

SCHOOL DISTRICT

OF

BAY HEAD



**BAY HEAD BOARD OF EDUCATION
BAY HEAD, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

BAY HEAD BOARD OF EDUCATION

BAY HEAD, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

PREPARED BY

**BAY HEAD BOARD OF EDUCATION
FINANCE DEPARTMENT**

BAY HEAD SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1 to 3.
Roster of Officials	4.
Consultants and Advisors	5.
Organizational Chart	6.
FINANCIAL SECTION	
Independent Auditor's Report	7 & 8.
K-1 Report on Compliance and 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	9 & 10.
Required Supplementary Information – Part I	
Management's Discussion and Analysis	11 to 16.
<u>Basic Financial Statements</u>	
A. District-wide Financial Statements:	
A-1 Statement of Net Assets	17.
A-2 Statement of Activities	18 & 19.
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	20.
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	21 & 22.
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23.
Proprietary Funds:	
B-4 Statement of Net Assets	N/A
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
B-6 Statement of Cash Flows	N/A
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	24.
B-8 Statement of Changes in Fiduciary Net Assets	25.

BAY HEAD SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Notes to Financial Statements	26 to 41.
 Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	42 to 50.
C-1a Combining Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget and Actual	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund	51.
Notes to the Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	52.
Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund – Budgetary Basis	53.
E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures – Budgetary Basis	N/A
E-5 Instructional Supplement Aid Schedule of Expenditures – Budgetary Basis	N/A

BAY HEAD SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Revenues, Expenditures and Changes in Fund Balance	N/A
F-1a Summary Schedule of Revenues, Expenditures, Project Balance, And Project Status – Addition to Elementary School	N/A
F-1b Schedule of Project Revenues and Expenditures	N/A
G. Proprietary Fund:	
Enterprise Fund:	
G-1 Combining Schedule of Net Assets	N/A
G-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-3 Combining Schedule of Cash Flows	N/A
Internal Service Fund:	
G-4 Combining Statement of Net Assets	N/A
G-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
G-6 Combining Statement of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Statement of Fiduciary Net Assets	54.
H-2 Statement of Changes in Fiduciary Net Assets	55.
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	56.
H-4 Payroll Agency Fund Schedule of Changes in Assets and Liabilities	N/A
H-4a Summer Payroll – Schedule of Receipts and Disbursements	N/A
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	57.
I-1a Schedule of Loans Payable	N/A
I-2 Schedule of Obligations under Capital Leases	58.
I-3 Debt Service Fund Budgetary Comparison Schedule	59.

BAY HEAD SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION	
Introduction to the Statistical Section	
Financial Trends	
J-1 Net Assets by Component	60.
J-2 Changes in Net Assets	61 & 62.
J-3 Fund Balances – Governmental Funds	63.
J-4 Changes in Fund Balances – Governmental Funds	64.
J-5 General Fund Other Local Revenue by Source	65.
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	66.
J-7 Direct and Overlapping Property Tax Rates	67.
J-8 Principal of Property Taxpayers	68.
J-9 Property Tax Levies and Collections	69.
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	70.
J-11 Ratios of General Bonded Debt Outstanding	71.
J-12 Direct and Overlapping Governmental Activities Debt	72.
J-13 Legal Debt Margin Information	73.
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	74.
J-15 Principal Employers	75.
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	76.
J-17 Operating Statistics	77.
J-18 School Building Information	78.
J-19 Schedule of Required Maintenance Expenditures by School Facility	79.
J-20 Insurance Schedule	80.
.	
K-3 Schedule of Expenditures of Federal Awards, Schedule A	81.
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	82.

INTRODUCTORY SECTION

BAY HEAD BOARD OF EDUCATION

145 Grove Street
Bay Head, NJ 08742
Telephone (732) 892-4704

1.

Date: November 9, 2010

Honorable President and
Members of the Board of Education
Bay Head School District
County of Ocean, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Bay Head School District for the fiscal 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. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report (CAFR) is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of States and Local Governments, and Non-Profit Organizations," and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Bay Head School District is an independent reporting entity. All funds and account groups of the District are included in this report. The Bay Head Board of Education and the Bay Head Elementary School constitute the District's reporting entity.

The District provides a full range of educational services for its students as follows. Students in Grades K-8 attend the Bay Head Elementary School. Students in Grades 9-12 are sent out-of-district to Point Pleasant Beach High School. Vocational education is provided through the Ocean County Vocational School. Special education services for classified pupils are provided through the Point Pleasant Beach School District's Child Study Team for high school students.

Enrollment K-8

The Bay Head School (K-8) completed the 2009-2010 school year with an average daily enrollment of 111 students was approximately the same as the previous year. The average daily enrollment includes both resident and tuition paying students. The following details the changes in the elementary school enrollment over the last ten (10) years:

Average Daily Enrollment

Fiscal Year	Average Student Enrollment	Percent Change
2009-2010	111.1	+18.2%
2008-2009	94	+5.5%
2007-2008	91.0	-----
2006-2007	91.6	+3.6%
2005-2006	88.4	-12.4%
2004-2005	100.9	+17.9%
2003-2004	85.6	-13.9%
2002-2003	99.4	-2.5%
2001-2002	102.0	-4.0%
2000-2001	106.2	-2.6%

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

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

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

4) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section. There is no debt service fund or capital projects fund.

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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

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

6) DEBT ADMINISTRATION: Refer to exhibit

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

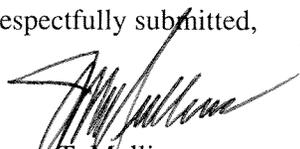
Also in 1970, through a donation of \$100, a scholarship trust fund was established which is governed by a board of trustees comprised of the membership of the board of education. In 1993, the trustees authorized the deposit of \$32,493.38 with Prudential Securities. The current value of the investment account now held by Wachovia Securities in trust is \$43,674.

8) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, non-owned automobile liability, hazard and theft insurance on property and contents, and fidelity bonds.

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

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

Respectfully submitted,



James T. Mullins
School Business Administrator

BAY HEAD BOARD OF EDUCATION

145 Grove Street
Bay Head, NJ 08742
Telephone (732) 892-4704 Ext. 11

ROSTER OF OFFICIALS

June 30, 2010

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Janice Hofferber, President	2013
Joseph (Jay) Cornell, III Vice President	2012
Darren Erbe	2013
Benjamin Hinds	2011
Sandra Antognoli	2012

Other Officials

John A. Ravally, Ed.D, Superintendent

Walter Therien, Principal

James T. Mullins, School Business Administrator

Laurie M. Hazuka, Board Secretary

Patricia A. Wojcik, Treasurer

David M. Casadonte, Esq., Solicitor

CONSULTANTS AND ADVISORS

JUNE 30, 2010

AUDIT FIRM

Robert A. Hulsart and Company
2807 Hurley Pond Road
P.O. Box 1409
Wall, N.J. 07719

ATTORNEY

David M. Casadonte, Esq.
70 East Water Street
Toms River, N.J. 08753

OFFICIAL DEPOSITORIES

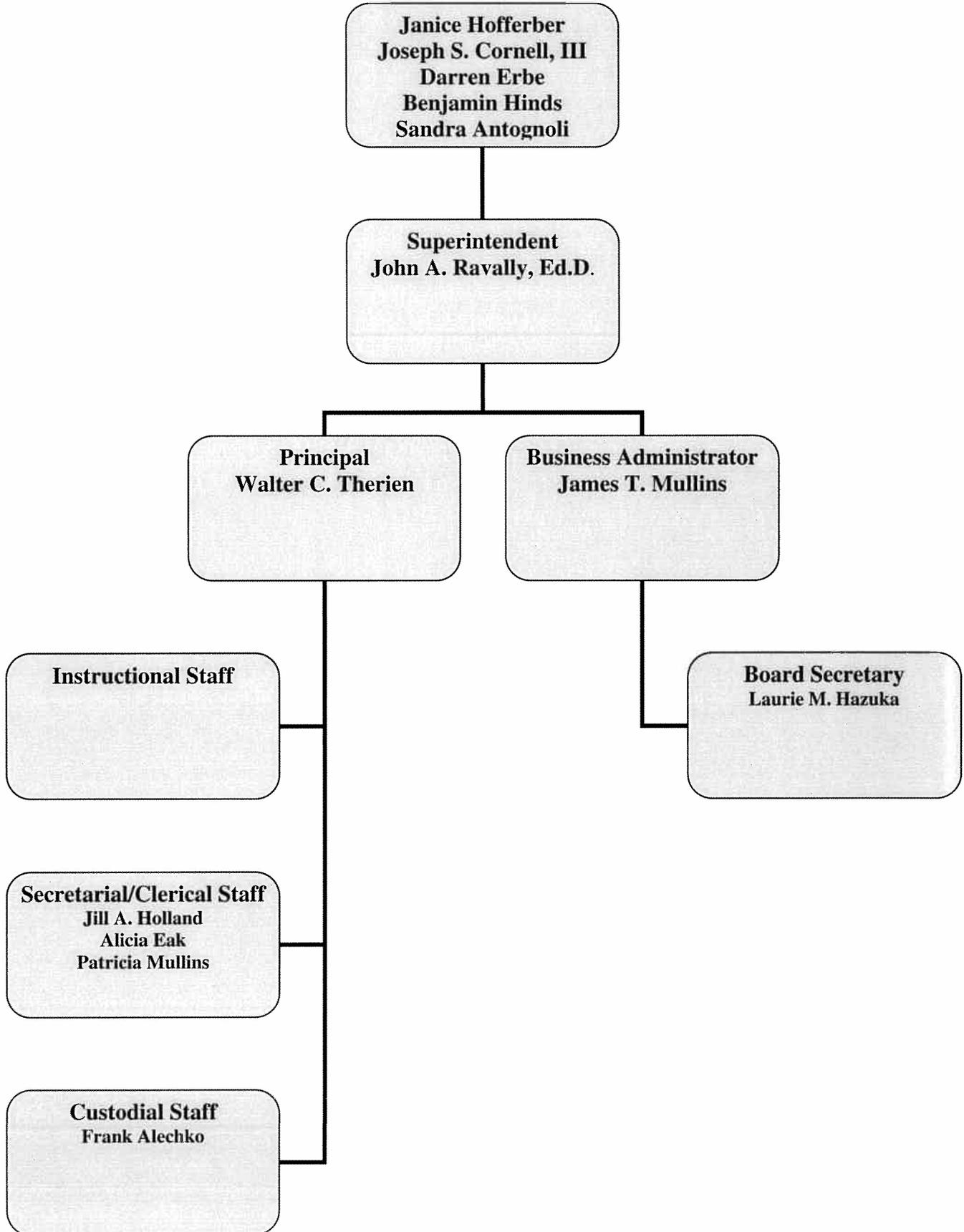
Bank of America
501 Arnold Avenue
Pt. Pleasant Beach, NJ 08742

State of New Jersey Cash Management Fund
c/o Citigroup Fund Services
PO Box 446
Portland, ME 04112

Manasquan Savings Bank
89 Bridge Avenue
Bay Head, N.J. 08742

MBIA Municipal Investors
Service Corporation
113 King Street
Armonk, NY 10504

**BAY HEAD BOARD OF EDUCATION
2009-2010 ORGANIZATIONAL CHART**



FINANCIAL SECTION

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:
 (732) 280-8888

e-mail:
 rah@monmouth.com

2807 Hurley Pond Road · Suite 100
 P.O. Box 1409
 Wall, New Jersey 07719-1409
 (732) 681-4990

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
 of the Board of Education
 Bay Head School District
 County of Ocean
 Bay Head, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the Bay Head School District, in the County of Ocean, State of New Jersey, as of and for the fiscal 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 Bay Head Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Bay Head Board of Education, in the County of Ocean, State of New Jersey, 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 November 9, 2010, on our consideration of the Bay Head Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of this 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. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 11 through 16 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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 Bay Head Board of Education's basic financial statements. The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information 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 express no 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.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company

November 9, 2010

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

Telecopier:
 (732) 280-8888

e-mail:
 rah@monmouth.com

2807 Hurley Pond Road • Suite 100
 P.O. Box 1409
 Wall, New Jersey 07719-1409
 (732) 681-4990

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

REPORT ON COMPLIANCE AND 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

K-1

Honorable President and Members
 of the Board of Education
 Bay Head School District
 County of Ocean
 Bay Head, New Jersey

We have audited the general-purpose financial statements of the Board of Education of the Bay Head School District, in the County of Ocean, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay Head Board of Education's general-purpose 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 general-purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Bay Head Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company

November 9, 2010

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

BAY HEAD PUBLIC SCHOOL DISTRICT

BOROUGH OF BAY HEAD

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The discussion and analysis of the Bay Head Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Report's (CAFR) Letter of Transmittal which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

Financial Highlights

Key Financial highlights for the 2009-2010 fiscal year are as follows:

- General revenues accounted for \$3,366,053 in revenue or 91% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$49,726 or 1% percent to total revenues of \$3,415,779.
- Total assets of governmental activities were \$251,636 primarily made up of capital assets and Cash.
- The School District had \$3,124,661 in expenses; only \$49,726 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,898,971 were adequate to provide for these programs, along with bond monies for capital projects.
- The General Fund had \$3,111,418 in revenues and \$2,972,684 in expenditures. The General Fund's balance increased \$138,734 over 2008-2009. This increase was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bay Head Public School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole school district, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Bay Head Public School District, the General Fund is the most significant fund, with the Special Revenue Fund also having significance.

Using this Comprehensive Annual Financial Report (CAFR) (Continued)

The School Board's auditor has provided assurance in his Independent Auditor's Report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the other parts of the Financial Section.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2009-2010 fiscal year?" The Statement of Net Assets and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- **Governmental activities** – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business-Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on Exhibit B-1. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

Table 1 provides a summary of the School District's net assets.

Table 1
Net Assets

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current and Other Assets	\$ 387,967	249,233
Capital Assets, Net	<u>1,665,374</u>	<u>1,700,416</u>
Total Assets	<u>\$ 2,053,441</u>	1,949,649
<u>Net Assets</u>		
Invested in Capital Assets, Net of Debt	\$ (98,239)	(269,003)
Restricted	180,442	80,442
Unrestricted	<u>169,443</u>	<u>135,610</u>
Total Net Assets	<u>\$ 251,636</u>	(52,951)

Table 2 shows the changes in net assets for fiscal year 2010.

Table 2
Changes in Net Assets

	<u>2010</u>	<u>2009</u>
<u>Revenues</u>		
Program Revenues		
Operating Grants and Contributions	\$ 49,726	24,493
General Revenues		
Property Taxes	2,898,971	2,567,548
Grants and Entitlements	283,943	282,598
Other	<u>183,139</u>	<u>129,331</u>
Total Revenues	<u>3,415,779</u>	<u>3,003,970</u>
 <u>Program Expenses</u>		
Instruction	988,706	938,352
Support Services		
Pupils and Instructional Staff	987,087	1,015,749
General Administration, School Administration, Business	709,277	682,285
Operations and Maintenance of Facilities	293,024	254,197
Pupil Transportation	77,028	55,089
Debt Service	<u>69,539</u>	<u>70,798</u>
Total Expenses	<u>3,124,661</u>	<u>3,016,470</u>
 Increase/(Decrease) in Net Assets	 <u>\$ 291,118</u>	 <u>(12,500)</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 91% percent of revenues for governmental activities for the Bay Head Public School District for fiscal year 2010. The District's total revenues were \$3,415,779 for the fiscal year ended June 30, 2010. Federal, state, local grants and other local revenues accounted for another 9%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Instruction expenses include activities directly Bay Heading with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

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

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

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

Governmental Activities (Continued)

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

Other includes unallocated depreciation and amortization.

The School Board' Funds

The School Board uses funds to control and manage money for particular purposes. The Fund's basic financial statements allows the School Board to demonstrate its stewardship over and accountability for resources received from the Borough of Bay Head's taxpayer's and other entities, including the State of New Jersey and the Federal Government. These statements also allow the reader to obtain more insight into the financial workings of the School Board, and assess further the School Board's overall financial health.

As the School Board completed the fiscal year ended June 30, 2010, it reported a combined net asset balance of \$251,636. The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in net assets.

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

Over the course of the year, the School Board revises its budget as it attempts to take into consideration unexpected changes in revenue and expenditures.

A schedule showing the School Board's original and final budget compared with actual operating results is provided in the section of the CAFR, entitled Budgetary Comparison Schedules. The School Board generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

Capital Assets

At June 30, 2010, the School Board had approximately \$1,665,374 million invested in a broad range of capital assets, including land, buildings, furniture, computers, instructional equipment and other equipment. Table II below shows the net book value of capital assets at the end of the 2010 fiscal year.

	<u>Governmental Activities</u>
Table II	
Capital Assets at June 30, 2010	
Buildings	\$ 1,327,419
Machinery and Equipment	81,406
Land	<u>256,549</u>
Total	<u>\$ 1,665,374</u>

Debt Administration

At June 30, 2010, the School District had outstanding debt of \$1,778,613 consisting of serial bonds of \$1,732,000, which fully mature in 2017, capital leases of \$31,613 and compensated absences of \$15,000.

Economic Factors and Next Year's Budget

The Bay Head Public School District is in very good financial condition presently. Future finances are not without challenges as the community continues to grow and state funding is decreased.

The Borough of Bay Head is primarily a residential community, with very few ratables. The majority of revenues needed to operate the District is derived from homeowners through property tax assessments and collections, which is voted by the residents annually.

At this time, the most important factor affecting the budget is the unsettled situation with State Aid. While State aid may be frozen, the District may experience growth in student population. The tax levy will be the area that will need to absorb any increase in budget obligations.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. James Mullins, Business Administrator of the Bay Head Board of Education, 145 Grove Street, Bay Head, N.J. 08742.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

BAY HEAD SCHOOL DISTRICT**STATEMENT OF NET ASSETS**

Exhibit A-1

JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Total</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 177,859	177,859
Accounts Receivables, Net	29,666	29,666
Restricted Cash	180,442	180,442
Capital Assets, Net	<u>1,665,374</u>	<u>1,665,374</u>
Total Assets	<u>\$ 2,053,341</u>	<u>2,053,341</u>
<u>Liabilities</u>		
Accounts Payable & Accrued Interest	\$ 23,092	23,092
Long Term Debt:		
Due within one year	205,806	205,806
Long-Term	<u>1,572,807</u>	<u>1,572,807</u>
Total Liabilities	<u>\$ 1,801,705</u>	<u>1,801,705</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	\$ (98,239)	(98,239)
Restricted For:		
Other Purposes	180,442	180,442
Unrestricted	<u>169,433</u>	<u>169,433</u>
Total Net Assets	<u>\$ 251,636</u>	<u>251,636</u>

The accompanying notes to financial statements are an integral part of this statement.

BAY HEAD SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

Exhibit A-2
 Sheet 1 of 2

JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities		
Expenses						
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular	\$ 845,812		(845,812)		(845,812)	
Special Education	53,000		(53,000)		(53,000)	
Other Instruction	89,894		(89,894)		(89,894)	
Support Services:						
Tuition	684,922		(684,922)		(684,922)	
Student & Instruction Related Services	302,165	49,726	(252,439)		(252,439)	
School Administration	32,043		(32,043)		(32,043)	
Other Administration Services	89,978		(89,978)		(89,978)	
Plant Operations and Maintenance	293,024		(293,024)		(293,024)	
Pupil Transportation	77,028		(77,028)		(77,028)	
Unallocated Benefits	531,039		(531,039)		(531,039)	
Depreciation	56,217		(56,217)		(56,217)	
Interest on debt	69,539		(69,539)		(69,539)	
Total Government Activities	<u>3,124,661</u>	<u>49,726</u>	<u>(3,074,935)</u>	<u>-</u>	<u>(3,074,935)</u>	
Total Primary Government	<u>3,124,661</u>	<u>49,726</u>	<u>(3,074,935)</u>	<u>-</u>	<u>(3,074,935)</u>	

BAY HEAD SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

JUNE 30, 2010

Exhibit A-2
Sheet 2 of 2

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purpose, Net				2,715,250		2,715,250
Property Taxes Levied for Debt Service				183,721		183,721
Federal and State Aid Not Restricted				283,943		283,943
Miscellaneous Revenue				23,783		23,783
Tuition Received				159,356		159,356
Total General Revenues, Special Items, Extraordinary Items and Transfers				3,366,053	-	3,366,053
Change in Net Assets				291,118	-	291,118
Prior Year Adjustment - Fixed Assets & Depreciation				13,469		13,469
Net Assets - Beginning				(52,951)		(52,951)
Net Assets - Ending	\$ -			251,636	-	251,636

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>		
Cash and Cash Equivalents	\$ 358,301	358,301
Receivables, Net	29,666	29,666
Total Assets	<u>\$ 387,967</u>	<u>387,967</u>
<u>Fund Balance</u>		
Fund Balance:		
Capital Reserve	6,309	6,309
Reserved for Subsequent Years' Expenditures	150,000	150,000
Emergency Reserve	24,133	24,133
Unreserved, Reported In:		
General Fund	<u>207,525</u>	<u>207,525</u>
Total Fund Balance	<u>387,967</u>	<u>387,967</u>
Total Fund Balance	<u>\$ 387,967</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 assets is \$2,377,968 and the accumulated depreciation is \$712,594.

1,665,374

Accrued Interest

(23,092)

Long Term Liabilities including bonds payable are payable in the current period and therefore are not reported as liabilities in the funds (see note 3)

(1,778,613)

Net assets of governmental activities

\$ 251,636

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

BAY HEAD SCHOOL DISTRICT

Exhibit B-2
Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Sources:				
Local Tax Levy	\$ 2,715,250		183,721	2,898,971
Tuition	159,356			159,356
Miscellaneous	23,783			23,783
Total Local Sources	<u>2,898,389</u>	<u>-</u>	<u>183,721</u>	<u>3,082,110</u>
State Sources	213,029		70,914	283,943
Federal Sources		49,726		49,726
Total Revenues	<u>3,111,418</u>	<u>49,726</u>	<u>254,635</u>	<u>3,415,779</u>
Expenditures:				
Current:				
Regular Instruction	845,812			845,812
Special Education Instruction	53,000			53,000
Other Instruction	89,894			89,894
Support Services and Undistributed Costs:				
Tuition	684,922			684,922
Student and Instruction Related Services	275,944	26,221		302,165
School Administration	32,043			32,043
Other Administration Services	89,978			89,978
Plant Operations and Maintenance	293,024			293,024
Pupil Transportation	77,028			77,028
Unallocated Benefits	531,039			531,039
Capital Outlay		23,505		23,505
Debt Service:				
Bond Principal			175,000	175,000
Interest and Other Charges			79,635	79,635
Total Expenditures	<u>2,972,684</u>	<u>49,726</u>	<u>254,635</u>	<u>3,277,045</u>

BAY HEAD SCHOOL DISTRICT

Exhibit B-2
Sheet 2 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>138,734</u>	<u>-</u>	<u>-</u>	<u>138,734</u>
Net Change in Fund Balances	138,734	-	-	138,734
Fund Balance - July 1	<u>249,233</u>	<u>-</u>	<u>-</u>	<u>249,233</u>
Fund Balance - June 30	<u>\$ 387,967</u>	<u>-</u>	<u>-</u>	<u>387,967</u>

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

BAY HEAD SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIESJUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds (From B-2)		\$	138,734
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:			
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.			
Depreciation	(56,217)		
Capital	<u>23,505</u>		(32,712)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.			175,000
Accrued Interest			<u>10,096</u>
Change in Net Assets of Governmental Activities		\$	<u><u>291,118</u></u>

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

BAY HEAD SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETS

Exhibit B-7

FIDUCIARY FUNDSJUNE 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Scholarship Funds</u>
Assets:		
Cash and Cash Equivalents	\$ 31,777	43,674
Total Assets	<u>\$ 31,777</u>	<u>43,674</u>
Net Assets:		
Reserved Unemployment Benefits	\$ 31,777	
Reserved Scholarships		43,674
Total Net Assets	<u>\$ 31,777</u>	<u>43,674</u>

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

BAY HEAD SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Exhibit B-8

FIDUCIARY FUNDSJUNE 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Scholarship Fund</u>
Additions:		
Securities Increase	\$ -	3,680
Interest Earned	115	4
Donations		100
Total Additions	<u>115</u>	<u>3,784</u>
Deductions:		
Claims	3,931	
Scholarship Awarded		1,100
Total Deductions	<u>3,931</u>	<u>1,100</u>
Change in Net Assets	(3,816)	2,684
Net Assets - Beginning of Year	<u>35,593</u>	<u>40,990</u>
Net Assets - End of the Year	<u>\$ 31,777</u>	<u>43,674</u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
BAY HEAD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

B. Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as student activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by state and federal aid, tuition and county tax levies, from business-type activities generally financed in whole or in part with fees charged to external parties.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees and other charges to users of the District's services and (2) operating grants and contributions. These revenues are subject to externally imposed restrictions to these program uses. Tax levies and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. The New Jersey Department of Education (the "Department") has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The Department believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

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

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Fiduciary Fund Types

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

NOTE 1: Summary of Significant Accounting Policies (Continued)**Fiduciary Fund Types (Continued)**

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

Agency Funds (Payroll and Student Activities 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.

E. 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; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g). All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2010 were insignificant.

The Public School Education Act of 1975, limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

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 generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

NOTE 1: Summary of Significant Accounting Policies (Continued)**E. Budgets/Budgetary Control (Continued):**

Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 3,112,515	49,726
Difference – budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Delayed Payment	7,129	
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33).	(8,226)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds.	<u>\$ 3,111,418</u>	<u>49,726</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,972,684	49,726
Prior Year Encumbrances		
Differences – 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.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	<u>\$ 2,972,684</u>	<u>49,726</u>

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Encumbrances:

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

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

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

G. Short-Term Interfund Receivables/Payables:

Short-Term interfund receivables/payables represents amounts that are owed, other than charges for good or services rendered to/from a particular fund in the District and that are due within one year.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

I. Capital Assets and Depreciation

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The District contracted with an outside service company during the 2004 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2004-2005 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2005, fiscal year 2005 depreciation expense, total accumulated depreciation and book values were also provided. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. The District has updated the records since 2004-2005 and the service company provides the District with an updated report. Estimated useful lives, in years, for depreciable assets are as follows:

NOTE 1: Summary of Significant Accounting Policies (Continued)**I. Capital Assets and Depreciation (Continued)**

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Appraisal</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental Activities:				
Capital Assets that are				
Not being Depreciated:				
Land	\$ 256,549	_____	_____	<u>256,549</u>
Total Capital Assets Not				
Being Depreciated	<u>256,549</u>	_____	_____	<u>256,549</u>
Depreciable Assets:				
Buildings	1,772,014			1,772,014
Equipment	<u>313,800</u>	<u>24,899</u>	<u>10,706</u>	<u>349,405</u>
Totals at Historical Cost	<u>2,085,814</u>	<u>24,899</u>	<u>10,706</u>	<u>2,121,419</u>
Less: Accumulated				
Depreciation:				
Buildings & Improvements	(365,189)	(42,388)	(37,018)	(444,595)
Equipment	<u>(276,758)</u>	<u>(13,829)</u>	<u>22,588</u>	<u>(267,999)</u>
Total Accumulated				
Depreciation	<u>(641,947)</u>	<u>(56,217)</u>	<u>(14,430)</u>	<u>(712,594)</u>
Total Capital Assets Being				
Depreciated, Net of				
Accumulated Depreciation	<u>1,443,867</u>	<u>(31,318)</u>	<u>(3,724)</u>	<u>1,408,825</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 1,700,416</u>	<u>(31,318)</u>	<u>(3,724)</u>	<u>1,665,374</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	<u>\$ (56,217)</u>
-------------	--------------------

J. Compensated Absences

The Board has no policy for payment of accumulated sickness upon retirement. However, upon a directive from the County Superintendent, the Board has commitment to pay the School Business Administrator accumulated sick leave up to the maximum of \$15,000.00. As of June 30, 2010 the School Business Administrator has \$15,000.00 of accumulated sick leave.

K. Deferred Revenue

Deferred revenue in the special revenue funds represent cash which has been received but not yet earned. See Note I(F) regarding the special revenue fund.

NOTE 1: Summary of Significant Accounting Policies (Continued)**L. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to maintenance reserve (See Note 9).

NOTE 2: Cash and Cash Equivalents and Investments

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

Investments are stated at cost, which approximates market. The District 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.

Deposits

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

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

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

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.

Investments

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

- a. Bonds or 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 any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.

NOTE 2: Cash and Cash Equivalents and Investments (Continued)**Investments (Continued)**

- c. Bonds or other obligations of the school district.

As of June 30, 2010, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>
Checking, Money Market Accounts	\$ <u>436,578</u>

During the period ended June 30, 2010, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2010 was \$436,578 and the bank balance was \$439,203. Of the bank balance, \$177,224 was covered by federal depository insurance and \$261,979 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following three categories described below:

As of June 30, 2010, the District did not hold any long-term investments.

Insured:

FDIC	\$ 177,224
GUDPA	<u>261,979</u>
	<u>\$ 439,203</u>

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2010, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance June 30, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>	<u>Amount Due Within One Year</u>	<u>Long-Term Portion</u>
Bonds Payable	\$ 1,907,000		175,000	1,732,000	190,000	1,542,000
Capital Leases Payable	47,419		15,806	31,613	15,806	15,807
Compensated Absences	<u>15,000</u>			<u>15,000</u>		<u>15,000</u>
	<u>\$ 1,969,419</u>		<u>190,806</u>	<u>1,778,613</u>	<u>205,806</u>	<u>1,572,807</u>

NOTE 3: General Long-Term Debt (Continued)

During the fiscal year ended June 30, 2008, the district issued long-term debt consisting of bonds issued for additions and renovations to the Bay Head Elementary school. The amount of the bonds issued was \$2,222,000. During the fiscal year ended June 30, 2008, the District entered into a lease purchase agreement for Apple Computers, interest-free, at a total cost of \$63,225.

A. Bonds Payable

Bonds are authorized in accordance with State law 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 Board are of general obligation bonds, and the interest rates vary from 4.00% to 4.25%.

Principal and interest due on serial bonds outstanding is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 190,000	72,635	262,635
2012	200,000	65,035	265,035
2013	225,000	57,035	282,035
2014	250,000	47,473	297,473
2015	275,000	36,847	311,847
2016	300,000	25,160	325,160
2017	<u>292,000</u>	<u>12,410</u>	<u>304,410</u>
	<u>\$ 1,732,000</u>	<u>316,595</u>	<u>2,048,595</u>

B. Bonds Authorized But Not Issued

As of June 30, 2010, the Board had no authorized but not issued bonds.

C. Capital Leases Payable:

Capital Leases Payable:

	<u>Date of</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Amount</u>	<u>Balance</u> <u>June 30, 2010</u>
Apple Computers	2011-2012	0.00%	\$ 63,225	<u>\$ 31,613</u>

NOTE 3: General Long-Term Debt (Continued)**C. Capital Leases Payable (Continued):****Year Ended****June 30**

2011	\$ 15,806
2012	<u>15,807</u>
	31,613
Less: Amount Representing Interest	<u>-0-</u>
Present Value of Net Minimum Lease Payments	<u>\$ 31,613</u>

NOTE 4: Pension Plans

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

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

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

NOTE 4: Pension Plans (Continued)

Vesting and Benefit Provisions – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contribution. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

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

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 years but less than 20 years of service. The Board will assume the increased cost for the early retirement as it affects their districts.

NOTE 4: Pension Plans (Continued)

During the year ended June 30, 2010, the State of New Jersey contributed \$55,344 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$67,125 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 general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

Year	Annual	Percentage	Net
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/10	\$ 55,344	100%	0
6/30/09	50,153	100%	0
6/30/08	117,847	100%	0

Three-Year Trend Information for PERS

Year	Annual	Percentage	Net
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/10	\$ None	100%	0
6/30/09	None	100%	0
6/30/08	None	100%	0

NOTE 5: Post-Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

NOTE 6: Interfund Receivables and Payables

There were no interfunds as of June 30, 2010.

NOTE 7: Risk Management

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

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

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 the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s expendable trust fund for the current year and previous year:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Balance</u>
2009-2010	\$ 0	115	3,931	31,777
2008-2009	0	500	240	35,593
2007-2008	0	1,482	6,161	35,333

NOTE 8: Tuition Adjustments

Regulations specify that tuition adjustments for any given school year shall be remitted/received in the two following years after the tuition rate is certified. These adjustments have not been reflected on the June 30, 2010 financial statements.

NOTE 9: Economic Dependency

The District receives approximately 10% of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the District’s programs and activities.

NOTE 10: Contingent Liabilities

The Board is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect of the financial position of the District.

NOTE 11: Fund Balance Appropriated

General Fund – Of the \$396,193 General Fund fund balance at June 30, 2010, \$6,309 is reserved for maintenance reserve; \$24,133 is reserved for emergency reserve; \$150,000 is designated for subsequent year’s expenditures; and \$215,751 is undesignated.

NOTE 12: 2% Calculation of Excess Surplus

2009-10 Total General Fund Expenditures Per the CAFR	\$ 2,972,684
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(122,469)</u>
Adjusted 2009-10 General Fund Expenditures	<u>\$ 2,850,215</u>
2% of Adjusted 2009-10 General Fund Expenditures	<u>\$ 57,004</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>11,721</u>
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 261,721</u>

Section 2

Total General Fund – Fund Balance @ 6-30-10	\$ 396,193
Decreased by:	
Designated for Subsequent Years Expenditures	(150,000)
Other Reserves	<u>(30,442)</u>
Total Unreserved/Undesignated Fund Balance	<u>\$ 215,751</u>

Detail of Allowable Adjustment

Extraordinary Aid	\$ 10,734
Non-Public Transportation	<u>987</u>
	<u>\$ 11,721</u>

Detail of Other Reserved Fund Balance

Maintenance Reserve	\$ 6,309
Emergency Reserve	<u>24,133</u>
Total Other Reserved Fund Balance	<u>\$ 30,442</u>

NOTE 13: Operating Leases

The District had commitments to lease a digital copier under an operating lease that expires in 2011. Operating lease payments began in the 2004-2005 budget year. Future minimum lease payments are as follows:

Year ending June 30,	
2011	<u>\$ 4,223</u>

NOTE 14: Recent Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended June 30, 2010. The adoption of FASB ASC 105 did not impact the District's financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after June 30, 2010 through November 9, 2010.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

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	\$ 2,715,250		2,715,250	2,715,250	-
Tuition	87,861		87,861	159,356	71,495
Miscellaneous	312		312	23,783	23,471
Total Local Sources	<u>2,803,423</u>	<u>-</u>	<u>2,803,423</u>	<u>2,898,389</u>	<u>94,966</u>
State Sources:					
Special Education Aid	60,142	(12,575)	47,567	47,567	-
Transportation Aid	11,872	(4,155)	7,717	7,717	-
Adjustment Aid	2,447	(856)	1,591	1,591	-
Security Aid	7,871	(2,755)	5,116	5,116	-
Extraordinary Aid	17,945		17,945	28,679	10,734
Additional Non-Public Transportation Aid				987	987
On-Behalf TPAF Pension Contributions (Non-Budgeted)				55,344	55,344
Reimbursed TPAF Social Security Contributions (Non-Budgeted)					
Total State Sources	<u>100,277</u>	<u>(20,341)</u>	<u>79,936</u>	<u>214,126</u>	<u>134,190</u>
Total Revenues	<u>2,903,700</u>	<u>(20,341)</u>	<u>2,883,359</u>	<u>3,112,515</u>	<u>229,156</u>

BAY HEAD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

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:					
Current Expenditures:					
Regular Programs - Instruction:					
Preschool/Kindergarten - Salaries of Teachers	77,000		77,000	77,000	-
Grades 1-5 - Salaries of Teachers	393,500		393,500	374,651	18,849
Grades 6-8 - Salaries of Teachers	280,000		280,000	276,533	3,467
Regular Program - Undistributed Instruction:					
Purchased Professional Educational Services	50,500		50,500	50,500	-
Purchased Technical Services	10,000	(6,000)	4,000	4,000	-
Other Purchased Services	12,000	(6,000)	6,000	5,942	58
General Supplies	15,000		15,000	14,874	126
Textbooks	12,000	18,494	30,494	30,494	-
Other Objects	12,000		12,000	11,818	182
Total Regular Programs - Instruction	<u>862,000</u>	<u>6,494</u>	<u>868,494</u>	<u>845,812</u>	<u>22,682</u>
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	52,000		52,000	52,000	-
General Supplies	1,000		1,000	1,000	-
Total Resource Room/Resource Center	<u>53,000</u>	<u>-</u>	<u>53,000</u>	<u>53,000</u>	<u>-</u>
Total Special Education - Instruction	<u>53,000</u>	<u>-</u>	<u>53,000</u>	<u>53,000</u>	<u>-</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	42,000		42,000	42,000	-
General Supplies	2,000		2,000	1,971	29
Total Basic Skills/Remedial - Instruction	<u>44,000</u>	<u>-</u>	<u>44,000</u>	<u>43,971</u>	<u>29</u>

BAY HEAD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
School-Sponsored Co-Curricular Activities - Instruction: Salaries	8,000		8,000	8,000	-
School Sponsored Athletics - Instruction: Salaries	25,000		25,000	11,800	13,200
Purchased Services	6,600	(2,000)	4,600	4,123	477
Total School Sponsored Athletics - Instruction	31,600	(2,000)	29,600	15,923	13,677
Before/After School Programs - Instruction: Salaries of Teachers	19,000		19,000	19,000	
Summer School - Instruction: Salaries of Teachers	3,000		3,000	3,000	
Total Instruction	1,020,600	4,494	1,025,094	988,706	36,388
Undistributed Expenditures - Instruction: Tuition to Other LEA's Within the State - Regular	551,200		551,200	551,200	-
Tuition to Other LEA's Within the State - Special	92,616	(5,500)	87,116	85,555	1,561
Tuition to Private Schools for the Disabled Within State	49,190		49,190	48,167	1,023
Total Undistributed Expenditures - Instruction	693,006	(5,500)	687,506	684,922	2,584
Undistributed Expenditures - Attendance and Social Work: Salaries	32,872		32,872	32,872	-
Undistributed Expenditures - Health Services: Salaries	18,742		18,742	18,742	-
Purchased Professional and Technical Services	600	(133)	467	467	-
Supplies and Materials	600		600	597	3
Total Undistributed Expenditures - Health Services	19,942	(133)	19,809	19,806	3

BAY HEAD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Other Support Services - Students - Related Services:					
Salaries	18,872		18,872	18,872	-
Purchased Professional Educational Materials	5,000	(2,565)	2,435	2,435	-
Supplies and Materials	2,500		2,500	2,500	-
Other Objects	15,000	674	15,674	13,937	1,737
Total Undistributed Expenditures - Other Support Services - Students - Related Services	41,372	(1,891)	39,481	37,744	1,737
Undistributed Expenditures - Other Support Services - Students - Special:					
Salaries of Other Professional Staff	15,000	127	15,127	13,630	1,497
Salaries of Secretarial and Clerical Assistants	16,500		16,500	16,500	-
Other Purchased Professional and Technical Services	55,000		55,000	55,000	-
Total Undistributed Expenditures - Other Support Services - Students - Special	86,500	127	86,627	85,130	1,497
Undistributed Expenditures - Other Support Services - Students - Extra Services:					
Salaries	21,250		21,250	21,250	-
Other Objects	10,000	3,648	13,648	13,633	15
Total Undistributed Expenditures - Other Support Services - Students - Extra Services	31,250	3,648	34,898	34,883	15
Undistributed Expenditures - Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	5,200		5,200	5,200	-

BAY HEAD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Educational Media Services/ School Library:					
Salaries of Technology Coordinator	10,000		10,000	10,000	-
Other Purchased Services	21,000	(150)	20,850	20,834	16
Supplies and Materials	26,000	259	26,259	26,259	-
Total Undistributed Expenditures - Educational Media Services/School Library	57,000	109	57,109	57,093	16
Undistributed Expenditures - Instructional Staff Training Services:					
Purchased Professional Educational Services	1,000	(109)	891	675	216
Other Purchased Services	5,000	(500)	4,500	2,541	1,959
Total Undistributed Expenditures - Instructional Staff Training Services	6,000	(609)	5,391	3,216	2,175
Undistributed Expenditures - Support Services - General Administration:					
Legal Services	7,000		7,000	4,838	2,162
Audit Fees	7,500		7,500	6,000	1,500
Other Purchased Professional Services	3,000	(1,294)	1,706	1,706	-
Communications/Telephone	2,000	2,294	4,294	3,645	649
Other Purchased Services (400-500 Series)	7,000		7,000	6,977	23
General Supplies	4,000		4,000	3,907	93
Miscellaneous Expenditures	1,000		1,000	985	15
BOE Membership Dues and Fees	5,000	(1,000)	4,000	3,985	15
Total Undistributed Expenditures - Support Services - General Administration	36,500	-	36,500	32,043	4,457

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 6 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	42,500		42,500	42,500	-
Salaries of Secretarial and Clerical Assistants	9,436		9,436	9,436	-
Other Salaries	2,000		2,000	2,000	-
Supplies and Materials	5,000	34	5,034	5,034	-
Total Undistributed Expenditures - Support Services - School Administration	58,936	34	58,970	58,970	-
Undistributed Expenditures - Central Services:					
Salaries	24,300		24,300	24,300	-
Purchased Services (400-500 Series)	8,000	(34)	7,966	6,361	1,605
Miscellaneous Expenditures	1,000		1,000	347	653
Total Undistributed Expenditures - Central Services	33,300	(34)	33,266	31,008	2,258
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	77,100		77,100	77,100	-
Cleaning, Repair and Maintenance Services	30,000	(183)	29,817	28,845	972
General Supplies	7,000	(1,500)	5,500	5,470	30
Other Objects	8,000	(827)	7,173	7,173	-
Total Undistributed Expenditures - Required Maintenance - School Facilities	122,100	(2,510)	119,590	118,588	1,002
Care and Upkeep of Grounds: Other Objects	3,000	(62)	3,062	3,062	-

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 7 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Other Operations and Maintenance of Plant Services:					
Salaries	61,500		61,500	61,500	-
Salaries of Non-Instructional Aides	15,000		15,000	15,000	-
Other Purchased Professional and Technical Services	5,000		5,000	5,000	-
Other Purchased Property Services	9,000	(105)	8,895	8,597	298
Insurance	27,000		27,000	27,000	-
Miscellaneous Purchased Services	8,000	210	8,210	8,210	-
Energy (Heat and Electricity)	29,000	3,981	32,981	32,980	1
Energy (Natural Gas)	21,000	(1,238)	19,762	13,087	6,675
Total Undistributed Expenditures - Other Operations and Maintenance of Plant Services	175,500	2,848	178,348	171,374	6,974
Total Undistributed Expenditures - Operations and Maintenance of School Facilities	300,600	400	301,000	293,024	7,976
Undistributed Expenditures - Student Transportation Services:					
Salaries of Non-Instructional Aides	24,000		24,000	24,000	-
Salaries for Pupil Transportation - (Between Home and School) Reg.	13,522		13,522	13,522	-
Contracted Services - Aid in Lieu	10,000		10,000	7,072	2,928
Contracted Services (Between Home & School)					
Jointures	1,000		1,000	730	270
Contracted Services - (Special Education Students) - Vendors	25,000		25,000	16,229	8,771
Contracted Services - (Other than Between Home & School) - Vendors	15,000		15,000	7,695	7,305
Miscellaneous Expenditures	8,100		8,100	7,780	320
Total Undistributed Expenditures - Student Transportation Services	96,622	-	96,622	77,028	19,594

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 8 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Unallocated Benefits:					
Social Security Contributions	35,000	(2,494)	32,506	29,101	3,405
Other Retirement Contributions - Reg.	15,000	1,849	16,849	16,843	6
Workers Compensation	15,000		15,000	15,000	-
Health Benefits	330,000	(4,547)	325,453	304,288	21,165
Tuition Reimbursement	12,000	4,547	16,547	16,547	-
Other Employee Benefits	27,000		27,000	26,791	209
Total Unallocated Benefits	<u>434,000</u>	<u>(645)</u>	<u>433,355</u>	<u>408,570</u>	<u>24,785</u>
On-Behalf TPAF Pension Contributions - Non-Budgeted				55,344	(55,344)
Reimbursed TPAF Social Security Contributions				67,125	(67,125)
Non-Budgeted				<u>122,469</u>	<u>(122,469)</u>
Total On-Behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>		
Total Undistributed Expenditures	<u>1,933,100</u>	<u>(4,494)</u>	<u>1,928,606</u>	<u>1,983,978</u>	<u>(55,372)</u>
Total General Fund Expenditures	<u>2,953,700</u>	<u>-</u>	<u>2,953,700</u>	<u>2,972,684</u>	<u>(18,984)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(50,000)</u>	<u>(20,341)</u>	<u>(70,341)</u>	139,831	210,172
Fund Balance July 1	<u>256,362</u>		<u>256,362</u>	256,362	
Fund Balance June 30	<u>\$ 206,362</u>	<u>(20,341)</u>	<u>186,021</u>	396,193	210,172

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 9 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Recapitulation:					
Emergency Reserve				\$ 24,133	
Capital Reserve				6,309	
Designated for Subsequent Years Expenditures				150,000	
Unreserved				215,751	
				<u>396,193</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				(8,226)	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 387,967</u>	

BAY HEAD SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

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:					
Federal Sources	\$ 22,436	27,290	49,726	49,726	-
Total Revenues	<u>\$ 22,436</u>	<u>27,290</u>	<u>49,726</u>	<u>49,726</u>	<u>-</u>
Expenditures:					
Support Services:					
Purchased Professional and Technical Services	\$ 22,436	3,785	26,221	26,221	
Total Support Services	<u>22,436</u>	<u>3,785</u>	<u>26,221</u>	<u>26,221</u>	<u>-</u>
Equipment:					
Instructional		23,505	23,505	23,505	
Total Expenditures	<u>\$ 22,436</u>	<u>27,290</u>	<u>49,726</u>	<u>49,726</u>	<u>-</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

BAY HEAD SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND

SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

JUNE 30, 2010

	<u>I.D.E.A. Part B Basic</u>	<u>I.D.E.A. Preschool</u>	<u>I.D.E.A. Part B ARRA</u>	<u>I.D.E.A. Preschool ARRA</u>	<u>Total June 30, 2010</u>
Revenues:					
Federal Sources	\$ 25,628	593	22,684	821	49,726
Total Revenues	<u>\$ 25,628</u>	<u>593</u>	<u>22,684</u>	<u>821</u>	<u>49,726</u>
Expenditures:					
Support Services:					
Purchased Professional and Technical Services	\$ 25,628	593			26,221
Equipment					
Instructional-Sound System			22,684	821	23,505
Total Expenditures	<u>\$ 25,628</u>	<u>593</u>	<u>22,684</u>	<u>821</u>	<u>49,726</u>

CAPITAL PROJECTS FUND – F

N/A

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

BAY HEAD SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	<u>Unemployment Compensation</u>	<u>Private Purpose Trust Scholarship Fund</u>	<u>Student Activities</u>	<u>Balance June 30, 2010</u>
Assets:				
Cash and Cash Equivalents	\$ 31,777	43,674	2,824	78,275
Total Assets	<u>\$ 31,777</u>	<u>43,674</u>	<u>2,824</u>	<u>78,275</u>
Liabilities:				
Due to Student Groups			\$ 2,824	2,824
Total Liabilities			<u>\$ 2,824</u>	<u>2,824</u>
Net Assets:				
Reserve for Unemployment Benefits	\$ 31,777			31,777
Reserve for Scholarships		43,674		43,674
Total Net Assets	<u>\$ 31,777</u>	<u>43,674</u>		<u>75,451</u>

BAY HEAD SCHOOL DISTRICT**TRUST AND AGENCY FUNDS**

Exhibit H-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**JUNE 30, 2010**

	Private Purpose Trust Scholarship Fund	Unemployment Compensation Trust	Balance June 30, 2010
Additions:			
Securities Increase	\$ 3,680		3,680
Interest Earned	4	115	119
Donations	100		100
Total Additions	<u>3,784</u>	<u>115</u>	<u>3,899</u>
Deductions:			
Claims		3,931	3,931
Scholarships Awarded	1,100		1,100
Total Deductions	<u>1,100</u>	<u>3,931</u>	<u>5,031</u>
Changes in Net Assets	2,684	(3,816)	(1,132)
Net Assets Beginning of Year	<u>40,990</u>	<u>35,593</u>	<u>76,583</u>
Net Assets End of Year	<u>\$ 43,674</u>	<u>31,777</u>	<u>75,451</u>

BAY HEAD SCHOOL DISTRICT**TRUST AND AGENCY FUND**

Exhibit H-3

STUDENT ACTIVITY FUND**SCHEDULE OF RECEIPTS AND DISBURSEMENTS****JUNE 30, 2010**

	Balance			Balance
	June 30, 2009	Increases	Decreases	June 30, 2010
Student Council	\$ 1,788	284	184	1,888
Athletic Fund	895		5	890
School Fund	212	2,287	2,453	46
	<u>212</u>	<u>2,287</u>	<u>2,453</u>	<u>46</u>
Total Student Activities	<u>\$ 2,895</u>	<u>2,571</u>	<u>2,642</u>	<u>2,824</u>

LONG-TERM DEBT – I

BAY HEAD SCHOOL DISTRICT

Exhibit I-1

LONG-TERM DEBT

SCHEDULE OF SERIAL BONDS

JUNE 30, 2010

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2009</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>
			<u>Date</u>	<u>Amount</u>				
Additions and Renovations to Elementary School	8/1/06	\$2,222,000	2/1/11	\$ 190,000	4.00%	\$ 1,907,000	175,000	1,732,000
			2/1/12	200,000				
			2/1/13	225,000	4.25%			
			2/1/14	250,000				
			2/1/15	275,000				
			2/1/16	300,000				
			2/1/17	292,000				
						<u>\$ 1,907,000</u>	<u>175,000</u>	<u>1,732,000</u>

BAY HEAD SCHOOL DISTRICT

LONG-TERM LIABILITIES

Exhibit I-2

OBLIGATIONS UNDER CAPITAL LEASES

JUNE 30, 2010

<u>Series</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2009</u>	<u>Amount Outstanding June 30, 2010</u>
Computer Equipment	0%	\$ 63,225	\$ 47,419	15,806
				31,613

BAY HEAD SCHOOL DISTRICT

Exhibit I-3

LONG-TERM DEBT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/(Negative) Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 183,721		183,721	183,721	
State Sources:					
Debt Service Aid Type II	70,914		70,914	70,914	
Total Revenues	<u>254,635</u>	<u>-</u>	<u>254,635</u>	<u>254,635</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	79,635		79,635	79,635	-
Redemption of Principal	175,000		175,000	175,000	-
Total Regular Debt Service	<u>254,635</u>	<u>-</u>	<u>254,635</u>	<u>254,635</u>	<u>-</u>
Total Expenditures	<u>254,635</u>	<u>-</u>	<u>254,635</u>	<u>254,635</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance July 1					
Fund Balance June 30	\$ -	-	-	-	-

STATISTICAL SECTION

(Unaudited)

Bay Head Board of Education
 Net Assets by Component
 Last Two Fiscal Years
(accrual basis of accounting)

	2008	2009	2010
Governmental activities			
Invested in capital assets, net of related debt	\$ (456,294.00)	\$ (269,003.00)	\$ (98,239.00)
Restricted = Capital Purposes	-	-	-
Restricted = Other	\$ 278,595.00	\$ 80,442.00	\$ 180,442.00
Unrestricted	\$ 59,020.00	\$ 135,610.00	\$ 169,433.00
Total governmental activities net assets	<u>\$ (118,679.00)</u>	<u>\$ (52,951.00)</u>	<u>\$ 251,636.00</u>
Business-type activities			
Invested in capital assets, net of related debt	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total business-type activities net assets	<u>-</u>	<u>-</u>	<u>-</u>
District-wide			
Invested in capital assets, net of related debt	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total district net assets	<u>-</u>	<u>-</u>	<u>-</u>

Bay Head Board of Education
 Changes in Net Assets
 Last Two Fiscal Years
(accrual basis of accounting)

	2008	2009	2010
Expenses			
Governmental Activities			
Instruction			
Regular	\$ 735,677.00	\$ 811,531.00	\$ 845,812.00
Special Education	\$ 41,070.00	\$ 50,830.00	\$ 53,000.00
Other special education	\$ -	\$ -	\$ -
Vocational	\$ -	\$ -	\$ -
Other instruction	\$ 71,973.00	\$ 75,991.00	\$ 89,894.00
Nonpublic school programs	\$ -	\$ -	\$ -
Support Services			
Tuition	\$ 477,915.00	\$ 726,769.00	\$ 684,922.00
Student & instruction related services	\$ 253,092.00	\$ 264,487.00	\$ 252,439.00
School Administrative services	\$ 33,107.00	\$ 67,325.00	\$ 32,043.00
General Administration	\$ 90,712.00	\$ 56,045.00	\$ 89,978.00
Plant operations and maintenance	\$ 226,096.00	\$ 254,197.00	\$ 293,024.00
Administrative information technology	\$ -	\$ -	\$ -
Pupil transportation	\$ 63,897.00	\$ 55,089.00	\$ 77,028.00
Other support services	\$ -	\$ -	\$ -
Depreciation	\$ 35,793.00	\$ 55,937.00	\$ 56,217.00
Interest on long-term debt	\$ -	\$ -	\$ -
Unallocated benefits	\$ 102,421.00	\$ 70,798.00	\$ 69,539.00
Total governmental activities expenses	\$ 522,688.00	\$ 502,978.00	\$ 531,039.00
	<u>\$ 2,654,441.00</u>	<u>\$ 2,991,977.00</u>	<u>\$ 3,074,935.00</u>
Business-type activities			
Food service	\$ -	\$ -	\$ -
Child care	\$ -	\$ -	\$ -
Total business-type activities	\$ -	\$ -	\$ -
Total district expenses	\$ -	\$ -	\$ -
Program revenues			
Governmental activities			
Charges for services			
Instruction	\$ 24,311.00	\$ 24,493.00	\$ 49,726.00
Pupil transportation	\$ -	\$ -	\$ -
Central and other support services	\$ 7,795.00	\$ -	\$ -
Operating grants and contributions	\$ -	\$ -	\$ -
Capital grants and contributions	\$ 32,106.00	\$ 24,493.00	\$ 49,726.00
Total governmental activities program revenues	\$ 32,106.00	\$ 24,493.00	\$ 49,726.00

Business-type activities			
Charges for services			
Food service	\$ -	\$ -	\$ -
Child care	\$ -	\$ -	\$ -
Operating grants and contributions	\$ -	\$ -	\$ -
Capital grants and contributions	\$ -	\$ -	\$ -
Total business-type activities program revenues	\$ -	\$ -	\$ -
Total district program revenues	\$ 32,106.00	\$ 24,493.00	\$ 49,726.00
Net (expense) Revenue			
Governmental activities	\$ -	\$ -	\$ -
Business-type activities	\$ -	\$ -	\$ -
Total district-wide net expense	\$ -	\$ -	\$ -
General Revenues and Other Changes in Net Assets			
Governmental activities			
Property taxes levied for general purpose, net	\$ 2,294,500.00	\$ 2,386,280.00	\$ 2,715,250.00
Taxes levied for debt service	\$ 208,048.00	\$ 181,268.00	\$ 183,721.00
Unrestricted grants and contributions	\$ 356,150.00	\$ 282,598.00	\$ 283,943.00
Payments in lieu of taxes	\$ -	\$ -	\$ -
Tuition Received	\$ 89,955.00	\$ 108,959.00	\$ 159,356.00
Investment Earnings	\$ -	\$ -	\$ -
Miscellaneous income	\$ 5,606.00	\$ 8,803.00	\$ 23,783.00
Transfers	\$ 14,783.00	\$ 94.00	\$ -
Inventory Retirements/Adjustment	\$ (3,678.00)	\$ (490.00)	\$ -
Total governmental activities	\$ 2,965,364.00	\$ 2,967,512.00	\$ 3,366,053.00
Business-type activities			
Investment earnings	\$ -	\$ -	\$ -
Transfers	\$ -	\$ -	\$ -
Fixed Asset Adjustments	\$ -	\$ -	\$ -
Total business-type activities	\$ -	\$ -	\$ -
Total district-wide	\$ -	\$ -	\$ -
Change in Net Assets			
Governmental activities - Beginning	\$ (191,001.00)	\$ (118,679.00)	\$ (52,951.00)
Ending	\$ 119,922.00	\$ (52,951.00)	\$ 251,636.00
Total district	\$ -	\$ -	\$ 291,118.00

Bay Head Board of Education
 Fund Balances, Government Funds
 Last Three Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010
Fund Balance			
Reserve for Maintenance Reserve	\$ 6,309.00	\$ 6,309.00	\$ 6,309.00
Reserved for Subsequent Years' Expenditures	\$ 200,000.00	\$ 50,000.00	\$ 150,000.00
Reserved for Subsequent Years' Expenditures-Emer. Reserve	\$ 48,153.00	\$ -	\$ -
Reserved for Current Expense Emergency Reserve	\$ 24,133.00	\$ 24,133.00	\$ 24,133.00
Other Reserves	\$ -	\$ 30,442.00	\$ -
Unreserved, reported in:			
General Fund	\$ 107,638.00	\$ 175,920.00	\$ 207,525.00
Total all other governmental funds	\$ 386,233.00	\$ 286,804.00	\$ 387,967.00

BAY HEAD SCHOOL DISTRICT
 NGES IN FUND BALANCES, GOVERNMENTAL FUND
 LAST TEN FISCAL YEARS
 UNAUDITED

EXHIBIT J-4

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Tax levy	1,389,600.00	1,597,881.00	1,597,881.00	1,682,406.00	1,739,246.00	1,796,560.00	2,121,394.00	2,502,548.00	2,567,548.00	2,898,971.00
Tuition Charges	63,025.00	65,530.00	66,499.00	79,335.00	85,555.00	90,065.00	101,593.00	89,955.00	108,959.00	159,356.00
Transportation Fees	-	-	-	747.00	1,688.00	2,945.00	-	-	-	-
Interest Earnings	11,116.00	1,161.00	1,166.00	-	-	97,005.00	83,107.00	5,606.00	8,803.00	23,783.00
Miscellaneous	444.00	4,818.00	-	-	238,074.00	265,925.00	288,460.00	356,150.00	282,598.00	283,943.00
State Sources	202,984.00	128,998.00	181,396.00	203,612.00	33,236.00	35,322.00	30,880.00	32,106.00	24,493.00	49,726.00
Federal Sources	-	-	-	30,090.00	-	-	-	-	-	-
Total Revenue	1,667,169.00	1,798,388.00	1,846,942.00	1,996,190.00	2,097,799.00	2,287,822.00	2,625,434.00	2,986,365.00	2,992,401.00	3,415,779.00
General Fund Expenditures										
Instruction:										
Regular	500,787.00	523,346.00	613,658.00	577,996.00	608,236.00	654,319.00	637,206.00	735,677.00	811,531.00	845,812.00
Special	36,762.00	31,961.00	36,758.00	38,886.00	46,115.00	145,723.00	61,266.00	48,865.00	50,830.00	53,000.00
Other	48,512.00	58,780.00	55,922.00	77,180.00	72,477.00	15,985.00	84,423.00	71,973.00	75,991.00	89,894.00
School-Sponsored/Other Instructional	22,321.00	13,606.00	21,130.00	-	-	-	-	-	-	-
Support Services and Undistributed Costs:										
Tuition	294,143.00	321,541.00	331,658.00	333,984.00	397,157.00	447,567.00	599,207.00	477,915.00	726,769.00	684,922.00
Student & Instruction Related Services	97,309.00	99,464.00	103,187.00	158,862.00	202,173.00	225,630.00	254,924.00	277,403.00	288,980.00	302,165.00
General Administration	135,352.00	153,394.00	144,638.00	45,410.00	1,833.00	-	-	-	-	-
School Administration	36,541.00	38,065.00	40,493.00	151,383.00	87,158.00	73,898.00	11,269.00	33,107.00	56,045.00	32,043.00
Services Other	34,125.00	36,026.00	47,942.00	43,690.00	59,252.00	67,858.00	100,175.00	90,712.00	67,325.00	89,978.00
Operations and Maintenance	50,180.00	44,184.00	49,076.00	153,280.00	170,942.00	151,548.00	192,816.00	226,096.00	254,197.00	293,024.00
Student Transportation	39,213.00	35,314.00	26,987.00	56,578.00	53,712.00	53,565.00	66,980.00	63,897.00	55,089.00	77,028.00
Allowable Maintenance-School Facilities	89,137.00	83,408.00	94,168.00	-	-	-	-	-	-	-
Unallocated Employee Benefits	156,526.00	172,855.00	196,629.00	213,320.00	258,294.00	289,538.00	469,713.00	522,688.00	502,978.00	531,039.00
On-Behalf TPAF pension Contributions	29,803.00	-	47,122.00	68,570.00	75,118.00	91,340.00	-	117,847.00	50,153.00	55,344.00
Reimbursed TPAF Social Security	53,927.00	58,024.00	55,900.00	48,241.00	60,962.00	56,211.00	-	-	-	67,125.00
Capital Outlay:										
Total Capital Outlay	59,965.00	45,334.00	36,572.00	-	-	-	909,820.00	1,312,180.00	-	23,505.00
Debt Service:										
Principal	-	-	-	-	-	-	-	150,000.00	165,000.00	175,000.00
Interest and other charges	-	-	-	-	-	-	-	138,352.00	86,235.00	79,635.00
Total General Fund Expenditures	1,684,603.00	1,715,302.00	1,901,626.00	1,967,380.00	2,093,429.00	2,273,182.00	3,387,799.00	4,266,712.00	3,191,123.00	2,972,684.00
Excess (Deficiency) of revenues over (under) expenditures	-17,434.00	83,086.00	-54,684.00	28,810.00	-6,291.00	14,640.00	-762,365.00	-1,162,500.00	-148,569.00	139,831.00
Other Financing sources (uses)										
Prior Year's Accounts Payable Cancelled										
Accrued Interest on Bonds										
Transfers In										
Transfers Out										
Total Other Financing Sources (uses)										
Net change in fund balance										
Debt service as a percentage of noncapital expenditures										
Note:										
Noncapital expenditures are total expenditures less capital outlay.										
Central Service and Administrative Information Technology account classifications were added beginning with Source: District Records										
Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as business and Other Support Services.										

Exhibit J-5

BAY HEAD SCHOOL DISTRICT

GENERAL FUND OTHER LOCAL REVENUE BY SOURCE

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Interest	11,116	8,449	1,166	747	1,688	2,945	-	-	-	-
Tuition	63,025	65,530	66,499	79,335	85,555	90,065	101,593	89,955	108,959	159,356
Transportation Fees	-	-	-	-	-	-	-	-	-	-
Admissions	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Refund Prior Year's Expenditures	-	-	-	-	-	-	-	-	-	-
Polling Place Rentals	-	-	-	-	-	-	-	-	-	-
Book Fines	-	-	-	-	-	-	-	-	-	-
Miscellaneous	444	-	-	-	-	97,005	-	5,606	8,803	23,783
	<u>74,585</u>	<u>73,979</u>	<u>67,665</u>	<u>80,082</u>	<u>87,243</u>	<u>190,015</u>	<u>101,593</u>	<u>95,561</u>	<u>117,762</u>	<u>183,139</u>

Source: District records

Exhibit J-6

BAY HEAD SCHOOL DISTRICT

LAST TEN FISCAL YEARS

UNAUDITED

<u>Year</u>	<u>Net Taxable Value</u>	<u>Net Valuation for Apportionment</u>	<u>Percentage of Net Assessed to Estimated Full Cash Valuations (Ratio)</u>
2000	409,186,367	513,059,437	79.85%
2001	412,263,598	616,185,291	66.97%
2002	915,723,278	809,131,085	113.29%
2003	921,628,330	928,542,761	99.35%
2004	930,174,831	1,076,380,233	86.49%
2005	932,904,536	1,185,025,680	78.79%
2006	938,335,675	1,365,123,044	68.79%
2007	947,926,300	1,589,596,873	57.69%
2008	957,014,986	1,694,105,779	56.49%
2009	*R 1,617,167,722	1,695,068,383	95.48%

Source: Abstract of Ratables
County Board of Taxation

*R Reassessment

BAY HEAD SCHOOL DISTRICT

Exhibit J-7DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30,	Bay Head School District	Borough of Bay Head	Ocean County	Total
2000	0.339	0.391	0.693	1.423
2001	0.387	0.399	0.827	1.613
2002*	0.174	0.193	0.467	0.834
2003	0.182	0.200	0.489	0.871
2004	0.187	0.217	0.496	0.900
2005	0.192	0.219	0.487	0.898
2006	0.226	0.236	0.491	0.953
2007	0.264	0.253	0.522	1.039
2008	0.268	0.272	0.547	1.087
2009*	0.179	0.163	0.325	0.667
2010	0.183	0.172	0.316	0.671

Source: Ocean County Tax Board

* Revaluation

BAY HEAD SCHOOL DISTRICT
 SCHEDULE OF PRINCIPAL TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

Exhibit J-8

	<u>2006 (Last Year Reported)</u>			<u>1999</u>		
	<u>Assessed Valuation 2006</u>	<u>Rank Optional</u>	<u>As a Percentage of District's Net Assessed Valuation</u>	<u>Assessed Valuation 1999</u>	<u>Rank Optional</u>	<u>As a Percentage of District's Net Assessed Valuation</u>
<u>Taxpayer</u>						
Bay Head Yacht Club	\$ 18,383,400	-	0.0194	8,300,800	-	0.0203
Individual	5,777,800	-	0.0061	4,181,300	-	0.0103
Individual	5,674,600	-	0.0060	2,831,100	-	0.0070
Individual	5,226,500	-	0.0055	2,532,200	-	0.0062
Individual	4,856,600	-	0.0051	1,982,100	-	0.0049
Individual	4,746,300	-	0.0050	1,972,100	-	0.0049
Individual	4,639,200	-	0.0049	1,817,400	-	0.0045
Individual	4,601,800	-	0.0048	1,795,900	-	0.0044
Individual	4,517,000	-	0.0048	1,701,300	-	0.0042
Individual	4,491,600	-	0.0047	1,703,400	-	0.0042
Total Net Taxable Value			0.0663			0.0709

Source: Tax Collector

BAY HEAD SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>School Levy</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy</u>
2000	1,350,155	5,868,626	5,784,389	98.00%
2001	1,389,600	6,692,735	6,623,573	99.00%
2002	1,597,881	7,681,745	7,615,065	99.05%
2003	1,597,881	8,066,085	7,990,237	98.91%
2004	1,682,406	8,368,447	8,360,707	99.41%
2005	1,739,246	8,421,298	8,330,718	98.84%
2006	1,796,560	9,021,664	8,915,660	98.83%
2007	2,121,394	9,917,999	9,849,172	99.30%
2008	2,502,548	10,439,063	10,363,696	99.28%
2009	2,898,971	10,809,835	10,683,384	98.83%

Source: Municipal Tax Collector
Abstract of Ratables

BAY HEAD SCHOOL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS*
UNAUDITED

Fiscal Year Ended June 30	<u>Governmental Activities</u>		<u>Business - Type Activities</u>			Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bonded Debt Anticipation Notes (BANs)	Capital Leases	
2007	\$2,222,000	NONE	NONE	NONE	NO DATA TO REPORT	
2008	\$2,072,000	NONE	\$63,225	NONE	NO DATA TO REPORT	
2009	\$1,907,000	NONE	\$47,419	NONE	NO DATA TO REPORT	
2010	\$1,732,000	NONE	\$31,613	NONE	NO DATA TO REPORT	

Source:

BAY HEAD SCHOOL DISTRICT
 RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS*
 UNAUDITED

Fiscal Year Ended <u>June 30</u>	General Obligation <u>Bonds</u>	<u>Deductions</u>	Net General Bonded Debt <u>Outstanding</u>	Percentage of Actual Taxable Value # of <u>Property</u>	Net Bonded Debt Per <u>Capita</u>
2007	\$2,222,000		\$2,222,000		
2008	\$2,072,000		\$2,072,000		
2009	\$1,907,000		\$1,907,000		
2010	\$1,732,000		\$1,732,000		

BAY HEAD SCHOOL DISTRICT

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

UNAUDITED

Net Direct Debt of School District as of June 30, 2010	\$ 1,567,000
Net Overlapping Debt of School District:	
Borough of Bay Head (100%)*	1,734,138
County of Ocean - Bay Head share (1.54%)	<u>6,574,683</u>
Total Direct and Overlapping Bonded Debt as of June 30, 2010	<u>\$ 9,875,821</u>

Source: Bay Head Chief Financial Officer
and Ocean County Finance Office.

Note: This statement utilizes annual debt statement data from the year 2005.
Fiscal Year Ended June 30, 2007 - Not Available
Fiscal Year Ended June 30, 2008 - Not Available

BAY HEAD SCHOOL DISTRICT
 COMPUTATION OF LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

UNAUDITED

Legal Debt Margin For Fiscal Year 2009	
Equalized valuation basis	
2009	\$1,579,610,747
2008	1,684,474,366
2007	1,676,855,298
	<u>\$4,940,940,411</u>
Average equalized valuation of taxable property	\$1,656,980,137
Debt limit (3% of average equalization value)	49,709,404
Total Net Debt Applicable to Limit	<u>\$49,709,404</u>

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debit Limit	\$15,443,941	19,138,190	23,289,370	27,834,402	31,663,817	36,008,054	41,075,935	46,040,956	49,328,989	49,709,404
Total net debt applicable to limit	1,002,402	827,196	1,274,693	1,064,693	903,713	814,080	2,952,652	1,050,126	1,348,696	1,734,138
Legal debt margin	\$14,441,539	18,310,994	22,014,677	26,769,709	30,760,104	35,193,974	38,123,283	44,990,830	47,980,293	47,975,266
Total net debt applicable to the limit as a percentage of debt limit	6.49%	4.32%	5.47%	3.83%	2.85%	2.26%	7.19%			

Source: Tax Collector

Bay Head Board of Education
 Demographic and Economic Statistics
 Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Household</u>	<u>Unemployment Rate</u>	<u>Annual Births</u>
1998	1,289	N/A	3.0%	2
1999	N/A	N/A	N/A	6
2000	1,239	\$77,790	2.4%	8
2001	1,242	N/A	2.0%	4
2002	1,256	N/A	3.3%	6
2003	1,267	N/A	3.5%	3
2004	1,264	N/A	N/A	5
2005	1,259	87,200	4.5%	3
2006	1260	-	4.8%	4
2007	1265	-	-	4
2008				
2009				

Bay Head Board of Education
Principal Employers,
Current Year and Nine Years Ago

2009

DATA NOT AVAILABLE

1999

DATA NOT AVAILABLE

Bay Head Board of Education
 Full-Time Equivalent District Employees by Function/Program
 Last Ten Fiscal Years

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instruction										
Regular	8.6	8.6	8.6	8.6	8.6	8.6	8.6	9.0	10.0	10.0
Special Education	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.3
Other Special Education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other Instruction	3.5	3.2	3.2	3.2	2.7	2.7	2.7	1.9	2.0	2.0
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services										
Student & instruction related services	3.3	3.3	3.3	1.3	1.0	1.0	1.0	1.0	1.0	2.0
General administration	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.5
School administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other administrative services	1.2	1.2	1.2	1.2	1.2	1.2	1.4	1.2	1.2	1.2
Central Services	-	-	-	-	-	-	-	-	0.9	0.9
Administrative Information Technology	-	-	-	-	0.5	-	-	0.2	0.4	0.4
Plant operations & maintenance	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Other support services	-	-	-	-	-	-	-	-	0.8	0.8
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	-	-	-	-	-	-
Child Care	-	-	-	-	-	-	-	-	-	-
Total	20.6	20.3	20.3	18.3	18.0	17.5	17.9	17.5	20.6	21.6

Source: District Personnel Records

Bay Head Board of Education
 Operating Statistics
 Last Ten Fiscal Years

Pupil/Teacher Ratio

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentile Change</u>	<u>Teaching Staff^b</u>	<u>Elementary</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in ADE</u>	<u>Student Attendance Percentage</u>
2000	109	1,595,587	\$14,638	7.30%	13	8.4	109.1	105.2	-5.05%	96.4%
2001	106	1,624,638	\$15,327	4.70%	12.9	8.2	106.2	101.9	-3.10%	96.0%
2002	102	1,669,968	\$16,372	6.80%	12.9	7.9	102	98.3	-4.00%	96.4%
2003	99	1,865,054	\$18,839	15.10%	12.9	7.7	99.4	94.2	-4.20%	94.8%
2004	86	1,967,380	\$22,877	21.40%	12.9	6.7	85.6	82.4	-12.50%	96.3%
2005	101	2,093,429	\$20,727	-9.40%	12.5	8.1	100.9	96.1	16.60%	95.2%
2006	88	2,273,182	\$25,832	24.60%	12.5	7	88.4	84.5	-12.10%	95.6%
2007	92	2,562,528	\$27,854	7.80%	11.9	9	91.6	86.8	2.70%	94.8%
2008	91	2,686,547	\$29,522	5.99%	12.1	9	91	85.3	-	93.8%
2009	96	3,016,470	\$31,442	6.40%	12.2	9	96.4	92.0	5.90%	95.5%
2010	108	3,022,410	\$27,985	-10.99%	12.2	9	111.1	105.9	15.20%	95.4%

Note: Enrollment based on annual October district count. (ASSA)

^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).

Exhibit J-18

BAY HEAD ELEMENTARY SCHOOL

BUILDING INFORMATION

LAST TEN FISCAL YEARS ENDING JUNE 30

UNAUDITED

District Building	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Elementary School and Offices	18,809	18,809	18,809	18,809	18,809	18,809	18,809	19,834	19,834	19,834
Bay Head School Square Feet	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348
Bay Head School Library Square Feet	124	124	124	124	124	124	124	124	124	124
Capacity (students)	106	102	99	86	101	88	92	91	96	111

Source: District records
LRFP

BAY HEAD SCHOOL DISTRICT Exhibit J-19
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 UNAUDITED

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

<u>School Facilities</u>	<u>Library</u>	<u>Bay Head Elementary</u>	<u>Other Facilities</u>	<u>Total School Facilities</u>
2001	2,141	16,693	N/A	18,834
2002	2,133	16,475	N/A	18,608
2003	3,041	23,702	N/A	26,743
2004	3,079	24,006	N/A	27,085
2005	3,251	23,843	N/A	27,094
2006	2,493	18,285	N/A	20,778
2007	2,628	19,275	N/A	21,903
2008	3,239	23,756	N/A	26,995
2009	3,948	28,954	N/A	32,902
2010	3,461	25,384	N/A	28,845

* 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 (Form M1)

**BAY HEAD SCHOOL DISTRICT
INSURANCE SCHEDULE**

EXHIBIT J-20

80.

JUNE 30, 2010

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<u>BOARD OF EDUCATION PROGRAM- NEW JERSEY SCHOOL BOARDS ASSOCIATION INSURANCE GROUP</u>		
<u>I. COMMERCIAL PACKAGE</u>		
<u>A. Property</u>		
Building and Contents (Blanket)	5,183,170	1,000
Valuable Papers & Records	10,000,000	1,000
Extra Expense	50,000,000	1,000
Increased Cost of Construction/Building Ordinance	10,000,000	1,000
Crime/Employee Dishonesty	250,000	1,000
<u>B. Comprehensive General Liability</u>		
General Liability	31,000,000	N/A
<u>C. School Leaders Wrongful Acts Coverage A</u>		
	31,000,000	5,000
<u>D. Inland Marine</u>		
Electronic Data Processing	200,000	1,000
<u>E. AUTO LIABILITY (Hired/Non-Owned)</u>		
	31,000,000	N/A
<u>II. WORKER'S COMPENSATION</u>		
Professional Payroll	1,135,071	
Non-Professional Payroll	52,231	
<u>III. EMPLOYERS LIABILITY COVERAGE B</u>		
Bodily Injury Each Accident	2,000,000	
Bodily Injury Each Employee	2,000,000	
Policy Limit Bodily Injury by Disease	2,000,000	
<u>IV. EQUIPMENT BREAKDOWN COVERAGE</u>		
Comprehensive Coverage (Boiler & Machinery)	100,000,000	1,000
<u>V. PUBLIC OFFICIAL BONDS (Selective Insurance Co.)</u>		
Patricia A. Wojcik, Limit of Coverage	140,000	-0-
James T. Mullins, Limit of Coverage	140,000	-0-
Laurie M. Hazuka, Limit of Coverage	140,000	-0-
<u>VI. Catastrophe Access Liability</u>		
	50,000,000	31,000,000

SCHEDULES OF FEDERAL AND STATE AWARDS

BAY HEAD SCHOOL DISTRICT

Schedule A
K-3

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Grant or State Project Number	Award Amount	Grant Period		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2010	
				From	To				(Accounts Receivable)	Deferred Revenue
U.S Department of Education: Passed Through State Department of Education:										
Special Revenue:										
I.D.E.A. - Preschool	84,173	N/A	\$ 593	9/1/2009	8/31/2010	-	593	(593)		
I.D.E.A. - Preschool - ARRA	84,392	N/A	821	9/1/2009	8/31/2010	-	821	(821)		
I.D.E.A. - Part B - ARRA	84,391	N/A	22,684	9/1/2009	8/31/2010	-	22,684	(22,684)		
I.D.E.A. - Part B	84,027	N/A	25,268	9/1/2009	8/31/2010	-	25,368	(25,368)		
Total Federal Financial Assistance							\$ 49,466	(49,466)	-	-

See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

BAY HEAD SCHOOL DISTRICT

Schedule B
K-4

**SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

State Grantor/Program State Department of Education:	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2009	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adj.	Balance at June 30, 2010		MEMO	
			From	To						(Accounts Receivable)	Deferred Revenue	Budgetary Receivable	Cumulative Expenditures
General Fund:													
Special Education Aid	10-495-034-5120-089	\$ 47,567	7/1/09	6/30/10	\$ -		47,567	(47,567)		(6,312)		47,567	
Transportation Aid	10-495-034-5120-014	7,717	7/1/09	6/30/10			7,717	(7,717)		(1,024)		7,717	
Adjustment Aid	10-495-034-5120-085	1,591	7/1/09	6/30/10			1,591	(1,591)		(211)		1,591	
Security Aid	10-495-034-5120-084	5,116	7/1/09	6/30/10			5,116	(5,116)		(679)		5,116	
Extraordinary Aid	10-495-034-5120-473	28,679	7/1/09	6/30/10				(28,679)				28,679	
Extraordinary Aid	09-495-034-5120-473	27,573	7/1/08	6/30/09	(17,945)		17,945						
Additional Non-Public Transportation Aid	10-495-034-5120-014	987	7/1/09	6/30/10			1,218	(987)				987	
Additional Non-Public Transportation Aid	09-495-034-5120-014	1,218	7/1/08	6/30/09	(1,218)								
On-Behalf TPAF Pension Contr.													
- Nonbudgeted													
Reimbursed TPAF Social	10-495-034-5095-006	55,344	7/1/09	6/30/10			55,344	(55,344)				55,344	
Security Contr. (Nonbudgeted)	10-495-034-5095-002	67,125	7/1/09	6/30/10	(19,163)		67,125	(67,125)				67,125	
Total General							203,623	(214,126)		(8,226)		214,126	
Debt Service:													
Debt Service Aid Type II	10-495-034-5120-017	70,914	7/1/09	6/30/10			70,914	(70,914)				70,914	
Total State Financial Assistance							274,537	(285,040)		(8,226)		285,040	

See accompanying Notes to Schedules of Federal Awards and State Financial Assistance.