sources is attributed to an increase in rates used to calculate the amount to be reimbursed to the District, partially offset by the decrease in number of eligible meals served as mentioned above.

The following schedule presents a summary of the enterprise fund operating expenses for the year ended June 30, 2010, and the increases and decreases in relation to the prior year:

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2009	Percent of Increase (Decrease)
Salaries	\$ 2,098,469	63.7%	\$ 490,274	30.5%
Employee benefits	42,891	1.3%	9,154	0.6%
Other purchased services	141,391	4.3%	39,375	2.4%
Supplies and materials	145,594	4.4%	14,710	0.9%
Depreciation	11,318	0.3%	(5,076)	(0.3)%
Cost of sales	672,031	20.4%	(36,445)	(2.3)%
Management Fee	138,609	4.2%	8,732	0.5%
Miscellaneous expenses	46,010	1.4%	(18,353)	(28.5)%
Total	\$ 3,296,313	100.0%	\$ 502,371	18.0%

The increase in salaries is the result of the increase number of employees needed to run the before and after school care program since the program opened in two additional schools during 2009/10. The decrease in miscellaneous expenses is the result of the District's effort to decrease all unnecessary expenses.

Capital Assets and Debt Administration

Capital Assets. At June 30, 2010, the District's governmental funds had capital assets of \$88,565,635 (net of accumulated depreciation), including land, school buildings and improvements, machinery, equipment, vehicles and construction in progress. The District's governmental funds' capital assets, net of depreciation consisted of the following at June 30, 2010 and 2009:

	June 30	
	2010	2009
Land	\$ 5,277,400	\$5,277,400
Construction in progress	5,867	51,950,121
Buildings and building improvements	81,216,077	31,027,524
Machinery, equipment and vehicles	2,066,291	2,162,744
Total capital assets, net	<u>\$ 88,565,635</u>	<u>\$90,417,789</u>

The decrease in capital assets is mainly due to the increase in current year depreciation expense resulting from the District's completion of the District's ongoing referendum projects and the capitalization of the associated costs. For more detailed information, please refer to Note 4 to the basic financial statements.

Debt Administration. During the 2010 fiscal year, the District had outstanding long-term liabilities of \$84,594,737, of which \$2,062,467 was classified as the current portion.

At June 30, 2010 and 2009, the District's long-term liabilities consisted of:

	June 30	
	2010	2009
Bonds payable (net)	\$ 84,060,043	\$ 85,967,717
Obligations under capital leases	869	21,242
Compensated absences payable	533,825	341,943
Total long-term liabilities	<u>\$ 84,594,737</u>	<u>\$ 86,330,902</u>

More detailed information about the District's long-term liabilities and outstanding debt 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 \$242,952 and Special education instruction – Preschool Disabilities – Full Time – a decrease of \$199,077 is the result of the movement of students from one program to the next due to age, as certain of the preschool disabled students have moved up into the autism program.
- Undistributed Expenditures – Child study teams – a decrease of \$260,307 is the result of aggressive budget planning for the summer CST evaluations and planning which did not end up coming to pass and therefore allowed the District to transfer these funds out to areas that needed funding.
- Undistributed Expenditures – General Administration – an increase of \$206,450 as a result of state budget software constraints which necessitated a budgetary decrease in the adopted budget. The District during the fiscal year received county approval to transfer funds into the administrative section to offset these original reductions.
- Undistributed Expenditures – Required Maintenance for School Facilities – a decrease of \$784,181, Undistributed Expenditures – Other Operation and Maintenance of Plant Services – a decrease of \$631,726, and Undistributed Expenditures – Care and Upkeep of Grounds – an increase of \$620,566 is the result of the reallocation of maintenance type project work in the capital outlay budget where it is more appropriately classified. Additionally, the state budget coding added a new account classification during 2009/10 which required the breakout of the care and upkeep of grounds into a separate account (see explanation below)

Economic Factors and Next Year's Budget

- The District budgeted \$2,238,113 of its 2010 fund balance to partially fund the 2010/11 operations, an increase of \$1,101,507 from the prior year.
- The 2011 tax levy was increased in accordance with state regulations.

All of these factors were considered in preparing the District's budget for the 2010-2011 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, School Business Administrator/Board Secretary at Township of Bernards Board of Education, 101 Peachtree Road, Basking Ridge, NJ 07920 or email at nmarkarian@bernardsboe.com.

Basic Financial Statements

District-wide Financial Statements

The district-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2010.

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,857,629	\$ 979,430	\$ 6,837,059
Receivables, Net	3,770,398	6,882	3,777,280
Deferred Charges	120,124		120,124
Inventories		20,192	20,192
Restricted assets:			
Cash and cash equivalents	61,746		61,746
Capital Assets, Non-Depreciable	5,283,267		5,283,267
Capital Assets, Depreciable, Net	<u>83,282,368</u>	<u>54,958</u>	<u>83,337,326</u>
Total Assets	<u>98,375,532</u>	<u>1,061,462</u>	<u>99,436,994</u>
LIABILITIES			
Accounts Payable	1,614,951	153,331	1,768,282
Accrued Interest Payable	1,783,972		1,783,972
Payable to State Government	22,913		22,913
Unearned Revenue	237,791	115,984	353,775
Noncurrent Liabilities:			
Due Within One Year	2,062,467		2,062,467
Due Beyond One Year	<u>82,532,270</u>		<u>82,532,270</u>
Total Liabilities	<u>88,254,364</u>	<u>269,315</u>	<u>88,523,679</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,068,272	54,958	5,123,230
Restricted For:			
Other Purposes	3,217,156		3,217,156
Unrestricted	<u>1,835,740</u>	<u>737,189</u>	<u>2,572,929</u>
Total Net Assets	<u>\$ 10,121,168</u>	<u>\$ 792,147</u>	<u>\$ 10,913,315</u>

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

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Activities
Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 34,797,822		\$ 265,933	\$ (34,531,889)		\$ (34,531,889)
Special Education	13,146,006		484,920	(12,661,086)		(12,661,086)
Other Special Instruction	1,753,775			(1,753,775)		(1,753,775)
School Sponsored/Other Instructional	1,668,722			(1,668,722)		(1,668,722)
Support Services:						
Tuition	2,680,778	\$ 691,186		(1,989,592)		(1,989,592)
Student and Instruction Related Services	13,480,530		1,955,581	(11,524,949)		(11,524,949)
General Administrative Services	1,078,925			(1,078,925)		(1,078,925)
School Administrative Services	4,170,456			(4,170,456)		(4,170,456)
Central Administrative Services	692,996			(692,996)		(692,996)
Administrative Information Technology	754,135			(754,135)		(754,135)
Plant Operations and Maintenance	7,444,538			(7,444,538)		(7,444,538)
Pupil Transportation	4,112,652	272,498		(3,840,154)		(3,840,154)
Interest and Other Charges on Long-Term Debt	3,926,665			(3,926,665)		(3,926,665)
Total Governmental Activities	89,708,000	963,684	2,706,434	(86,037,882)		(86,037,882)
Business-type Activities:						
Food Service	1,911,960	2,007,314	119,882		\$ 215,236	215,236
After School Enrichment	258,311	233,410			(24,901)	(24,901)
Project Jump Start	91,640	112,687			21,047	21,047
Before and After School Care	1,034,402	1,155,211			120,809	120,809
Total Business-type Activities	3,296,313	3,508,622	119,882		332,191	332,191
Total Primary Government	\$ 93,004,313	\$ 4,472,306	\$ 2,826,316	(86,037,882)	332,191	(85,705,691)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes				70,156,926		70,156,926
Property Taxes Levied for Debt Service				5,500,706		5,500,706
State Aid Not Restricted				10,864,349		10,864,349
Interest on Investments				63,067		63,067
Miscellaneous				267,986		267,986
Total General Revenues				86,853,034		86,853,034
Changes in Net Assets				815,152	332,191	1,147,343
Net Assets - Beginning (as restated)				9,306,016	459,956	9,765,972
Net Assets - Ending				\$ 10,121,168	\$ 792,147	\$ 10,913,315

See independent auditor's 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, 2010

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
ASSETS				
Cash and Cash Equivalents	\$ 5,816,462		\$ 41,167	\$ 5,857,629
Interfund Receivable	587,357		1,313	588,670
Intergovernmental Receivable - State	2,469,007		521,069	2,990,076
Intergovernmental Receivable - Federal		\$ 710,157		710,157
Intergovernmental Receivable - Local	62,538	3,499		66,037
Other Accounts Receivable	4,128			4,128
Restricted assets:				
Cash and cash equivalents	61,746			61,746
Total Assets	<u>\$ 9,001,238</u>	<u>\$ 713,656</u>	<u>\$ 563,549</u>	<u>\$ 10,278,443</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 580,898	\$ 56,895		\$ 637,793
Interfund Payable	978,471	587,357		1,565,828
Payable to State Government		22,913		22,913
Deferred Revenue	191,300	46,491		237,791
Total Liabilities	<u>1,750,669</u>	<u>713,656</u>		<u>2,464,325</u>
Fund Balances:				
Reserved for:				
Encumbrances	768,084			768,084
Capital Reserve	61,746			61,746
Waiver Offset Reserve	800,000			800,000
Excess Surplus-current year	623,615			623,615
Excess Surplus - Designated for Subsequent Year's Expenditures	1,731,795			1,731,795
Unreserved, Reported In:				
Designated for Subsequent Year's Expenditures	506,318			506,318
General Fund	2,759,011			2,759,011
Capital Projects Fund			\$ 563,549	563,549
Total Fund Balances	<u>7,250,569</u>		<u>563,549</u>	<u>7,814,118</u>
Total Liabilities and Fund Balances	<u>\$ 9,001,238</u>	<u>\$ 713,656</u>	<u>\$ 563,549</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the net assets is \$114,362,912 and the accumulated depreciation is \$25,797,277 (See Note 4).	88,565,635
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.	(1,783,972)
Unamortized portion of debt issuance costs is not reported as an asset in the funds.	120,124
Long-term liabilities, including bonds payable and related unamortized premiums, and deferred interest costs, capital and other 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).	(84,594,737)
Net Assets of Governmental Activities	<u>\$ 10,121,168</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	
REVENUES					
Local Sources:					
Local Tax Levy	\$ 70,156,926			\$ 5,500,706	\$ 75,657,632
Tuition	691,186				691,186
Transportation Fees from Individuals	272,498				272,498
Interest Earned	62,858		\$ 209		63,067
Miscellaneous	267,986	\$ 91,837			359,823
Total - Local Sources	71,451,454	91,837	209	5,500,706	77,044,206
State Sources	10,497,203	229,013		367,146	11,093,362
Federal Sources		2,385,584			2,385,584
Total Revenues	81,948,657	2,706,434	209	5,867,852	90,523,152
EXPENDITURES					
Current:					
Regular Instruction	24,599,296	235,933			24,835,229
Special Education Instruction	8,968,604	484,920			9,453,524
Other Special Instruction	1,221,772				1,221,772
School Sponsored	1,275,094				1,275,094
Support Services and Undistributed Costs:					
Tuition	2,680,778				2,680,778
Student and Instruction Related Services	8,580,927	1,889,986			10,470,913
General Administrative Services	926,229				926,229
School Administrative Services	3,011,454				3,011,454
Central Administrative Services	516,161				516,161
Administrative Information Technology	550,664				550,664
Plant Operations and Required Maintenance	7,101,641				7,101,641
Pupil Transportation	3,976,834				3,976,834
Unallocated Benefits	12,319,262				12,319,262
On-behalf TPAF FICA and Pension	5,102,521				5,102,521
Debt Service:					
Principal				1,940,000	1,940,000
Interest				3,927,852	3,927,852
Capital Outlay	216,001	95,595	4,000		315,596
Total Expenditures	81,047,238	2,706,434	4,000	5,867,852	89,625,524
Excess (Deficiency) of Revenues Over (Under) Expenditures	901,419	-	(3,791)	-	897,628
OTHER FINANCING SOURCES (USES)					
Transfers In	209				209
Transfers Out	-		(209)		(209)
Total Other Financing Sources (Uses)	209	-	(209)	-	-
Net Change in Fund Balances	901,628	-	(4,000)	-	897,628
Fund Balance - July 1	6,348,941	-	567,549	-	6,916,490
Fund Balance - June 30	<u>\$ 7,250,569</u>	<u>\$ -</u>	<u>\$ 563,549</u>	<u>\$ -</u>	<u>\$ 7,814,118</u>

The reconciliation of the fund balances of governmental funds to the net assets of governmental activities in the statement of net assets 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, 2010**

Total Net Change in Fund Balances - Governmental Funds (From B-2)		\$ 897,628
<p>Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:</p> <p>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.</p>		
Depreciation Expense	\$ (2,163,193)	
Capital Asset Additions	<u>311,039</u>	(1,852,154)
<p>Repayments of bond principal and capital lease principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.</p>		
Serial Bonds Payable	1,940,000	
Obligations Under Capital Leases	<u>20,373</u>	1,960,373
<p>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.</p>		
Amortization of Premiums on Bonds	2,686	
Amortization of Deferred Interest Costs	(35,012)	
Amortization of Deferred Issuance Costs	<u>(5,884)</u>	(38,210)
<p>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.</p>		
		39,397
<p>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 (+).</p>		
		<u>(191,882)</u>
Change in Net Assets of Governmental Activities (A-2)		<u>\$ 815,152</u>

Proprietary Funds

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Net Assets
Proprietary Funds
June 30, 2010

	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	\$ 386,232	\$ 16,570	\$ 208,977	\$ 367,651	\$ 979,430
Intergovernmental Accounts Receivable:					
Federal	792				792
State	6,090				6,090
Inventories	20,192				20,192
Total Current Assets	413,306	16,570	208,977	367,651	1,006,504
Noncurrent Assets:					
Furniture, Machinery and Equipment	141,888				141,888
Less Accumulated Depreciation	(86,930)				(86,930)
Total Noncurrent Assets	54,958	-	-	-	54,958
Total Assets	468,264	16,570	208,977	367,651	1,061,462
LIABILITIES					
Current Liabilities:					
Accounts Payable	145,555	1,019	5,106	1,651	153,331
Unearned Revenue	5,579		110,405	-	115,984
Total Current Liabilities	151,134	1,019	115,511	1,651	269,315
Total Liabilities	151,134	1,019	115,511	1,651	269,315
NET ASSETS					
Invested in Capital Assets	54,958				54,958
Unrestricted	262,172	15,551	93,466	366,000	737,189
Total Net Assets	\$ 317,130	\$ 15,551	\$ 93,466	\$ 366,000	\$ 792,147

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2010

	Major Funds				Totals
	Business-type Activities - Enterprise Funds			Before and After School Care	
	Food Service	After School Enrichment	Project Jump Start	Before and After School Care	
Operating Revenues:					
Charges for Services:					
Daily Sales - Reimbursable Programs	\$2,007,314				\$2,007,314
Tuition and fees		\$ 233,410	\$ 112,687	\$ 1,155,211	1,501,308
Total Operating Revenues	2,007,314	233,410	112,687	1,155,211	3,508,622
Operating Expenses:					
Salaries	860,545	194,320	55,449	988,155	2,098,469
Employee Benefits	42,891				42,891
Other Purchased Services	90,716	35,492	12,152	3,031	141,391
Supplies and Materials	54,357	23,982	24,039	43,216	145,594
Depreciation	11,318				11,318
Cost of Sales	672,031				672,031
Management Fee	138,609				138,609
Miscellaneous Expenditures	41,493	4,517			46,010
Total Operating Expenses	1,911,960	258,311	91,640	1,034,402	3,296,313
Operating Income (Loss)	95,354	(24,901)	21,047	120,809	212,309
Nonoperating Revenues:					
State Sources:					
State School Lunch Program	9,659				9,659
Federal Sources:					
National School Lunch Program	72,036				72,036
Food Donation Program	38,187				38,187
Total Nonoperating Revenues	119,882	-	-	-	119,882
Change in net assets	215,236	(24,901)	21,047	120,809	332,191
Total Net Assets - Beginning (as restated)	101,894	40,452	72,419	245,191	459,956
Total Net Assets - Ending	\$ 317,130	\$ 15,551	\$ 93,466	\$ 366,000	\$ 792,147

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	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	\$ 2,007,314	\$ 233,410	\$ 112,905	\$ 1,135,733	\$ 3,489,362
Payments to employees	(860,545)	(194,320)	(55,449)	(988,155)	(2,098,469)
Payments for employee benefits	(42,891)				(42,891)
Payments to suppliers	(1,010,644)	(63,065)	(34,265)	(47,765)	(1,155,739)
Net Cash Provided By (Used for) Operating Activities	<u>93,234</u>	<u>(23,975)</u>	<u>23,191</u>	<u>99,813</u>	<u>192,263</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Cash received from state and federal reimbursements	91,270				91,270
Receipts from Food Donation Program	41,025				41,025
Net cash provided by non-capital financing activities	<u>132,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,295</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(13,576)				(13,576)
Net cash (used for) capital and related financing activities	<u>(13,576)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,576)</u>
Net increase (decrease) in cash and cash equivalents	211,953	(23,975)	23,191	99,813	310,982
Cash and cash equivalents, beginning of year	174,279	40,545	185,786	267,838	668,448
Cash and cash equivalents, end of year	<u>\$ 386,232</u>	<u>\$ 16,570</u>	<u>\$ 208,977</u>	<u>\$ 367,651</u>	<u>\$ 979,430</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 95,354	\$ (24,901)	\$ 21,047	\$ 120,809	\$ 212,309
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	11,318				11,318
(Increase) in inventories	(3,900)				(3,900)
Increase (Decrease) in unearned revenue			218	(19,478)	(19,260)
(Decrease) Increase in accounts payable	(9,538)	926	1,926	(1,518)	(8,204)
Net cash provided by (used for) operating activities	<u>\$ 93,234</u>	<u>\$ (23,975)</u>	<u>\$ 23,191</u>	<u>\$ 99,813</u>	<u>\$ 192,263</u>

Noncash noncapital financing activities:

The District received \$41,025 of food commodities from the U.S. Department of Agriculture for the year ended June 30, 2010.

Fiduciary Funds

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Service Fund Scholarship</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 68,982	\$ 3,290	\$ 769,573
Interfunds Receivable	<u>965,558</u>	<u> </u>	<u>11,600</u>
Total Current Assets	<u>1,034,540</u>	<u>3,290</u>	<u>\$ 781,173</u>
LIABILITIES			
Accounts Payable	21,101		
Payable to Student Groups			\$ 469,447
Payroll Deductions and Withholdings Payable	<u> </u>	<u> </u>	<u>311,726</u>
Total Liabilities	<u>21,101</u>	<u>-</u>	<u>\$ 781,173</u>
NET ASSETS			
Held in Trust for Unemployment Claims	<u>\$ 1,013,439</u>		
Held in Trust for Scholarship Awards		<u>\$ 3,290</u>	

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Service Fund Scholarship</u>
ADDITIONS		
Contributions:		
Plan Members	\$ 107,047	
Board Contribution	<u>965,558</u>	<u>\$ 3,916</u>
Total Additions	<u>1,072,605</u>	<u>3,916</u>
DEDUCTIONS		
Payment of Unemployment Claims	311,368	
Scholarship Awards Paid		<u>1,042</u>
Total Deductions	<u>311,368</u>	<u>1,042</u>
Change in Net Assets	761,237	2,874
Net Assets - Beginning of the Year	<u>252,202</u>	<u>416</u>
Net Assets - End of the Year	<u><u>\$ 1,013,439</u></u>	<u><u>\$ 3,290</u></u>

Township of Bernards Board of Education

Notes to the Basic Financial Statements

Year ended June 30, 2010

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, 2010

1. Summary of Significant Accounting Policies (continued)

B. District-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-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 amongst the school districts in the State of New Jersey.

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

The district-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, 2010

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 noninstructional 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 (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds 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 the resources accumulated and payments made for 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, 2010

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.

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

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

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.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

1. Summary of Significant Accounting Policies (continued)

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

As a general rule the effect of interfund activity has been eliminated from the district-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.

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.

When both restricted and unrestricted sources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

1. Summary of Significant Accounting Policies (continued)

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.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting 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-expenditure in the general fund is 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 of the last two state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

1. Summary of Significant Accounting Policies (continued)

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.

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, 2010, the District had inventories in the Food Service Fund of \$20,192, of which, the portion of unused Food Donation Program commodities in the amount of \$5,579 are 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 2009-2010 fiscal year were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Capital Assets

Capital assets, which include land, property, plant and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the district-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.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

1. Summary of Significant Accounting Policies (continued)

H. Capital Assets (Continued)

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.

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, 2010

1. Summary of Significant Accounting Policies (continued)

I. Compensated Absences

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the 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 district-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, 2010, a liability existed for compensated absences in the district-wide financial statements in the amount of \$533,825 and no liability existed for compensated absences in the enterprise funds.

J. Deferred Revenue

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

1. Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

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

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

The District is required to have an arbitrage rebate calculation performed to determine the amount of the liability every five years. The District had a calculation performed during the fiscal year ended June 30, 2009, which reported that the District had no outstanding liability.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent plans for future use of financial resources that are subject to change.

Of the \$7,250,569 of fund balance in the General Fund, \$768,084 is reserved for encumbrances, \$61,746 has been reserved in the capital reserve account, \$800,000 has been reserved for the waiver offset reserve, \$623,615 has been reserved for excess surplus-current year, \$1,731,795 of prior year excess surplus has been designated for subsequent year's expenditures, \$506,318 of prior year unreserved, undesignated balance has also been designated for subsequent year's expenditures and \$2,759,011 is unreserved and undesignated.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

1. Summary of Significant Accounting Policies (continued)

M. Net Assets and Fund Balance / Restricted Assets

Net assets represent the difference between assets and liabilities in the district-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the district-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.

During the 2010 fiscal year, the District changed its revenue recognition policy in the project jump start enterprise fund. As a result, the following restatements have been made in the financial statements:

The District has restated its June 30, 2009 GAAP Project Jump Start Enterprise Fund total net assets. The following presents the effects of the restatement on net assets:

Beginning Net Assets	\$ 182,606
Adjustment to reclassify revenue recorded in 2008/09 that related to the 2009/10 fiscal year	<u>(110,187)</u>
Beginning Net Assets, as restated	<u>\$ 72,419</u>

The District has restated its June 30, 2009 net assets related to its business-type activities (A-2) for the aforementioned reasons. The following presents the effects of the restatement on net assets:

Beginning Net Assets, Business-Type Activities	\$ 570,143
Adjustment to reclassify revenue recorded in 2008/09 that related to the 2009/10 fiscal year	<u>(110,187)</u>
Beginning net assets, as restated	<u>\$ 459,956</u>

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.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

1. Summary of Significant Accounting Policies (continued)

O. On-Behalf Payments

Revenues and expenditures of the general fund include payments made 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.

P. Calculation of Excess Surplus

The designation for reserved fund balance - excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2010 was \$2,355,410. Of this amount, \$1,731,795 has been appropriated in the 2010/11 budget and the remaining \$623,615 will be appropriated in the 2011/12 budget.

Q. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2010 and October 4, 2010, the date that the financial statements were issued for possible disclosure and recognition in the financial statement, and no items have come to the attention of the District that would require disclosure.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

2. Reconciliation of District-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the District-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable and related deferred charges and unamortized premiums, capital and other 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 \$84,594,737 difference are as follows:

Bonds payable	\$ 84,650,000
Unamortized deferred interest costs	(644,805)
Unamortized premium on bonds	54,848
Capital leases payable	869
Compensated absences payable	<u>533,825</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets – governmental activities	<u>\$ 84,594,737</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, 2010

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 Arbitrage 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, 2010

3. Deposits and Investments (continued)

At June 30, 2010, the carrying amount of the District's deposits for all funds was \$7,590,899 and the bank balance was \$8,538,793. Of the bank balances, \$500,000 of the District's cash deposits on June 30, 2010 were secured by federal depository insurance and \$8,038,793 was covered by GUDPA.

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 Board 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 Arbitrage Rebate Management Fund and MBIA CLASS.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

3. Deposits and Investments (continued)

New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund ("NJCMF") as one of its investments. The NJCMF is administered by the State of New Jersey, Department of the Treasury and issues a separate report that can be obtained directly from the Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2010, the District's balance in NJCMF was \$149,751 and is classified as cash equivalents due to its short-term nature.

All investments in the Fund are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

M.B.I.A. CLASS

The District also invests funds in M.B.I.A. CLASS (Cooperative Liquid Assets Securities System). M.B.I.A. CLASS invests pooled money from local government agencies with other units of government into short-term investments with daily liquidity and the fair value of the position in the pool is the same as its value of the pool shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in M.B.I.A. CLASS typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the M.B.I.A. CLASS on a daily basis without penalty. During the fiscal year 2010, the District closed all accounts held with M.B.I.A., and had no outstanding balances at June 30, 2010.

Custodial Credit Risk: Pursuant to GASB 40, the NJCMF and M.B.I.A. CLASS, which are pooled investments, are exempt from custodial credit risk exposure. 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, 2010

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. As of June 30, 2010, the District's investments in the NJCMF are not rated by a rating agency.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. At June 30, 2010, all of the District's investments were invested in NJCMF.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The average maturity of the District's investment in NJCMF is less than one year.

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustment</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,277,400			\$ 5,277,400
Construction in progress	51,950,121	\$ 9,867	\$ (51,954,121)	5,867
Total capital assets, not being depreciated	<u>57,227,521</u>	<u>9,867</u>	<u>(51,954,121)</u>	<u>5,283,267</u>
Capital assets, being depreciated:				
Buildings and building improvements	50,816,634	112,832	51,954,121	102,883,587
Machinery, equipment and vehicles	6,007,718	188,340		6,196,058
Total capital assets, being depreciated	<u>56,824,352</u>	<u>301,172</u>	<u>51,954,121</u>	<u>109,079,645</u>
Less accumulated depreciation for:				
Buildings and building improvements	(19,789,110)	(1,878,400)		(21,667,510)
Machinery, equipment and vehicles	(3,844,974)	(284,793)		(4,129,767)
Total accumulated depreciation	<u>(23,634,084)</u>	<u>(2,163,193)</u>	<u>-</u>	<u>(25,797,277)</u>
Total capital assets, being depreciated, net	<u>33,190,268</u>	<u>(1,862,021)</u>	<u>51,954,121</u>	<u>83,282,368</u>
Governmental activities capital assets, net	<u>\$ 90,417,789</u>	<u>\$ (1,852,154)</u>	<u>\$ -</u>	<u>\$ 88,565,635</u>

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

4. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the District for the year ended June 30, 2010 as follows:

Instruction:	
Regular	\$ 848,183
Special education	322,860
Other special instruction	41,726
School sponsored/ other instructional	43,547
Support Services:	
Student and instruction related services	357,606
General administrative services	31,633
School administrative services	102,848
Central administrative services	17,628
Administrative information technology	18,806
Plant operations and maintenance	242,538
Pupil transportation	135,818
Total	\$ 2,163,193

The following schedule is a summarization of the business-type changes in capital assets for the year ended June 30, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, being depreciation:				
Machinery and equipment	\$ 251,105	\$ 13,576	\$ (122,793)	\$ 141,888
Less accumulated depreciation for:				
Machinery and equipment	(198,405)	(11,318)	122,793	(86,930)
Total business-type activities capital assets, net	\$ 52,700	\$ 2,258		\$ 54,958

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

5. Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
School bonds	\$ 86,590,000		\$ (1,940,000)	\$ 84,650,000	\$ 2,075,000
Unamortized premium on bonds	57,534		(2,686)	54,848	2,686
Unamortized deferred interest costs	(679,817)		35,012	(644,805)	(35,012)
Obligations under capital leases	21,242		(20,373)	869	869
Compensated absences payable	341,943	\$ 314,493	(122,611)	533,825	18,924
Total governmental activity long-term liabilities	<u>\$ 86,330,902</u>	<u>\$ 314,493</u>	<u>\$ (2,050,658)</u>	<u>\$ 84,594,737</u>	<u>\$ 2,062,467</u>

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.

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
2011	\$ 2,075,000	\$ 3,833,315	\$ 5,908,315
2012	2,380,000	3,728,621	6,108,621
2013	2,485,000	3,610,728	6,095,728
2014	2,595,000	3,485,952	6,080,952
2015	2,730,000	3,354,304	6,084,304
2016-2020	15,800,000	16,726,025	32,526,025
2021-2025	21,090,000	12,853,737	33,943,737
2026-2030	27,065,000	6,957,084	34,022,084
2031	8,430,000	285,608	8,715,608
	<u>\$ 84,650,000</u>	<u>\$ 54,835,374</u>	<u>\$ 139,485,374</u>

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, 2010

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, 2010, \$9,343,000 of defeased debt remains outstanding.

Capital Leases Payable

The District is leasing several copiers and a digital mailing system totaling \$42,271 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, 2010:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30, 2011	\$ 869	\$ 6	\$ 875

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

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, 2010

6. Pension Plans (continued)

Teachers' Pension and Annuity Fund

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

Public Employee's Retirement System

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

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

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

6. Pension Plans (continued)

Public Employee's Retirement System (continued)

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2010, the State of New Jersey contributed \$2,330,698 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 \$2,771,823 during the year ended June 30, 2010 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 district-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2010, 2009 and 2008 were \$532,933, \$440,507 and \$286,778, 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, 2010

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, chapter 384 and P.L. 1990, Chapter 6 required Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State made post-retirement (PRM) contributions of \$1.38 billion in fiscal year 2009 and 3.22 million for fiscal year 2008.

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 \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in fiscal year 2009.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

6. Pension Plans (continued)

Post-Retirement Benefits (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, 2010, 2009 and 2008 were \$2,212,875, \$2,098,542, and \$1,340,085 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, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 587,357	\$ 978,471
Special Revenue Fund		587,357
Capital Projects Fund	1,313	
Unemployment Compensation Trust Fund	965,558	
Payroll Agency Fund	11,600	
	<u>\$ 1,565,828</u>	<u>\$ 1,565,828</u>

The interfund receivable in the general fund represents cash loaned to the special revenue fund to eliminate a pooled cash deficit. The interfund receivable in the capital projects fund represents cash received in the general fund that is due to the capital projects fund. The interfund receivable in the unemployment compensation trust fund represents the 2009/10 general fund Board contribution due to the unemployment compensation trust fund that was not remitted at year end. The interfund receivable in the payroll agency fund represents payroll deductions charged out to the general fund budget, but not remitted to the payroll agency fund at year end. All interfunds are expected to be liquidated within one year.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

8. Economic Dependency

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

9. Contingent Liabilities

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

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2010 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, 2010 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, 2010

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

The activity of the capital reserve for the July 1, 2009 to June 30, 2010 fiscal year is as follows:

Beginning balance, July 1, 2009	\$ 61,246
Interest earnings	<u>500</u>
Ending balance, June 30, 2010	<u><u>\$ 61,746</u></u>

The June 30, 2010 LRFP balance of local support costs of uncompleted capital projects exceeded the amount in capital reserve.

11. Transfers to Capital Outlay

During the year ending June 30, 2010, the District transferred \$600,000 to the capital outlay accounts. The transfers were made from various operating account appropriation line items and included transfers to equipment and facilities acquisition and construction services in the amounts of \$80,000 and \$520,000, respectively. As required, pursuant to N.J.A.C. 6A:23 A-13.3(h), the District received executive county superintendent approval for any transfers to capital outlay, excluding equipment.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

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.

13. Transfers – Reconciliation

The following represents a reconciliation of transfers made during the 2010 fiscal year:

	<u>In</u>	<u>Out</u>
General Fund	\$ 209	
Capital Projects Fund		\$ 209
	<u>\$ 209</u>	<u>\$ 209</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.

Township of Bernards Board of Education

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2010

15. Commitments

The District has no contractual commitments at June 30, 2010 to vendors related to the ongoing construction projects.

16. Deferred Charges

The deferred charges recorded in the district-wide statement of net assets represents debt issuance costs that are being amortized using the straight line method over the life of the related bonds. The unamortized costs associated with the issues of the various bonds amounts to \$120,124 at June 30, 2010. The amortization expense for the year ended June 30, 2010 amounted to \$5,884. In governmental funds, debt issuance costs are recognized 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, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Revenues					
Local Sources:					
Local Tax Levy	\$ 70,156,926		\$ 70,156,926	\$ 70,156,926	
Tuition	677,733		677,733	691,186	\$ 13,453
Transportation Fees from Individuals	240,000		240,000	272,498	32,498
Interest Earned on Capital Reserve Funds	500		500	500	
Interest Revenue	150,000		150,000	62,358	87,642
Miscellaneous				267,986	267,986
Total - Local Sources	71,225,159		71,225,159	71,451,454	226,295
State Sources:					
Transportation Aid	1,596,025		1,596,025	1,037,416	(558,609)
Special Education Aid	2,693,330		2,693,330	1,771,893	(921,437)
Security Aid	440,976		440,976	286,634	(154,342)
Nonpublic School Transportation Costs				48,223	48,223
Extraordinary Aid	650,000		650,000	2,285,463	1,635,463
Other State Aid				11,705	11,705
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				2,330,698	2,330,698
TPAF Social Security (Reimbursed - Non-Budgeted)				2,771,823	2,771,823
Total - State Sources	5,380,331		5,380,331	10,543,855	5,163,524
Total Revenues	76,605,490		76,605,490	81,995,309	5,389,819
Expenditures					
Current Expenditures:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Preschool	91,067	\$ (45,231)	45,836	45,836	
Kindergarten	1,087,106	(172,918)	914,188	914,188	
Grades 1-5	7,839,185	(132,028)	7,707,157	7,697,750	9,407
Grades 6-8	6,468,666	2,474	6,471,140	6,462,210	8,930
Grades 9-12	7,437,223	(118,937)	7,318,286	7,311,344	6,942
Home Instruction:					
Salaries of Teachers	60,000	(4,365)	55,635	55,422	213
Purchased Professional-Educational Services	27,100	(5,435)	21,665	21,665	
Undistributed Instruction:					
Other Salaries for Instruction	237,306	(24,032)	213,274	213,273	1
Purchased Professional-Educational Services	7,100	520	7,620	5,575	2,045
Other Purchased Services	303,512	(106,520)	196,992	158,265	38,727
General Supplies	1,117,766	448,235	1,566,001	1,464,380	101,621
Textbooks	274,647	(20,572)	254,075	249,388	4,687
Total Regular Programs - Instruction	24,950,678	(178,809)	24,771,869	24,599,296	172,573
Special Education:					
Cognitive - Moderate:					
Salaries of Teachers	243,076	(8,796)	234,280	234,280	
Other Salaries for Instruction	301,256	(33,484)	267,772	267,772	
General Supplies	6,200	2,000	8,200	3,037	5,163
Textbooks	4,000	(2,000)	2,000	736	1,264
Total Cognitive - Moderate	554,532	(42,280)	512,252	505,825	6,427
Learning and/or Language Disabilities:					
Salaries of Teachers	360,083	24,584	384,667	384,667	
Other Salaries for Instruction	378,856	74,129	452,985	452,985	
General Supplies	4,000		4,000	2,120	1,880
Textbooks	1,500		1,500	359	1,141
Total Learning and/or Language Disabilities	744,439	98,713	843,152	840,131	3,021
Multiple Disabilities:					
Salaries of Teachers	52,869	(34,365)	18,504	18,504	
Other Salaries for Instruction	97,539	(65,986)	31,553	31,553	
General Supplies	1,000	(292)	708	708	
Total Multiple Disabilities	151,408	(100,643)	50,765	50,765	
Resource Room/Resource Center:					
Salaries of Teachers	3,856,604	161,547	4,018,151	4,018,151	
Other Salaries for Instruction	523,322	(43,606)	479,716	479,716	
General Supplies	1,800		1,800	1,141	659
Total Resource Room/Resource Center	4,381,726	117,941	4,499,667	4,499,008	659

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
General Fund
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Expenditures (continued)					
Current Expenditures (continued):					
Autism					
Salaries of Teachers	\$ 476,969	\$ (30,319)	\$ 446,650	\$ 446,650	
Other Salaries for Instruction	1,307,403	273,271	1,580,674	1,580,674	
General Supplies	14,200		14,200	10,361	\$ 3,839
Total Autism	1,798,572	242,952	2,041,524	2,037,685	3,839
Preschool Disabilities-Part-Time					
Salaries of Teachers	151,147	(50,151)	100,996	100,996	
Other Salaries for Instruction	104,348	(3,118)	101,230	101,230	
General Supplies	2,000		2,000	1,490	510
Total Preschool Disabilities-Part-Time	257,495	(53,269)	204,226	203,716	510
Preschool Disabilities-Full-Time					
Salaries of Teachers	269,191	(1,029)	268,162	268,162	
Other Salaries for Instruction	754,560	(196,382)	558,178	558,178	
General Supplies	6,800	(1,666)	5,134	5,134	
Total Preschool Disabilities-Full-Time	1,030,551	(199,077)	831,474	831,474	
Total Special Education - Instruction	8,918,723	64,337	8,983,060	8,968,604	14,456
Basic Skills/Remedial - Instruction					
Salaries of Teachers	598,283	(20,326)	577,957	577,957	
General Supplies	500	449	949	435	514
Total Basic Skills/Remedial - Instruction	598,783	(19,877)	578,906	578,392	514
Bilingual Education - Instruction					
Salaries of Teachers	148,709		148,709	148,709	
Other Purchased Services	500	632	1,132	1,131	1
General Supplies	1,000		1,000	121	879
Total Bilingual Education - Instruction	150,209	632	150,841	149,961	880
School-Sponsored Cocurricular Activities - Instruction					
Salaries	300,000	13,000	313,000	312,554	446
Supplies and Materials	31,850	5,500	37,350	33,020	4,330
Other Objects	500		500	500	
Total School-Sponsored Cocurricular Activities - Instruction	332,350	18,500	350,850	345,574	5,276
School-Sponsored Athletics - Instruction					
Salaries	682,000	(5,001)	676,999	664,543	12,456
Purchased Services	36,600	11,000	47,600	45,300	2,300
Supplies and Materials	108,000	16,000	124,000	99,546	24,454
Other Objects	25,000	170	25,170	24,031	1,139
Transfers to Cover Deficit (Agency Funds)	96,100		96,100	96,100	
Total School-Sponsored Athletics - Instruction	947,700	22,169	969,869	929,520	40,349
Other Supplemental / At-Risk Programs - Instruction					
Salaries of Reading Specialists	407,668	108,196	515,864	493,419	22,445
Total Other Supplemental / At Risk Programs - Instruction	407,668	108,196	515,864	493,419	22,445
Total Instruction	36,306,111	15,148	36,321,259	36,064,766	256,493
Undistributed Expenditures - Instruction					
Instruction:					
Tuition To Other LEAs Within the State - Regular	79,606	(9,000)	70,606	64,967	5,639
Tuition To Other LEAs Within the State - Special	462,225	51,123	513,348	512,724	624
Tuition To Private Schools for the Disabled Within State	1,757,218	(133,277)	1,623,941	1,589,809	34,132
Tuition To Private Schools for the Disabled and Other LEAs -	557,464	(44,186)	513,278	513,278	
Total Undistributed Instruction	2,856,513	(135,340)	2,721,173	2,680,778	40,395
Health Services:					
Salaries	624,387	1,736	626,123	626,122	1
Purchased Professional and Technical Services	10,650	4,760	15,410	11,375	4,035
Other Purchased Services	500	1,648	2,148	1,729	419
Supplies and Materials	21,000	(2,300)	18,700	17,793	907
Total Health Services	656,537	5,844	662,381	657,019	5,362
Other Support Services Students - Related Services					
Salaries	996,265	(114,740)	881,525	880,688	837
Purchased Professional-Educational Services	55,000	(14,000)	41,000	38,013	2,987
Supplies and Materials	5,200		5,200	4,638	562
Total Other Support Services Students - Related Services	1,056,465	(128,740)	927,725	923,339	4,386

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
General Fund
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Expenditures (continued)					
Current Expenditures (continued):					
Undistributed Expenditures (continued):					
Other Support Services Students - Extra Services					
Salaries	\$ 425,000	\$ (12,579)	\$ 412,421	\$ 390,011	\$ 22,410
Purchased Professional-Educational Services	50,000	67,540	117,540	113,330	4,210
Supplies and Materials	2,375		2,375	1,918	457
Total Other Support Services Students - Extra Services	477,375	54,961	532,336	505,259	27,077
Guidance					
Salaries of Other Professional Staff	1,523,517	(9,320)	1,514,197	1,514,197	
Salaries of Secretarial and Clerical Assistants	353,185	(50,507)	302,678	302,678	
Other Salaries	3,931		3,931	3,931	
Purchased Professional-Educational Services	10,440	(130)	10,310	9,843	467
Other Purchased Prof. and Tech. Services	63,000	74,937	137,937	122,993	14,944
Other Purchased Services	2,850	500	3,350	3,086	264
Supplies and Materials	21,000	(5,530)	15,470	15,470	
Other Objects	500	(152)	348	348	
Total Guidance	1,978,423	9,798	1,988,221	1,972,546	15,675
Child Study Teams					
Salaries of Other Professional Staff	1,882,952	(259,807)	1,623,145	1,621,910	1,235
Salaries of Secretarial and Clerical Assistants	95,824		95,824	95,824	
Other Salaries	3,931		3,931	3,931	
Other Purchased Prof. and Tech. Services	60,000	4,800	64,800	59,300	5,500
Misc Purchased Services	12,000		12,000	10,647	1,353
Supplies and Materials	33,221	(5,000)	28,221	28,106	115
Other Objects	2,500	(300)	2,200	2,200	
Total Child Study Teams	2,090,428	(260,307)	1,830,121	1,821,918	8,203
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	478,380	9,248	487,628	487,628	
Salaries of Secretarial and Clerical Assistants	91,948	38,426	130,374	130,374	
Other Salaries	132,732	(19,127)	113,605	113,605	
Other Purchased Services	1,000	(552)	448	448	
Supplies and Materials	20,000	(218)	19,782	19,782	
Other Objects	7,000	210	7,210	7,210	
Total Improvement of Instructional Services	731,060	27,987	759,047	759,047	
Educational Media Serv./School Library					
Salaries	710,571	(65,001)	645,570	645,570	
Salaries of Technology Coordinators	60,664	(190)	60,474	60,474	
Purchased Professional and Technical Services	107,950	4,635	112,585	108,426	4,159
Supplies and Materials	104,800	(16,105)	88,695	76,683	12,012
Total Educational Media Serv./School Library	983,985	(76,661)	907,324	891,153	16,171
Instructional Staff Training Services					
Salaries of Supervisors of Instruction	685,472	(25,414)	660,058	660,058	
Salaries of Secretarial and Clerical Assistants	316,041	(47,611)	268,430	268,430	
Other Salaries	24,832	21,100	45,932	45,327	605
Purchased Professional-Educational Services	12,700	(6,000)	6,700	5,810	890
Other Purchased Prof. and Tech. Services	8,700	6,500	15,200	14,096	1,104
Other Purchased Services	34,270	(1,475)	32,795	25,929	6,866
Supplies and Materials	67,495	(34,510)	32,985	28,174	4,811
Other Objects	5,330	(2,000)	3,330	2,822	508
Total Instructional Staff Training Services	1,154,840	(89,410)	1,065,430	1,050,646	14,784
Support Services - General Administration					
Salaries	363,528	(5,500)	358,028	357,995	33
Professional Services	110,000	49,112	159,112	158,322	790
Other Purchased Professional Services	39,000	13,000	52,000	48,687	3,313
Communications/Telephone	151,000	36,784	187,784	179,180	8,604
BOE Other Purchased Services	1,000	4,000	5,000	708	4,292
Other Purchased Services	70,224	39,400	109,624	99,923	9,701
General Supplies	18,000		18,000	13,040	4,960
Judgments Against the District		40,700	40,700	40,700	
Miscellaneous Expenditures	38,000	28,954	66,954	27,674	39,280
Total Support Services - General Administration	790,752	206,450	997,202	926,229	70,973

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
General Fund
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Expenditures (continued)					
Current Expenditures (continued):					
Undistributed Expenditures (continued):					
Support Services - School Administration					
Salaries of Principals/Asst. Principals	\$ 1,869,317	\$ 24,561	\$ 1,893,878	\$ 1,893,878	
Salaries of Other Professional Staff		58,167	58,167	58,167	
Salaries of Secretarial and Clerical Assistants	880,159	(4,370)	875,789	875,789	
Other Purchased Services	50,800	110,920	161,720	156,786	\$ 4,934
Supplies and Materials	22,000	(2,343)	19,657	15,758	3,899
Other Objects	12,300	323	12,623	11,076	1,547
Total Support Services - School Administration	2,834,576	187,258	3,021,834	3,011,454	10,380
Central Services					
Salaries	442,693	2,000	444,693	442,866	1,827
Purchased Professional Services	40,000	(1,000)	39,000	30,816	8,184
Miscellaneous Purchased Services	34,000	(4,442)	29,558	23,039	6,519
Supplies and Materials	12,000	5,942	17,942	17,713	229
Miscellaneous Expenditures	4,000	(2,050)	1,950	1,727	223
Total Central Services	532,693	450	533,143	516,161	16,982
Admin. Info. Tech.					
Salaries	522,642	28,308	550,950	546,664	4,286
Purchased Technical Services	4,000		4,000	3,200	800
Supplies and Materials	1,000		1,000	800	200
Total Admin. Info. Tech.	527,642	28,308	555,950	550,664	5,286
Required Maint. For School Facilities					
Cleaning, Repair, and Maintenance Services	2,389,601	(819,181)	1,570,420	1,483,139	87,281
General Supplies	236,364	35,000	271,364	245,272	26,092
Total Required Maint. For School Facilities	2,625,965	(784,181)	1,841,784	1,728,411	113,373
Custodial Services					
Cleaning, Repair, and Maintenance Services	2,700,385	(400,385)	2,300,000	2,294,082	5,918
Other Purchased Property Services	195,000	(10,000)	185,000	180,296	4,704
Insurance	295,000	18,322	313,322	310,139	3,183
General Supplies	171,340	(140,000)	31,340	2,850	28,490
Energy (Electricity)	1,342,042	45,000	1,387,042	1,218,970	168,072
Salaries of Non-Instructional Aides	301,756	(4,663)	297,093	297,093	
Energy (Natural Gas)	753,050	(140,000)	613,050	496,280	116,770
Total Custodial Services	5,758,573	(631,726)	5,126,847	4,799,710	327,137
Care and Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services		620,566	620,566	573,520	47,046
Total Care and Upkeep of Grounds		620,566	620,566	573,520	47,046
Student Transportation Services					
Salaries for Pupil Transportation (Between Home and School) - Reg	5,225	(5,225)			
Management Fee - ESC & CTSA Transportation Prog.	137,169		137,169	126,890	10,279
Cleaning, Repair and Maint. Services	1,000		1,000	1,000	
Contracted Services (Between Home and School)-Vendors	2,202,589	299,999	2,502,588	2,476,579	26,009
Contracted Services (Other Than Between Home and School) - Vendors	245,927	2,000	247,927	214,818	33,109
Contracted Services (Spec. Ed. Students)-Vendors	26,000		26,000	6,140	19,860
Contracted Services (Spec. Ed. Students)-ESCs and CTSA's	1,589,496	(594,570)	994,926	988,443	6,483
Contracted Services-Aid in Lieu of Payments	175,000		175,000	162,659	12,341
Miscellaneous Purchased Services-Transportation	14,700		14,700	14,700	
Miscellaneous Expenditures	2,000		2,000	1,305	695
Total Student Transportation Services	4,399,106	(297,796)	4,101,310	3,976,834	124,476
Unallocated Benefits					
Social Security Contributions	720,000	179,900	899,900	897,384	2,516
Other Retirement Contributions - Regular	475,000	58,933	533,933	532,933	1,000
Unemployment Compensation	30,000	935,558	965,558	965,558	
Workmen's Compensation	245,000	(32,000)	213,000	212,094	906
Health Benefits	9,760,000	(522,000)	9,238,000	9,169,896	68,104
Tuition Reimbursement	570,018	53,000	623,018	400,483	222,535
Other Employee Benefits	177,359	(26,000)	151,359	140,914	10,445
Total Unallocated Benefits	11,977,377	647,391	12,624,768	12,319,262	305,506
On-Behalf TPAF Pension Contributions				2,330,698	(2,330,698)
Reimbursed TPAF Social Security Contributions				2,771,823	(2,771,823)
Total On-Behalf Contributions				5,102,521	(5,102,521)
Total Undistributed Expenditures	41,432,310	(615,148)	40,817,162	44,766,471	(3,949,309)
Total Current Expenditures	77,738,421	(600,000)	77,138,421	80,831,237	(3,692,816)

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
General Fund
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Expenditures (continued)					
Current Expenditures (continued):					
Capital Outlay:					
Interest Deposit to Capital Reserve	\$ 500		\$ 500		\$ 500
Equipment:					
Undistributed Expenditures					
Custodial Services	76,825		76,825	\$ 75,097	1,728
Admin Information Technology		\$ 80,000	80,000		80,000
Special Schools (All Programs)	90,500		90,500	71,056	19,444
Total Equipment	<u>167,325</u>	<u>80,000</u>	<u>247,325</u>	<u>146,153</u>	<u>101,172</u>
Facilities Acquisition and Construction Services					
Construction Services	<u>93,245</u>	<u>520,000</u>	<u>613,245</u>	<u>69,848</u>	<u>543,397</u>
Total Facilities Acquisition and Construction Services	<u>93,245</u>	<u>520,000</u>	<u>613,245</u>	<u>69,848</u>	<u>543,397</u>
Total Expenditures - Capital Outlay	<u>261,070</u>	<u>600,000</u>	<u>861,070</u>	<u>216,001</u>	<u>645,069</u>
Total Expenditures	<u>77,999,491</u>	<u>-</u>	<u>77,999,491</u>	<u>81,047,238</u>	<u>(3,047,747)</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	(1,394,001)	-	(1,394,001)	948,071	2,342,072
Other Financing Sources:					
Transfers In - Capital Projects Fund				209	209
Total Other Financing Sources				<u>209</u>	<u>209</u>
(Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures	(1,394,001)	-	(1,394,001)	948,280	2,342,281
Fund Balances, July 1	6,745,858		6,745,858	6,745,858	-
Fund Balances, June 30	<u>\$ 5,351,857</u>	<u>\$ -</u>	<u>\$ 5,351,857</u>	<u>\$ 7,694,138</u>	<u>\$ 2,342,281</u>
Recapitulation:					
Capital Reserve				\$ 61,746	
Reserve for Encumbrances				768,084	
Reserve for Waiver Offset Reserve				800,000	
Reserved - Excess Surplus				623,615	
Reserved - Excess Surplus Designated for Subsequent Year's Expenditures				1,731,795	
Unreserved, Designated for Subsequent Year's Expenditures				506,318	
Unrestricted-Undesignated				<u>3,202,580</u>	
				7,694,138	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP Basis				(443,569)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 7,250,569</u>	

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Budgetary Comparison Schedule
Budgetary Basis
Special Revenue Fund
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES:					
Local Sources		\$ 114,618	\$ 114,618	\$ 95,336	\$ (19,282)
State Sources		251,926	251,926	229,013	(22,913)
Federal Sources	\$ 1,000,000	2,237,515	3,237,515	2,362,396	(875,119)
Total Revenues	<u>1,000,000</u>	<u>2,604,059</u>	<u>3,604,059</u>	<u>2,686,745</u>	<u>(917,314)</u>
EXPENDITURES					
Instruction:					
Salaries of Teachers		425,161	425,161	71,875	353,286
Purchased Professional and Technical Services		209,936	209,936	187,023	22,913
Purchased Professional-Educational Services		237,468	237,468	112,053	125,415
Other Purchased Services		442	442		442
General Supplies		330,260	330,260	322,578	7,682
Textbooks		41,990	41,990	41,990	
Other Objects		1,425	1,425	142	1,283
Total Instruction		<u>1,246,682</u>	<u>1,246,682</u>	<u>735,661</u>	<u>511,021</u>
Support Services:					
Salaries of Other Professional Staff	1,000,000	(243,276)	756,724	731,016	25,708
Personal Services - Employee Benefits		99,295	99,295	46,781	52,514
Purchased Professional-Educational Services		209,580	209,580	200,769	8,811
Other Purchased Services		772,331	772,331	761,846	10,485
Supplies and Materials		142,270	142,270	115,077	27,193
Total Support Services	<u>1,000,000</u>	<u>980,200</u>	<u>1,980,200</u>	<u>1,855,489</u>	<u>124,711</u>
Facilities Acquisition and Construction Services:					
Construction Services		278,700	278,700		278,700
Instructional Equipment		30,130	30,130	30,000	130
Noninstructional Equipment		68,347	68,347	65,595	2,752
Total Facilities Acquisition and Construction Services		<u>377,177</u>	<u>377,177</u>	<u>95,595</u>	<u>281,582</u>
Total Expenditures	<u>1,000,000</u>	<u>2,604,059</u>	<u>3,604,059</u>	<u>2,686,745</u>	<u>917,314</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<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, 2010

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)	\$ 81,995,309	\$ 2,686,745
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		(15,189)
Prior Year (net of cancellations)		34,878
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	396,917	
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(443,569)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (B-2)	<u>\$ 81,948,657</u>	<u>\$ 2,706,434</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 81,047,238	\$ 2,686,745
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		(15,189)
Prior Year (net of Cancellations)		34,878
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	<u>\$ 81,047,238</u>	<u>\$ 2,706,434</u>

Other Supplementary Information

Special Revenue Fund Detail Statements

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures
Budgetary Basis
Year Ended June 30, 2010

	NJ Nonpublic Auxiliary Services, Ch. 192		NJ Nonpublic Handicapped Services, Ch. 193			Nonpublic Nursing Services	Title III	Title IV	Title IIA Carryover	
	Nonpublic Textbooks	Nonpublic Comp. Education	E.S.L.	Nonpublic Exam and Class.	Nonpublic Corrective Speech					Nonpublic Suppl. Instruction
REVENUES:										
State Sources	\$ 41,990	\$ 49,792	\$ 23,804	\$ 2,179	\$ 40,099	\$ 51,892	\$ 19,257			
Federal Sources								\$ 6,921	\$ 7,924	
Other Sources									\$ 72,307	
Total Revenues	\$ 41,990	\$ 49,792	\$ 23,804	\$ 2,179	\$ 40,099	\$ 51,892	\$ 19,257	\$ 6,921	\$ 7,924	\$ 72,307
EXPENDITURES:										
Instruction:										
Salaries of Teachers										
Purchased Prof. - Educ. Services		\$ 49,792	\$ 23,804	\$ 2,179	\$ 40,099	\$ 51,892	\$ 19,257			
Purchased Prof. and Tech. Services										
General Supplies								\$ 6,921		
Textbooks	\$ 41,990									
Other Objects										
Total Instruction	41,990	49,792	23,804	2,179	40,099	51,892	19,257	6,921		
Support Services:										
Salaries of Other Professional Staff									\$ 56,128	
Personal Svcs. - Employee Benefits									11,226	
Purchased Prof. - Ed Services								\$ 3,800		
Other Purchased Services										
Supplies and Materials								4,124	4,953	
Total Support Services								7,924	72,307	
Facilities Acquisition and Construction Services:										
Instructional Equipment										
Total Facilities Acquisition and Construction Services										
Total Expenditures	\$ 41,990	\$ 49,792	\$ 23,804	\$ 2,179	\$ 40,099	\$ 51,892	\$ 19,257	\$ 6,921	\$ 7,924	\$ 72,307

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures
Budgetary Basis
Year Ended June 30, 2010

	Title IV, Carryover	I.D.E.I.A. Part B Basic ARRA	I.D.E.I.A. Part B Basic	I.D.E.I.A. Part B Basic, Carryover	I.D.E.I.A. Part B Basic, Carryover	I.D.E.I.A. Part B Preschool	I.D.E.I.A. Part B Preschool	I.D.E.I.A. Part B Preschool, Carryover	I.D.E.I.A. Part B Preschool, Carryover	Local Grants	Totals
REVENUES:											
State Sources											\$ 229,013
Federal Sources	\$ 1,750	\$ 1,233,707	\$ 592,747	\$ 387,895	\$ 9,204	\$ 822	\$ 41,006	\$ 8,016	\$ 97		2,362,396
Other Sources										\$ 95,336	95,336
Total Revenues	\$ 1,750	\$ 1,233,707	\$ 592,747	\$ 387,895	\$ 9,204	\$ 822	\$ 41,006	\$ 8,016	\$ 97	\$ 95,336	\$ 2,686,745
EXPENDITURES:											
Instruction:											
Salaries of Teachers				\$ 64,039				\$ 7,739	\$ 97		\$ 71,875
Purchased Prof. - Educ. Services			\$ 75,874	36,179							187,023
Purchased Prof. and Tech. Svcs.		\$ 284,609	10,931	5,914	\$ 4,599	\$ 822	\$ 5,006	277		\$ 3,499	112,053
General Supplies											322,576
Textbooks											41,990
Other Objects			142								142
Total Instruction		284,609	86,947	106,132	4,599	822	5,006	8,016	97	3,499	735,661
Support Services:											
Salaries of Other Prof. Staff			371,314	271,574			32,000				731,016
Personal Svcs-Employee Benefits			34,349	1,206							46,781
Purchased Prof.-Ed Services	\$ 1,750	106,828	82,505	5,510	376						200,769
Other Purchased Services		744,570	12,698	691	3,687						761,846
Supplies and Materials		51,000	4,734	1,037	542		4,000			44,687	115,077
Total Support Services	1,750	902,398	505,800	280,018	4,605		36,000			44,687	1,855,489
Facilities Acquisition and Construction Services:											
Instructional Equipment		46,700		1,745						30,000	30,000
Noninstructional Equipment		46,700		1,745						17,150	65,595
Total Facilities Acquisition and Construction Services		46,700		1,745						47,150	95,595
Total Expenditures	\$ 1,750	\$ 1,233,707	\$ 592,747	\$ 387,895	\$ 9,204	\$ 822	\$ 41,006	\$ 8,016	\$ 97	\$ 95,336	\$ 2,686,745

Capital Projects Fund Detail Statement

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Capital Projects Fund
Summary Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budgetary Basis
Year Ended June 30, 2010

Revenues:	
Local Sources:	
Interest on Investments	<u>\$ 209</u>
Total Revenues	<u>209</u>
Expenditures :	
Construction Services	<u>4,000</u>
Total Expenditures	<u>4,000</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(3,791)</u>
Other Financing (Uses):	
Transfers Out	<u>(209)</u>
Total Other Financing (Uses)	<u>(209)</u>
(Deficiency) of Revenues (Under) Expenditures and Other Financing Uses	(4,000)
Fund Balance - Beginning of Year	<u>567,549</u>
Fund Balance - End of Year	<u><u>\$ 563,549</u></u>

Fiduciary Funds Detail Statements

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Service Fund Scholarship</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 68,982	\$ 3,290	\$ 769,573
Interfund Receivable	<u>965,558</u>	<u> </u>	<u>11,600</u>
Total Current Assets	<u>1,034,540</u>	<u>3,290</u>	<u>\$ 781,173</u>
LIABILITIES			
Accounts Payable	21,101		
Due to Student Groups			\$ 469,447
Payroll Deductions and Withholdings Payable	<u> </u>	<u> </u>	<u>311,726</u>
Total Liabilities	<u>21,101</u>	<u>-</u>	<u>\$ 781,173</u>
NET ASSETS			
Held in Trust for Unemployment Claims	<u><u>\$ 1,013,439</u></u>		
Held in Trust for Scholarship Awards		<u><u>\$ 3,290</u></u>	

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2010

	Unemployment Compensation <u>Trust</u>	Private Purpose Service Fund <u>Scholarship</u>
ADDITIONS		
Contributions:		
Plan Members	\$ 107,047	
Board Contribution	<u>965,558</u>	<u>\$ 3,916</u>
Total Additions	<u>1,072,605</u>	<u>3,916</u>
DEDUCTIONS		
Payment of Unemployment Claims	311,368	
Scholarship Awards Paid		<u>1,042</u>
Total Deductions	<u>311,368</u>	<u>1,042</u>
Change in Net Assets	761,237	2,874
Net Assets - Beginning of the Year	<u>252,202</u>	<u>416</u>
Net Assets - End of the Year	<u><u>\$ 1,013,439</u></u>	<u><u>\$ 3,290</u></u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Fiduciary Funds
Student Activity Agency Fund
Schedule of Cash Receipts and Disbursements
Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	<u>\$405,378</u>	<u>\$ 1,433,674</u>	<u>\$ 1,369,605</u>	<u>\$ 469,447</u>
Total Assets	<u><u>\$405,378</u></u>	<u><u>\$ 1,433,674</u></u>	<u><u>\$ 1,369,605</u></u>	<u><u>\$ 469,447</u></u>
LIABILITIES:				
Due to Student Groups	<u>\$405,378</u>	<u>\$ 1,433,674</u>	<u>\$ 1,369,605</u>	<u>\$ 469,447</u>
Total Liabilities	<u><u>\$405,378</u></u>	<u><u>\$ 1,433,674</u></u>	<u><u>\$ 1,369,605</u></u>	<u><u>\$ 469,447</u></u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Fiduciary Funds
Student Activity Agency Fund
Schedule of Cash Receipts and Disbursements
Year Ended June 30, 2010

	<u>Balance</u> <u>July 1,2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30,2010</u>
Elementary Schools:				
Liberty Corner	\$ 7,236	\$ 28,649	\$ 26,814	\$ 9,071
Oak Street	12,317	44,113	41,285	15,145
Cedar Hill	12,511	64,677	57,426	19,762
Mount Prospect	<u>8,604</u>	<u>84,714</u>	<u>83,321</u>	<u>9,997</u>
Total Elementary Schools	<u>40,668</u>	<u>222,153</u>	<u>208,846</u>	<u>53,975</u>
Middle School:				
William Annin	<u>64,071</u>	<u>256,016</u>	<u>245,205</u>	<u>74,882</u>
Senior High School:				
Athletic Fund	8,705	157,088	151,627	14,166
Performing Arts		25,498	22,425	3,073
Ridge High School	<u>291,934</u>	<u>772,919</u>	<u>741,502</u>	<u>323,351</u>
Total Ridge High School	<u>300,639</u>	<u>955,505</u>	<u>915,554</u>	<u>340,590</u>
Totals	<u>\$405,378</u>	<u>\$1,433,674</u>	<u>\$ 1,369,605</u>	<u>\$ 469,447</u>

**TOWNSHIP OF BERNARDS BOARD OF EDUCATION
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Cash Receipts and Disbursements
 Year Ended June 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$ 335,139	\$52,888,072	\$52,923,085	\$ 300,126
Interfund Receivable	<u>50,000</u>	<u>11,600</u>	<u>50,000</u>	<u>11,600</u>
Total Assets	<u>\$ 385,139</u>	<u>\$52,899,672</u>	<u>\$52,973,085</u>	<u>\$ 311,726</u>
LIABILITIES:				
Interfund Payable	\$ 104,956		\$ 104,956	
Payroll Deductions and Withholdings Payable	<u>280,183</u>	<u>\$52,849,672</u>	<u>52,818,129</u>	<u>\$ 311,726</u>
Total Liabilities	<u>\$ 385,139</u>	<u>\$52,849,672</u>	<u>\$52,923,085</u>	<u>\$ 311,726</u>

Long-Term Debt

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Long-Term Debt
Schedule of Serial Bonds Payable
Year Ended June 30, 2010

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2009	Retired	Balance June 30, 2010
			Date	Amount				
Refunding School Bonds	03/15/02	\$ 15,035,000	02/01/11	\$ 1,780,000	5.000%	\$ 9,405,000	\$ 1,695,000	\$ 7,710,000
			02/01/12	1,870,000	5.250			
			02/01/13	1,975,000	5.375			
			02/01/14	2,085,000	5.375			
Refunding School Bonds	03/15/04	25,955,000	01/01/13	45,000	3.250	25,955,000		25,955,000
			01/01/14	120,000	3.400			
			01/01/15	2,345,000	5.000			
			01/01/16	2,465,000	5.000			
			01/01/17	2,590,000	5.000			
			01/01/18	2,720,000	5.000			
			01/01/19	2,860,000	5.000			
			01/01/20	3,005,000	4.100			
			01/01/21	3,130,000	4.200			
			01/01/22	3,265,000	4.250			
			01/01/23	3,410,000	4.300			
School Bonds	12/01/05	44,648,000	07/15/10	250,000	3.500	35,155,000	200,000	34,955,000
			07/15/11	380,000	4.000			
			07/15/12	420,000	4.000			
			07/15/13	360,000	4.000			
			07/15/14	355,000	4.000			
			07/15/15	365,000	4.000			
			07/15/16	380,000	4.000			
			07/15/17	400,000	4.000			
			07/15/18	415,000	4.000			
			07/15/19	430,000	4.125			
			07/15/20	450,000	4.250			
			07/15/21	465,000	4.250			
			07/15/22	480,000	4.500			
			07/15/23	4,145,000	4.500			
			07/15/24	4,335,000	4.500			
			07/15/25	4,540,000	4.500			
			07/15/26	4,750,000	4.500			
			07/15/27	4,970,000	4.500			
07/15/28	5,200,000	4.500						
07/15/30	1,865,000	5.000						
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	07/15/10	45,000	4.250	6,120,000	45,000	6,075,000
			07/15/11	130,000	4.250			
			07/15/12	45,000	4.250			
			07/15/23	870,000	4.250			
			07/15/24	330,000	4.250			
			07/15/25	830,000	4.250			
			07/15/26	670,000	4.250			
			07/15/27	745,000	4.250			
			07/15/28	750,000	4.250			
			07/15/29	790,000	4.250			
			07/15/30	870,000	4.250			
						<u>\$ 86,590,000</u>	<u>\$ 1,940,000</u>	<u>\$ 84,650,000</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Long-Term Debt
Schedule of Obligations Under Capital Leases
Year Ended June 30, 2010

Series	Date of <u>Lease</u>	Term of <u>Lease</u>	<u>Amount of Original Lease</u>		Interest <u>Rate</u>	Balance		Balance <u>June 30, 2010</u>
			<u>Principal</u>	<u>Interest</u>		<u>July 1, 2009</u>	<u>Retired</u>	
2005 Savin Copier	12/10/04	5 Years	\$ 14,646	\$ 2,754	6.997%	\$ 1,705	\$ 1,705	
2005 Savin Copier	12/10/04	5 Years	28,030	5,270	6.997	3,263	3,263	
2005 Savin Copier	12/10/04	5 Years	25,253	4,747	6.997	2,940	2,940	
2005 Savin Copier	07/19/05	5 Years	13,188	3,192	8.880	3,372	3,101	\$ 271
2005 Savin Copier	07/19/05	5 Years	14,928	3,612	8.880	3,816	3,510	306
2005 Savin Copier	07/19/05	5 Years	14,155	3,425	8.880	3,619	3,327	292
2006 Pitney Bowes Digital Mailing System	03/31/06	4 Years	9,220	2,102	9.853	<u>2,527</u>	<u>2,527</u>	
						<u>\$ 21,242</u>	<u>\$ 20,373</u>	<u>\$ 869</u>

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Debt Service Fund
Budgetary Comparison Schedule
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Local Sources:				
Local Tax Levy	<u>\$ 5,500,706</u>	<u>\$ 5,500,706</u>	<u>\$ 5,500,706</u>	
Total Local Source Revenues	5,500,706	5,500,706	5,500,706	
State Sources-Debt Service Aid	<u>367,146</u>	<u>367,146</u>	<u>367,146</u>	
Total Revenue Sources	5,867,852	5,867,852	5,867,852	
EXPENDITURES:				
Regular Debt Service:				
Redemption of Principal	1,940,000	1,940,000	1,940,000	
Interest	<u>3,927,852</u>	<u>3,927,852</u>	<u>3,927,852</u>	
Total Regular Debt Service- Expenditures	<u>5,867,852</u>	<u>5,867,852</u>	<u>5,867,852</u>	
Excess of Revenues Over Expenditures	-	-	-	
Fund Balance, July 1	-	-	-	
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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. The district implemented GASB Statement 34 in the fiscal year ended June 30, 2003; schedules pre GASB Statement 34.

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

	Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009 (as Restated)	2010
Governmental Activities:								
Invested in capital assets, Net of Related Debt	\$ 20,195,411	\$ 19,389,614	\$ 17,575,118	\$ 11,045	\$ 2,569,015	\$ 2,812,148	\$ 4,996,379	\$ 5,068,272
Restricted	478,783	963,522	729,716	2,767,502	4,501,931	4,229,149	2,934,632	3,217,156
Unrestricted (deficit)	<u>665,121</u>	<u>943,266</u>	<u>1,127,309</u>	<u>(922,252)</u>	<u>(372,787)</u>	<u>1,606,902</u>	<u>1,375,005</u>	<u>1,835,740</u>
Total Governmental Activities Net Assets	<u><u>\$ 21,339,315</u></u>	<u><u>\$ 21,296,402</u></u>	<u><u>\$ 19,432,143</u></u>	<u><u>\$ 1,856,295</u></u>	<u><u>\$ 6,698,159</u></u>	<u><u>\$ 8,648,199</u></u>	<u><u>\$ 9,306,016</u></u>	<u><u>\$ 10,121,168</u></u>
Business-type Activities:								
Invested in capital assets	\$ 119,228	\$ 100,939	\$ 91,914	\$ 73,287	\$ 77,357	\$ 69,094	\$ 52,700	\$ 54,958
Unrestricted	<u>88,198</u>	<u>127,453</u>	<u>170,798</u>	<u>179,670</u>	<u>225,616</u>	<u>323,954</u>	<u>407,256</u>	<u>737,189</u>
Total Business-type Activities Net Assets	<u><u>\$ 207,426</u></u>	<u><u>\$ 228,392</u></u>	<u><u>\$ 262,712</u></u>	<u><u>\$ 252,957</u></u>	<u><u>\$ 302,973</u></u>	<u><u>\$ 393,048</u></u>	<u><u>\$ 459,956</u></u>	<u><u>\$ 792,147</u></u>
District-wide:								
Invested in capital assets, Net of Related Debt	\$ 20,314,639	\$ 19,490,553	\$ 17,667,032	\$ 84,332	\$ 2,646,372	\$ 2,881,242	\$ 5,049,079	\$ 5,123,230
Restricted	478,783	963,522	729,716	2,767,502	4,501,931	4,229,149	2,934,632	3,217,156
Unrestricted (deficit)	<u>753,319</u>	<u>1,070,719</u>	<u>1,298,107</u>	<u>(742,582)</u>	<u>(147,171)</u>	<u>1,930,856</u>	<u>1,782,261</u>	<u>2,572,929</u>
Total District Net Assets	<u><u>\$ 21,546,741</u></u>	<u><u>\$ 21,524,794</u></u>	<u><u>\$ 19,694,855</u></u>	<u><u>\$ 2,109,252</u></u>	<u><u>\$ 7,001,132</u></u>	<u><u>\$ 9,041,247</u></u>	<u><u>\$ 9,765,972</u></u>	<u><u>\$ 10,913,315</u></u>

Source: District CAFR A-1

This schedule was required with the implementation of GASB 44 and is prepared back to the implementation of GASB 34.
 Additional years will be added until 10 are reached.

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

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

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

	Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Property Taxes Levied for General Purposes	\$ 46,138,805	\$ 49,846,708	\$ 54,373,909	\$ 58,065,146	\$ 61,313,765	\$ 63,779,923	\$ 66,837,438	\$ 70,156,926
Taxes Levied for Debt Service	3,388,024	3,444,720	3,104,825	3,361,148	5,661,267	5,461,181	5,243,925	5,500,706
Unrestricted Grants and Contributions	3,097,334	4,321,373	4,217,473	13,368,307	10,488,375	10,878,874	12,539,127	10,864,349
Investment Earnings	81,449	48,352	163,098	978,574	3,040,622	1,036,083	129,895	63,067
Miscellaneous Income	429,808	925,197	340,840	452,088	53,466	2,799,935	231,600	267,986
Transfers						(40,195)		
Prior Year Adjustment	(158,481)	81,899						
Total Governmental Activities	52,976,939	58,668,249	62,200,145	76,225,263	80,557,495	83,915,801	84,981,985	86,853,034
Business-type Activities:								
Miscellaneous Income	6,413	13,269			54,093			
Transfers						40,195		
Total Business-type Activities	6,413	13,269	-	-	54,093	40,195	-	-
Prior Period Restatement				(28,716,125)				
Total District-wide	\$ 52,983,352	\$ 58,681,518	\$ 62,200,145	\$ 47,509,138	\$ 80,611,588	\$ 83,955,996	\$ 84,981,985	\$ 86,853,034
Change in Net Assets								
Governmental Activities	\$ (1,571,622)	\$ (42,913)	\$ (1,864,259)	\$ (17,575,849)	\$ 4,841,865	\$ 2,579,882	\$ 657,817	\$ 815,152
Business-type Activities	(7,185)	20,966	34,320	(9,755)	50,016	90,075	186,238	332,191
Total District	\$ (1,578,807)	\$ (21,947)	\$ (1,829,939)	\$ (17,585,604)	\$ 4,891,881	\$ 2,669,957	\$ 844,055	\$ 1,147,343

Source: District CAFR A-2

This schedule was required with the implementation of GASB 44 and is prepared back to the implementation of GASB 34. Additional years will be added until 10 are reached.

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

	Year Ended June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund:								
Reserved	\$ 209,707	\$ 430,837	\$ 55,067	\$ 1,543,118	\$ 4,771,640	\$ 4,250,314	\$ 3,192,027	\$ 3,985,240
Unreserved	<u>1,647,904</u>	<u>1,970,220</u>	<u>2,207,652</u>	<u>1,529,902</u>	<u>1,538,095</u>	<u>3,947,427</u>	<u>3,156,914</u>	<u>3,265,329</u>
Total General Fund	<u>\$ 1,857,611</u>	<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>
All Other Governmental Funds:								
Reserved						\$ 2,839,671	\$ 4,000	
Unreserved, Reported In:								
Special Revenue Fund (deficit)	\$ (9,921)							
Capital Projects Fund *	220,967	\$ 503,805	\$ 664,696	\$ 51,014,766	\$ 24,207,584	237,506	563,549	\$ 563,549
Debt Service Fund	<u>58,030</u>	<u>28,880</u>	<u>9,953</u>	<u>1</u>	<u>1</u>	<u>1</u>		
Total All Other Governmental Funds	<u>\$ 269,076</u>	<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>

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

Source: District CAFR B-1

This schedule was required with the implementation of GASB 44 and is prepared back to the implementation of GASB 34. Additional years will be added until 10 are reached.

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,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Tax Levy	\$ 39,175,050	\$ 46,369,816	\$ 49,526,829	\$ 53,291,428	\$ 57,478,734	\$ 61,426,294	\$ 66,975,032	\$ 69,241,104	\$ 72,081,363	\$ 75,657,612
Tuition Charges	153,801	113,743	254,468	316,600	305,283	499,848	860,467	502,434	748,296	691,186
Interest Earnings	316,478	110,455	81,449	48,352	163,098	978,574	3,040,622	1,036,083	129,895	63,067
Miscellaneous	360,397	1,547,248	360,567	1,151,750	502,184	650,371	327,757	3,184,338	565,167	632,321
State Sources	5,274,999	6,275,503	6,081,770	7,607,853	7,708,853	17,534,132	10,723,172	11,131,142	12,931,937	11,093,362
Federal Sources	338,907	454,648	779,089	843,283	954,643	935,321	1,183,219	1,150,629	1,143,920	2,385,584
Total Revenues	45,619,632	54,871,413	57,094,172	63,259,266	67,112,795	82,024,540	83,110,269	86,245,730	87,600,578	90,522,152
Expenditures										
Instruction:										
Regular Instruction	15,837,032	17,371,942	19,080,694	20,380,535	21,423,665	22,032,344	22,365,402	23,763,583	25,112,992	24,835,229
Special Education Instruction	3,171,812	3,711,699	4,059,646	4,612,268	5,612,599	6,724,715	7,312,819	8,471,628	8,659,776	9,453,524
Other Special Instruction	438,221	868,418	834,574	822,701	718,794	708,573	943,809	926,385	931,147	1,221,772
School-sponsored/Other Instructional	707,751	812,127	881,460	1,004,722	1,169,773	1,245,086	1,103,475	1,386,510	1,542,525	1,275,094
Support Services:										
Tuition	1,369,911	1,470,207	1,590,499	1,802,592	1,910,583	2,029,238	2,152,476	2,313,922	2,303,699	2,680,778
Student and Instruction Related Services	5,742,662	6,139,819	6,748,142	7,514,171	8,035,678	7,732,169	8,359,544	8,351,266	9,326,920	10,470,913
General Administrative Services	664,688	670,594	813,938	713,961	709,897	882,112	969,360	942,838	977,098	926,229
School Administrative Services	2,266,011	2,272,225	2,444,895	2,541,161	2,512,091	2,802,219	2,723,995	2,659,460	2,835,015	3,011,454
Central Services:										
Admin. Information Technology					721,843	514,769	561,064	508,263	501,705	516,161
Plant Operations and Maintenance	4,435,809	4,854,132	5,623,747	5,840,100	6,458,845	7,287,982	7,633,494	9,282,058	6,442,915	7,101,641
Pupil Transportation	2,192,613	2,727,726	3,125,953	3,579,070	3,591,818	3,685,264	3,926,203	4,125,016	4,946,968	3,976,834
Other Support Services	338,521	376,239	381,886	403,831						
Employee Benefits	5,153,754	5,762,833	7,407,591	8,664,459	10,133,043	11,555,745	14,905,089	15,277,194	15,312,735	17,421,783
Charter Schools	3,763									
Capital Outlay	4,005,149	3,565,094	1,224,916	1,170,714	680,616	4,709,789	18,108,798	28,075,456	4,270,907	315,596
Debt Service:										
Principal	1,182,639	1,267,639	1,392,639	1,297,638	1,367,639	1,430,000	1,500,000	1,655,000	2,155,000	1,940,000
Interest and Other Charges	2,467,211	2,399,621	2,158,963	2,186,187	1,756,113	1,941,100	4,112,425	3,843,411	4,127,629	3,927,852
Total Expenditures	49,977,547	54,270,315	57,769,543	62,534,110	67,127,098	75,597,663	97,092,540	111,947,936	91,959,007	89,625,524
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,357,915)	601,098	(685,371)	725,156	(64,303)	6,426,877	(13,982,271)	(25,702,206)	(4,358,429)	897,628
Other Financing Sources (Uses)										
Proceeds from Borrowing						44,648,000		6,500,000		
Capital Leases (Non-budgeted)	79,987	148,278	287,188	71,944	67,929	75,542				
Proceeds from Refunding		15,652,573		27,077,561			10,000,000			
Payments to Escrow Agent		(15,518,524)		(27,067,606)			(10,113,265)			
Premium on Bonds Refunded							64,473			
Prior Year Adjustment	(1)		(158,481)							
Transfers In	63,579	5,054	48,339	863,734	392,988	664,304	2,607,177	650,508	38,787	209
Transfers Out	(63,579)	(5,054)	(48,339)	(863,734)	(392,988)	(664,304)	(2,607,177)	(698,703)	(38,787)	(209)
Total Other Financing Sources (Uses)	79,986	282,327	128,707	81,899	67,929	44,723,542	(48,792)	6,459,805	-	-
Net Change in Fund Balances	\$ (4,277,929)	\$ 883,425	\$ (556,664)	\$ 807,055	\$ 3,626	\$ 51,150,419	\$ (14,031,063)	\$ (19,242,401)	\$ (4,358,429)	\$ 897,628
Debt service as a percentage of noncapital expenditures	7.94%	7.23%	6.28%	5.68%	4.70%	4.76%	7.11%	6.56%	7.16%	6.57%

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>
2001	\$ 188,923			\$ 137,078	\$ 326,001
2002	190,147			158,959	349,106
2003	217,947		\$ 17,988	102,218	338,153
2004	226,553		24,080	898,778	1,149,411
2005	228,985		47,221	225,690	501,896
2006	273,825		90,885	285,661	650,371
2007	205,974			53,466	259,440
2008	251,257		2,699,612	100,323	3,051,192
2009	235,341	\$ 76,557	49,366	196,785	558,049
2010	272,498	96,413	131,706	102,725	603,342

Source: District Records

Note:

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

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

Fiscal Year Ended June 30	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
2001	\$ 47,049,100	\$ 3,439,920,400	\$ 17,289,500	\$ 492,300	\$ 715,065,990	\$ 5,925,400	\$ 6,019,400	\$ 4,231,762,090	\$ 7,995,116	\$ 4,239,757,206	\$ 3,868,010,206	\$ 1.010
2002	44,196,000	3,892,480,600	16,603,300	485,940	731,310,200	6,020,500	6,139,800	4,697,236,340	8,148,543	4,705,384,883	4,446,060,278	1.017
2003	36,015,800	4,409,004,300	18,777,200	486,590	763,611,500	7,376,700	7,380,100	5,242,652,190	8,253,818	5,250,906,008	5,115,933,999	0.982
2004	24,071,700	4,484,126,800	15,606,600	486,040	763,549,195	7,020,500	7,380,100	5,302,240,935	7,657,412	5,309,898,347	5,452,589,814	1.034
2005	34,921,300	5,625,239,400	22,896,000	397,610	700,421,000	7,425,000	7,858,900	6,399,159,210	6,813,032	6,405,972,242	5,902,410,904	0.930
2006	29,299,400	6,195,479,100	23,636,500	344,100	752,979,125	7,620,900	8,283,200	7,017,642,325	6,813,032	7,024,455,357	6,479,272,097	0.915
2007	38,810,400	6,211,176,500	23,098,000	336,800	848,521,100	7,748,900	8,540,100	7,138,231,800	7,347,852	7,145,579,652	7,103,135,463	0.957
2008	45,096,900	6,186,564,700	22,422,300	312,600	864,983,780	8,168,700	9,399,600	7,136,948,580	8,309,100	7,145,257,680	7,260,742,618	0.992
2009	36,643,900	5,849,444,900	20,329,100	870,200	884,170,700	11,490,000	9,301,900	6,812,250,700	11,324,300	6,823,575,000	7,350,124,631	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	7,195,297,724	1.199

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

^a 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	
2001	\$ 0.961	\$ 0.049	\$ 1.010	\$ 0.370	\$ 0.390	\$ 1.770
2002	0.944	0.073	1.017	0.360	0.383	1.760
2003	0.915	0.067	0.982	0.343	0.375	1.700
2004	0.967	0.067	1.034	0.350	0.376	1.760
2005	0.880	0.050	0.930	0.303	0.317	1.550
2006	0.864	0.051	0.915	0.276	0.299	1.490
2007	0.878	0.079	0.957	0.268	0.305	1.530
2008	0.914	0.078	0.992	0.264	0.306	1.562
2009	1.004	0.079	1.083	0.274	0.319	1.676
2010	1.113	0.086	1.199	0.298	0.331	1.828

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**

	2010			2001		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total Direct Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total Direct Net Assessed Value</u>
Verizon Corporate Services Group, Inc.	\$ 207,570,500	1	3.23%			
Fellowship Village, Inc.	50,055,100	2	0.78%	\$ 32,832,700	4	0.77%
Avaya Inc./CB R. Ellis/German	42,050,000	3	0.66%			
OTR c/o Mack-Calli Rity Corp - Danscuk	34,855,500	4	0.54%			
131 Morristown Rd. c/o UBS Realty Inv.	31,749,300	5	0.49%			
Realty Assoc. Fund c/o Kwartler Assoc.	30,740,000	6	0.48%			
Ashford Basking Ridge LLP	26,655,000	7	0.42%			
Realty Associates Fund VII LP	24,742,200	8	0.39%			
KBSII Mountainview LLC	24,074,500	9	0.38%			
BRCP NJ Prop LLC c/o Broadreach CAP	23,940,000	10	0.37%			
AT&T				261,276,000	1	6.16%
Avaya, Inc.				40,890,000	2	0.96%
OTR / Gale & Wentworthy LLC				35,783,500	3	0.84%
OP&F- Bernards 78 LLC / Grubb				31,176,700	5	0.74%
Conopco, Inc. NY Corp C/O AT&T				29,838,400	6	0.70%
ALLEN Center, LLC				27,722,600	7	0.65%
AT&T Property Tax Unit				21,250,000	8	0.50%
MC-SJP Pinson Development LLC				16,887,600	9	0.40%
Sciaretta Enterprises LLC				13,700,000	10	0.32%
Total	<u>\$ 496,432,100</u>		<u>7.74%</u>	<u>\$ 511,357,500</u>		<u>12.06%</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	
2001	\$39,175,050	\$39,175,050	100.00%	
2002	46,369,816	46,369,816	100.00%	
2003	49,526,829	49,526,829	100.00%	
2004	53,291,428	53,291,428	100.00%	
2005	57,478,734	57,478,734	100.00%	
2006	61,426,294	61,426,294	100.00%	
2007	66,975,032	66,975,032	100.00%	
2008	69,241,104	69,241,104	100.00%	
2009	72,081,363	72,081,363	100.00%	
2010	75,657,632	75,657,632	100.00%	

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					Total District	Percentage of Personal Income [•]	Per Capita [•]
	General Obligation Bonds	School Facilities Loan	Capital Leases	Other Leases	Compensated Absences Payable			
2001	\$45,485,000	\$ 10,558	\$ 128,295		\$ 868,588	\$ 46,492,441	3.21%	\$ 56,404
2002	44,490,000	7,919	210,506		950,418	45,658,843	3.20%	55,888
2003	43,100,000	5,280	415,100		982,783	44,503,163	3.10%	56,812
2004	42,890,000	2,640	362,222		1,026,954	44,281,816	3.04%	59,932
2005	41,525,000		420,701	\$ 1,007,784	1,080,343	44,033,828	2.88%	62,248
2006	84,743,000		367,267	767,327	382,173	86,259,767	5.61%	67,455
2007	83,900,000		226,347	519,368	407,790	85,053,505	4.94%	71,564
2008	88,745,000		239,959	247,815	318,032	89,550,806	4.87%	72,201
2009	86,590,000		21,242		341,943	86,953,185	Not Available	Not Available
2010	84,650,000		869		533,825	85,184,694	Not Available	Not Available

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

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

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

Fiscal Year Ended <u>June 30,</u>	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value ^a <u>of Property</u>	Per <u>Capita</u> ^b
	General Obligation <u>Bonds</u>	Net General Bonded Debt <u>Outstanding</u>		
2001	\$ 45,485,000	\$ 45,485,000	1.07%	\$ 56,404
2002	44,490,000	44,490,000	0.95%	55,888
2003	43,100,000	43,100,000	0.82%	56,812
2004	42,890,000	42,890,000	0.81%	59,932
2005	41,525,000	41,525,000	0.65%	62,248
2006	84,743,000	84,743,000	1.21%	67,455
2007	83,900,000	83,900,000	1.17%	71,564
2008	88,745,000	88,745,000	1.24%	72,201
2009	86,590,000	86,590,000	1.27%	Not Available
2010	84,650,000	84,650,000	1.32%	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, 2010
Unaudited**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Bernards Township	\$ 23,120,000	100.000%	\$ 23,120,000
Somerset County General Obligation Debt	117,463,640	11.300%	<u>13,273,391</u>
Subtotal, Overlapping Debt			36,393,391
Bernards School District Direct Debt			<u>84,650,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 121,043,391</u></u>

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

Debt outstanding data provided by each governmental unit.

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

^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 2010

	Year	Equalized Valuation Basis
	2009	\$ 7,195,297,724
	2008	7,350,124,631
	2007	<u>7,260,742,618</u>
		<u>\$ 21,806,164,973</u>
		<u>\$ 7,268,721,658</u>
		\$ 290,748,866 *
		<u>84,650,000</u>
		<u>\$ 206,098,866</u>

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Fiscal Year 2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 133,710,417	\$ 150,713,748	\$ 173,464,417	\$ 195,805,671	\$ 216,154,443	\$ 235,292,668	\$ 274,258,157	\$ 285,996,501	\$ 285,885,713	\$ 290,748,866
Total Net Debt Applicable to Limit	<u>45,495,558</u>	<u>44,497,919</u>	<u>43,105,280</u>	<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>
Legal Debt Margin	<u>\$ 88,214,859</u>	<u>\$ 106,215,829</u>	<u>\$ 130,359,137</u>	<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>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	34.03%	29.52%	24.85%	21.91%	19.21%	36.02%	30.59%	31.03%	30.29%	29.11%

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
2001	24,883	\$ 1,403,500,732	\$ 56,404	2.30%
2002	25,193	1,407,986,384	55,888	2.30%
2003	25,246	1,434,275,752	56,812	3.60%
2004	25,422	1,523,591,304	59,932	3.10%
2005	25,446	1,583,962,608	62,248	2.50%
2006	25,508	1,720,642,140	67,455	2.60%
2007	25,714	1,840,196,696	71,564	2.20%
2008	25,785	1,861,702,785	72,201	3.20%
2009	26,034	Not Available	Not Available	5.90%
2010	Not Available	Not Available	Not Available	Not Available

Source:

- ^a Population information provided by the NJ Dept. of Labor and Workforce Development.
- ^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 2000 Census published by the US Bureau of Economic Analysis.
- ^d Unemployment data provided by the NJ Dept. of Labor and Workforce Development.

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

	2010		2001	
<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**

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Teachers - General Fund	294.0	N/A	331.0	336.9	409.0	416.8	449.0	450.5	482.6	469.8
Classroom Aides - General Fund	8.0	N/A	18.0	5.0	50.0	83.0	92.8	100.5	116.5	123.0
Health Services	6.0	N/A	7.0	7.0	8.0	8.0	10.0	10.5	11.9	11.9
Related Services	6.0	N/A	6.0	8.0	11.0	10.0	8.0	9.0	12.0	11.6
Extraordinary Services	-	N/A	-	-	-	-	2.0	5.0	5.2	6.0
Guidance - Professional	15.0	N/A	16.0	15.0	17.0	18.0	18.2	19.2	22.0	20.2
Guidance - Support	6.0	N/A	6.0	4.0	4.0	5.0	5.0	5.2	7.0	6.0
Child Study Team	8.0	N/A	12.0	12.0	13.0	17.0	15.8	15.8	17.2	17.2
Child Study Team - Support	2.0	N/A	3.0	3.0	4.0	5.0	2.0	2.0	2.0	2.0
Supervisors and Other Professionals	6.0	N/A	7.0	4.0	4.0	5.0	4.5	4.5	4.6	4.0
Improvement of Instruction - Support	2.0	N/A	4.0	2.0	2.0	3.0	2.0	2.0	2.0	3.0
Media Services/Technology	6.0	N/A	10.0	12.0	7.0	6.0	15.0	14.0	14.0	13.0
Professional Development - Professionals	5.0	N/A	1.0	5.0	5.0	6.0	5.0	4.5	5.5	5.5
Professional Development - Support	2.0	N/A	2.0	4.0	4.0	3.0	4.0	4.8	6.0	6.0
General District Administrators	1.0	N/A	1.0	1.0	1.0	1.0	1.5	-	-	-
General Administration - Professional	1.0	N/A	-	1.0	-	-	-	1.5	1.5	1.5
General Administration - Support	3.0	N/A	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Principals/Assistant Professionals	13.0	N/A	14.0	14.0	15.0	15.0	17.0	16.0	16.0	17.0
School Administration - Support	14.0	N/A	15.0	16.5	17.0	19.0	19.0	18.0	19.0	18.0
Central Services - Administrators	-	N/A	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Central Services - Support	-	N/A	-	-	4.0	5.0	6.6	2.5	5.6	5.6
Administration Information Technology Services	-	N/A	-	-	-	6.0	5.5	5.3	9.0	9.0
Support Staff - Special Revenue	-	N/A	-	-	-	-	7.6	1.8	3.0	3.0
Total	398.0		454.0	451.4	577.0	633.8	692.5	694.6	764.6	755.3

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	Pup./Teacher Ratio			Average Daily Enrollment (ADE) ^a	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2001	4,202	\$ 42,322,548	\$ 10,072	3.14%	459	13.3	13.3	9.9	4,196	4,036	7.42%	96.19%
2002	4,463	47,037,961	10,540	4.64%	479	13.1	13.1	10.3	4,499	4,330	7.22%	96.24%
2003	4,752	52,993,025	11,152	5.81%	475	13.1	13.1	10.3	4,741	4,568	5.38%	96.35%
2004	4,987	57,879,571	11,606	4.07%	481	10.5	10.5	10.2	4,998	4,805	5.42%	96.14%
2005	5,207	63,372,730	12,171	4.86%	526	10.8	10.8	9.8	5,199	4,990	4.02%	95.98%
2006	5,346	67,516,774	12,629	3.77%	511	10.7	10.4	10.8	5,307	5,111	2.08%	96.31%
2007	5,529	69,266,377	12,528	-0.80%	515	10.8	10.5	10.7	5,466	5,263	3.00%	96.29%
2008	5,519	70,425,155	12,760	1.86%	530	11.7	10.3	10.8	5,517	5,310	0.95%	96.25%
2009	5,640	81,405,471	14,434	13.11%	524	11.3	9.8	10.7	5,632	5,413	2.08%	96.11%
2010	5,725	83,442,076	14,575	0.98%	548	10.7	9.5	10.7	5,703	5,490	1.26%	96.27%

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>	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Elementary:										
Cedar Hill Elementary School										
Square Feet	59,500	59,500	59,500	59,500	59,500	59,500	59,500	59,500	59,500	68,022
Capacity (students)	724	724	724	724	724	724	724	724	724	724
Enrollment	N/A	N/A	N/A	624	678	650	649	649	614	624
Liberty Corner Elementary School										
Square Feet	82,200	82,200	82,200	82,200	82,200	82,200	82,200	82,200	82,200	82,240
Capacity (students)	682	682	682	682	682	682	682	682	682	682
Enrollment	N/A	N/A	N/A	608	607	610	626	626	608	575
Mount Prospect Elementary School										
Square Feet	87,000	87,000	87,000	87,000	87,000	87,000	87,000	87,000	87,000	97,708
Capacity (students)	625	625	625	625	625	625	625	625	625	839
Enrollment	N/A	N/A	N/A	626	683	687	713	713	780	761
Oak Street Elementary School										
Square Feet	65,470	65,470	65,470	65,470	65,470	65,470	65,470	65,470	65,470	69,272
Capacity (students)	686	686	686	686	686	686	686	686	686	686
Enrollment	N/A	N/A	N/A	605	593	593	623	623	607	623
Middle School:										
William Anin Middle School										
Square Feet	146,000	146,000	146,000	146,000	146,000	146,000	146,000	146,000	146,000	162,713
Capacity (students)	1,460	1,460	1,460	1,460	1,460	1,460	1,460	1,460	1,460	1,471
Enrollment	N/A	N/A	N/A	1,193	1,222	1,260	1,277	1,277	1,348	1,399
High School:										
Ridge High School										
Square Feet	209,500	209,500	209,500	209,500	209,500	209,500	209,500	209,500	209,500	297,158
Capacity (students)	1,831	1,831	1,831	1,831	1,831	1,831	1,831	1,831	1,831	1,976
Enrollment	N/A	N/A	N/A	1,319	1,416	1,525	1,604	1,604	1,695	1,715
Other:										
Administration Building										
Square Feet	5,200	5,200	5,200	5,200	5,200	5,200	6,224	6,224	6,224	6,224

Number of Schools at June 30, 2010:

- 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>	
2001	\$ 433,748	\$ 298,568	\$ 121,144	\$ 165,841	\$ 199,772	\$ 132,046	\$ 1,351,119
2002	425,137	292,640	118,739	162,548	195,806	129,424	1,324,294
2003	179,393	127,297	116,481	84,336	71,818	194,262	773,587
2004	534,585	201,084	148,685	154,402	141,114	172,527	1,352,397
2005	831,091	312,631	231,057	240,098	219,283	268,270	2,102,430
2006	237,971	89,517	66,160	68,748	62,789	76,815	602,000
2007	896,847	616,748	252,089	344,521	411,746	279,038	2,800,989
2008	2,224,072	637,354	230,235	299,848	374,319	330,047	4,095,875
2009	1,200,629	574,109	260,651	298,627	409,919	276,833	3,020,768
2010	<u>660,922</u>	<u>361,897</u>	<u>151,291</u>	<u>182,914</u>	<u>217,317</u>	<u>154,070</u>	<u>1,728,411</u>
Total School Facilities	<u>\$ 7,624,395</u>	<u>\$ 3,511,845</u>	<u>\$ 1,696,532</u>	<u>\$ 2,001,883</u>	<u>\$ 2,303,883</u>	<u>\$ 2,013,332</u>	<u>\$ 19,151,870</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, 2010
Unaudited

School Package Policy - NJSBAIG:	<u>Coverage</u>	<u>Deductible</u>
Blanket Building and Contents	\$ 114,041,735	\$ 5,000
Electronic Data Processing	1,000,000	1,000
Boiler and Machinery	100,000,000	5,000
Crime	1,000,000	1,000
Comprehensive General Liability	11,000,000	
Automobile	11,000,000	1,000
Commercial Excess	INCLUDED	
Workers' Compensation	2,000,000	
School Leaders Errors and Omissions	11,000,000	5,000
N.J. Cap Program - Fireman's Fund Insurance Co.	50,000,000	
Environmental Liability - NJSBAIG	1,000,000	10,000
 Public Official's Bonds - Selective Insurance Co.		
Board Secretary	369,000	
Treasurer	400,000	

Source: Bernards Township Board of Education.

Single Audit Section



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bernards Township School District, in the County of Somerset, New Jersey (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

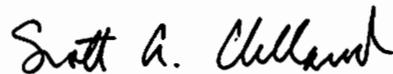
However, we have noted certain other matters involving internal control over financial reporting that we have reported to the District in a separate *Auditors' Management Report on Administrative Findings* dated October 4, 2010.

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*.

However, we noted certain matters of noncompliance that we have reported to the District in a separate *Auditors' Management Report on Administrative Findings* dated October 4, 2010.

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

October 4, 2010
Iselin, New Jersey



Independent Auditor's Report on Compliance With Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB
Circular A-133 and New Jersey OMB Circular 04-04

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

Compliance

We have audited the compliance of the Bernards Township School District, in the County of Somerset, New Jersey (the "District") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey 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, 2010. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

October 4, 2010
Iselin, New Jersey

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Grant Period		Balance at June 30, 2009	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) June 30, 2010	Deferred / Unearned Revenue June 30, 2010	Due to Grantor at June 30, 2010
			From	To								
U.S. Department of Education												
Passed-through State Department of Education												
Special Revenue Fund:												
Title II - Part A	84.367	\$ 72,307	09/01/09	09/31/10			\$ 64,025	\$ 72,307		\$ (8,282)		
Title II - Part A, Carryover	84.367	72,550	09/01/08	08/31/09	\$ (8,462)		8,462					
Title III	84.365	6,921	09/01/09	08/31/10			3,291	6,921		(3,630)		
Title III, Carryover	84.365	6,340	09/01/08	08/31/09	(1,015)		1,015					
Title IV	84.186A	7,924	09/01/09	08/31/10			7,924	7,924				
Title IV, Carryover	84.186A	8,158	09/01/08	08/31/09	(4,078)		4,853	1,750		(1,775)		
Title V, Carryover	84.298	6,900	09/01/07	08/31/08	5						\$ 5	
Title V, Carryover	84.298	12,117	09/01/06	08/31/07	240				\$ 240			
ARRA I.D.E.I.A., Part B, Basic	84.391	1,473,776	09/01/09	08/31/10			1,130,806	1,233,707		(102,901)		
I.D.E.I.A., Part B, Basic	84.027A	1,124,170	09/01/09	08/31/10				592,747		(592,747)		
I.D.E.I.A., Part B, Basic, Carryover	84.027A	1,104,385	09/01/08	08/31/09	(703,859)		1,094,426	387,895			2,672	
I.D.E.I.A., Part B, Basic, Carryover	84.027A	1,069,444	09/01/08	08/31/09	10,630			9,204			1,426	
I.D.E.I.A., Part B, Basic, Carryover	84.027A	877,611	09/01/06	08/31/07	381				381			
ARRA I.D.E.I.A., Part B, Preschool	84.392	53,346	09/01/09	08/31/10								
I.D.E.I.A., Part B, Preschool	84.173A	41,880	09/01/09	08/31/10				822		(822)		
I.D.E.I.A., Part B, Preschool, Carryover	84.173A	41,609	09/01/08	08/31/09	(603)		41,609	41,006				
I.D.E.I.A., Part B, Preschool, Carryover	84.173A	44,227	09/01/08	08/31/09	97			97				
I.D.E.I.A., Part B, Preschool, Carryover	84.173A	43,874	09/01/08	08/31/09	8,043			8,016			27	
Total Special Revenue Fund					(699,421)	-	2,356,411	2,362,396	621	(710,157)	4,130	-
U.S. Department of Agriculture												
Passed-through State Department of Education												
Enterprise Fund:												
Food Donation Program (NC)	10.555	41,025	07/01/09	06/30/10			41,025	35,446			5,579	
Food Donation Program (NC)	10.555	32,419	07/01/08	06/30/09	2,741			2,741				
National School Lunch Program	10.555	72,036	07/01/09	06/30/10			65,946	72,036		(6,090)		
National School Lunch Program	10.555	73,918	07/01/08	06/30/09	(14,495)		14,495					
Total Enterprise Fund					(11,754)	-	121,466	110,223	-	(6,090)	5,579	-
Total expenditures of Federal Awards					\$ (711,175)	\$ -	\$ 2,477,877	\$ 2,472,619	\$ 621	\$ (716,247)	\$ 9,709	\$ -

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

TOWNSHIP OF BERNARDS BOARD OF EDUCATION
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2010

State Grants/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2009			Carryover/ (Waiver) Amount	Cash Received	Budgetary Encumbrances	Repayment of Prior Years' Balances	Balance at June 30, 2010			NEMO	
			From	To	(Accounts Receivable)	Deferred Revenue	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receipts	Cumulative Total Expenditures
State Department of Education																
General Fund:																
Transportation Aid	09-495-034-5120-014	\$ 1,137,714	07/01/08	06/30/09	\$ (100,238)			\$ 100,238								
Transportation Aid	10-495-034-5120-014	1,596,025	07/01/09	06/30/10				887,755	\$ 1,037,416					\$ (149,561)	\$ 1,037,416	
Special Education Aid	09-495-034-5120-089	2,945,090	07/01/08	06/30/09	(259,475)			259,475								
Special Education Aid	10-495-034-5120-089	2,693,330	07/01/09	06/30/10				1,519,336	1,771,893					(252,557)	1,771,893	
Security Aid	10-495-034-5120-012	234,587	07/01/08	06/30/09	(37,204)			37,204								
Security Aid	10-495-034-5120-084	440,976	07/01/09	06/30/10				245,283	268,634					(41,351)	268,634	
Extraordinary Aid	10-495-034-5120-014	2,407,112	07/01/08	06/30/09	(2,407,112)			2,407,112								
Extraordinary Aid	10-100-034-5120-473	2,285,463	07/01/09	06/30/10					2,285,463			\$ (2,285,463)			2,285,463	
Nonpublic School Transportation Costs	n/a	63,023	07/01/08	06/30/09	(63,023)			63,023								
Nonpublic School Transportation Costs	n/a	48,223	07/01/09	06/30/10					48,223				(48,223)		48,223	
Department of Children and Family Services	n/a	11,705	07/01/09	06/30/10				11,705	11,705						11,705	
Reimbursed TPAF Social Security Contributions	09-495-034-5095-002	2,730,554	07/01/08	06/30/09	(268,102)			268,102								
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	2,771,823	07/01/09	06/30/10				2,636,902	2,771,823			(125,321)			2,771,823	
Total General Fund					(3,125,154)			8,435,235	8,213,157			(2,469,007)		(443,569)	8,213,157	
Special Revenue Fund:																
N.J. Nonpublic Aid:																
Textbook Aid	10-100-034-5120-064	41,990	07/01/09	06/30/10				41,990	41,990						41,990	
Nursing Services	10-100-034-5120-070	49,792	07/01/09	06/30/10				49,792	49,792						49,792	
Auxiliary Services:																
English as a Second Language	10-100-034-5120-067	7,535	07/01/09	06/30/10				7,535	2,179				\$ 5,356		2,179	
English as a Second Language	09-100-034-5120-067	6,990	07/01/08	06/30/09		\$ 5,014				\$ 5,014						
Compensatory Education	10-100-034-5120-067	32,341	07/01/09	06/30/10				32,341	23,804					6,537	23,804	
Compensatory Education	09-100-034-5120-067	28,476	07/01/08	06/30/09			522			522						
Handicapped Services:																
Supplemental Instruction	10-100-034-5120-066	19,434	07/01/09	06/30/10				19,434	19,257					177	19,257	
Supplemental Instruction	09-100-034-5120-066	16,024	07/01/08	06/30/09		1,092				1,092						
Examination and Classification	10-100-034-5120-066	40,754	07/01/09	06/30/10				40,754	40,099					655	40,099	
Corrective Speech	10-100-034-5120-066	60,050	07/01/09	06/30/10				60,050	51,892					8,158	51,892	
Corrective Speech	09-100-034-5120-066	53,196	07/01/08	06/30/09			210			210						
Total Special Revenue Fund					-	-	6,828	-	251,926	229,012	6,828	-	-	22,912	229,012	
NISDA Grants:																
Capital Projects Fund:																
Cedar Hill Windows	0350-070-05-1000	66,878	07/01/04	Completion	(57,774)							(57,774)				
Oak St. Windows	0350-060-05-1000	69,972	07/01/04	Completion	(57,774)							(57,774)				
Liberty Corner Windows	0350-060-05-1000	78,026	07/01/04	Completion	(75,511)							(75,511)				
Liberty Corner Boiler	0350-080-04-1000	99,311	07/01/04	Completion	(101,044)			794				(100,250)				
William Annin Boiler	0350-053-04-1000	108,322	07/01/04	Completion	(85,278)			728				(84,550)				
Liberty Corner Elem School	0350-060-05-0CA0	145,939	4/3/2007	Completion	(145,210)							(145,210)				
Total Capital Projects Fund					(522,591)			1,522	-	-	-	(521,060)		-	-	
Debt Service Fund:																
Debt Service Type II Aid	10-495-034-5120-125	367,146	07/01/09	06/30/10				367,146	367,146						367,146	
Total Debt Service Fund					-	-	-	367,146	367,146	-	-	-	-	-	367,146	
State Department of Agriculture																
Enterprise Fund:																
National School Lunch Program (State Share)	10-100-010-3350-023	9,659	07/01/09	06/30/10				8,867	9,659			(792)			9,659	
National School Lunch Program (State Share)	09-100-010-3350-023	10,361	07/01/08	06/30/09	(1,262)			1,262								
Total Enterprise Fund					(1,262)			10,829	9,659	-	-	(792)		-	9,659	
Total expenditures of State Financial Assistance					\$ (3,659,207)	\$ -	\$ 6,828	\$ -	\$ 9,067,158	\$ 8,816,975	\$ 6,828	\$ (2,920,668)	\$ -	\$ 27,912	\$ (443,569)	\$ 8,816,975

The accompanying Notes to Schedules of Expenditures of Awards and 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, 2010

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. 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, 2010

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:22-4.2. 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:22-4.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$46,652 for the general fund and \$19,689 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		\$ 10,497,203	\$ 10,497,203
Special Revenue Fund	\$ 2,385,584	229,013	2,614,597
Debt Service Fund		367,146	367,146
Enterprise Food Service Fund	110,223	9,659	119,882
Total award revenues	<u>\$ 2,495,807</u>	<u>\$ 11,103,021</u>	<u>\$ 13,598,828</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, 2010

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, 2010.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2010 amounted to \$2,330,698. 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.

Township of Bernards Board of Education
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes <u> X </u> None Reported
Noncompliance material to basic financial statements noted?	_____ 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?	_____ Yes <u> X </u> No
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Internal control over major programs:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Were significant deficiency(ies) identified not considered to be material weakness(es)?	_____ 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))?	_____ Yes <u> X </u> No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 / 84.173 84.391 / 84.392	IDEIA Part B Basic and Preschool Cluster, Regular and ARRA

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

Year ended June 30, 2010

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?

 Yes X No

Type of auditor's report on compliance for major programs:

Unqualified

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)?

 Yes X No

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 04-04?

 Yes X No

Identification of major programs:

GMIS/Program Number	Name of State Program or Cluster
495-034-5120-089	Special Education Categorical Aid
495-034-5120-084	Security Aid
495-034-5095-002	Reimbursed TPAF Social Security Contributions

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

Year ended June 30, 2010

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, 2010

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

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

Township of Bernards Board of Education
Summary Schedule of Prior Year Audit Findings

Year ended June 30, 2010

2009-1 Monitoring of Contract with Vendor

Condition: During the 2009 fiscal year, the District discovered that it had been overcharged by one of its vendors for services rendered for a period beginning in 2003 and continuing through October 2008. The District followed its internal control procedures, which required all transfers be approved by the Board, all approved projects were completed and invoices received from the vendor were properly approved for payment. However, the invoices received from the vendor were inflated above the actual costs of performing the approved project, due to the collusion that occurred with a subcontractor. These inflated costs were not detected by the District until November 2008.

Status: This condition has been corrected in 2010.