

SCHOOL DISTRICT
OF
CALIFON BOROUGH

Califon Borough School District
Board of Education
Califon, Hunterdon County
New Jersey

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2010

Comprehensive Annual

Financial Report

of the

Califon Borough School District

Board of Education

Califon, New Jersey

For the Fiscal Year Ending June 30, 2010

Prepared by

Califon Borough School District

Board of Education

Finance Department

OUTLINE OF CAFR

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CALIFON PUBLIC SCHOOL

"Making Their Lives Extraordinary"

Kathleen M. Prystash, Ed.D.
Chief School Administrator/Principal

Susan Schaffner
Business Administrator/Board Secretary

October 15, 2010

Honorable President and Members of the Board of Education
Califon School District
Hunterdon, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Califon School District for the fiscal year, which 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 various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the 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** Califon School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Califon Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular and special education for handicapped youngsters. The District completed the 2009-2010 fiscal year with an enrollment of 156 students, which is nine students more than the previous year's enrollment. The following details the changes in the student enrollment of the district over the last ten years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2009-2010	156	2.6
2008-2009	152	6.3
2007-2008	143	0.7
2006-2007	142	-0.7
2005-2006	143	2.1
2004-2005	140	-2.1
2003-2004	143	-0.7
2002-2003	144	-2.7
2001-2002	148	-5.1
2000-2001	156	-1.3
1999-2000	158	-1.3

2. **ECONOMIC CONDITION AND OUTLOOK** The Califon area is experiencing a period of limited development and expansion which is expected to continue. The limiting factor here is the relatively small size of Califon Borough and the impact of the Highlands Act which was enacted to prevent overdevelopment in the area. Consequently, enrollment is expected to remain relatively stable.

3. **MAJOR INITIATIVES** Students in the Califon School District continue to do well in standardized testing. However, there are areas of focus that need to be addressed. The Califon School District has a sustained professional development program that addresses writing skills, differentiation, understanding by design, technology and math.

The Califon School District continues to enhance the education of our students through new and exciting programs in technology, mathematics, science and language arts.

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

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

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

5. **BUDGETARY CONTROLS** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is 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.

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

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

7. **FINANCIAL INFORMATION AT FISCAL YEAR-END** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund revenues for the fiscal year ended June 30, 2010 and the amount and percentage of increases in relation to prior year revenues.

Revenue	Amount	Increase/ (Decrease) from 2009	Percent of Increase Decrease
Local Sources	\$ 2,023,000	\$ 11,755	0.58%
State Sources	485,651	(31,377)	-6.07%
Federal Sources	<u>125,187</u>	<u>61,522</u>	<u>96.63%</u>
TOTAL	\$ 2,633,838	\$ 41,900	1.62%

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2010 and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Increase (Decrease) from 2009	Percent of Increase (Decrease)
Current Expense: Instruction	\$ 1,106,293	\$ 374	0.03%
Undistributed Expenditures	<u>1,193,045</u>	<u>(39,390)</u>	<u>-3.20%</u>
Total	\$ 2,299,338	\$ (39,016)	-1.67%
Capital Outlay	-	(73,006)	-100.00%
Debt Service	173,085	899	0.52%
Special Revenue	<u>90,758</u>	<u>26,594</u>	<u>41.45%</u>
TOTAL	\$ 2,563,181	\$ (84,529)	-3.19%

8. **DEBT ADMINISTRATION** On September 7, 2006, the District issued \$1,935,000 Par Amount of School Bonds, Series 2006, maturing in varying amounts on August 15 of each year from 2007 through 2021. Consequently, at June 30, 2010, the District's outstanding debt was \$1,635,000. The net interest rate for this issue is 4.0503%. The proceeds of the Bonds were used to undertake the construction of an addition to and the renovation of the Califon Public School, as approved by the affirmative vote of the majority of the legal voters present and voting at a special School District held on September 27, 2005.

9. **CASH MANAGEMENT** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
10. **RISK MANAGEMENT** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.
11. **OTHER INFORMATION**
A) Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Ardito & Co., LLP CPA/RMA. In addition to meeting the requirements set forth in the state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's reports related specifically to the single audit are included in the single audit section of this report.
12. **ACKNOWLEDGMENTS**
We would like to express our appreciation to the members of the Califon School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,



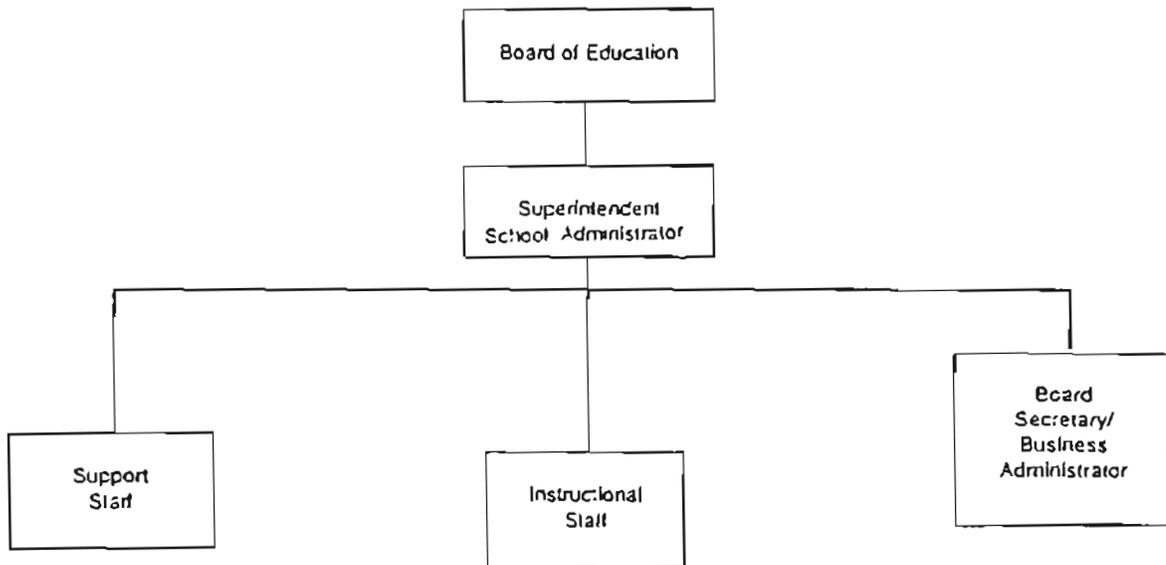
Kathleen M. Prystash, Ed. D.
Chief School Administrator



Susan Schaffner
School Business Administrator/Board Secretary

CALIFON PUBLIC SCHOOL
6 SCHOOL STREET
CALIFON, NEW JERSEY 07830
PHONE (908) 832-2828
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Organizational Chart
(Unit Control)



**CALIFON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2010

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kim Schundler, <i>President</i>	2012
Daniel Hemberger, <i>Vice-President</i>	2011
Carolyn Murin	2013
Kelly Galligan	2012
Cathy Smith	2011

Other Officials

Dr. Kathleen M. Prystash, *Chief School Administrator*

Susan Schaffner, *School Business Administrator/Board Secretary*

Steffi-Jo DeCasas, *Treasurer*

Parker McCay P.A., *Attorneys at Law*

**CALIFON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

BOND COUNCIL

Wilentz Goldman & Spitzer P.A.
Woodbridge, New Jersey 07095

ARCHITECT

Feitlowitz and Kosten Architects
Livingston, New Jersey 07039

AUDIT FIRM

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

BOARD ATTORNEY

Parker McCay P.A.
1009 Lenox Drive
Building Four East, Suite 102A
Lawrenceville, New Jersey 08648

OFFICIAL DEPOSITORIES

PNC Bank
413 County Road 513
Califon, New Jersey 07830

Peapack-Gladstone Bank
P.O. Box 178
Gladstone, New Jersey 07934

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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Frenchtown, New Jersey 08825-1192
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Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA
Anthony F. Ardito, PA, RMA, PSA

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

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Califon Borough School District
County of Hunterdon
Califon Borough, New Jersey 07830

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Califon Borough School District in the County of Hunterdon, 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 Califon Borough School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Califon Borough School District Board of Education in the County of Hunterdon, 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.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2010, on our consideration of the Califon Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 9 through 9.8, and 38 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Califon Borough School District 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.

Date: October 15, 2010



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



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

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

Honorable President and
Members of the Board of Education
Califon Borough School District
County of Hunterdon
Califon Borough, New Jersey 07830

We have audited the financial statements of the Board of Education of the Califon Borough School District in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Califon Borough School 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 Califon Borough School Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Califon Borough School Board of Education's internal control over financial reporting.

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

-Continued-

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

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Education of the Califon Borough School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 15, 2010.

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



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

Date: October 15, 2010

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

The discussion and analysis of Califon Borough 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; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- ◆ In total, net assets increased \$86,193, which represents a 56.3 percent decrease from 2009.
- ◆ General revenues accounted for \$2,008,500 in revenue or 76.0 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 \$632,953 or 24.0 percent of total revenues of \$2,641,453.
- ◆ Total assets of governmental activities increased by \$12,169 as cash and cash equivalents increased by \$13,588, receivables increased by \$58,565 and capital assets decreased by \$60,582.
- ◆ The School District had \$2,555,260 in expenses; only \$632,953 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$2,008,500 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$2,369,995 in revenues and \$2,299,338 in expenditures. The General Fund's surplus balance increased \$70,657 over 2009, compared to a budgeted decrease of zero. This was due to the receipt of miscellaneous unbudgeted revenue and across the board budget savings.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 UNAUDITED

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

Table 1
Net Assets

	<u>2010</u>	<u>2009</u>
Assets		
Current and Other Assets	\$ 304,187	\$ 231,436
Capital Assets	<u>1,770,094</u>	<u>1,830,676</u>
Total Assets	<u>2,074,281</u>	<u>2,062,112</u>
Liabilities		
Long-Term Liabilities	1,666,457	1,762,040
Other Liabilities	<u>168,563</u>	<u>147,004</u>
Total Liabilities	<u>1,835,020</u>	<u>1,909,044</u>
Net Assets		
Invested in Capital Assets, Net of Debt	135,094	90,676
Restricted	39,952	103
Unrestricted	<u>64,318</u>	<u>62,392</u>
Total Net Assets	<u>\$ 239,364</u>	<u>\$ 153,171</u>

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010
 UNAUDITED

Total assets increased \$12,169. Cash and cash equivalents increased by \$13,588, receivables increased by \$58,565, and capital assets decreased by \$60,582.

Table 2 shows the changes in net assets from fiscal year 2009.

Table 2
Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 18,966	\$ 10,948
Operating Grants and Contributions	613,987	584,153
General Revenues:		
Property Taxes	1,999,270	1,981,350
Investment Earnings	1,014	4,922
Other	<u>8,216</u>	<u>17,773</u>
Total Revenues	<u>2,641,453</u>	<u>2,599,146</u>
Program Expenses		
Instruction	1,544,512	1,466,506
Support Services:		
Tuition	59,117	82,662
Pupils and Instructional Staff	289,917	293,268
General Administration, School Administration, Business	297,385	309,256
Operations and Maintenance of Facilities	226,545	217,890
Pupil Transportation	57,766	76,907
Business-Type Activities	7,450	5,181
Interest and Fiscal Charges	<u>72,568</u>	<u>76,744</u>
Total Expenses	<u>2,555,260</u>	<u>2,528,414</u>
Increase in Net Assets	<u>\$ 86,193</u>	<u>\$ 70,732</u>

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 75.7 percent of revenues for governmental activities for the Califon Borough School District for the fiscal year 2010.

Instruction comprises 60.5 percent of district expenses. Support services expenses make up 36.4 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Instruction	\$ 1,544,512	\$1,167,767	\$ 1,466,506	\$ 1,129,020
Support Services:				
Tuition	59,117	47,942	82,662	66,964
Pupils and Instructional Staff	289,917	209,978	293,268	219,650
General Administration, School				
Administration, Business	297,385	245,839	309,256	256,069
Operation and Maintenance of Facilities	226,545	183,722	217,890	176,511
Pupil Transportation	57,766	46,847	76,907	62,302
Business-Type Activities	7,450	(165)	5,181	(2,027)
Interest and Fiscal Charges	72,568	20,377	76,744	24,824
Total Expenses	<u>\$ 2,555,260</u>	<u>\$ 1,922,307</u>	<u>\$ 2,528,414</u>	<u>\$ 1,933,313</u>

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

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

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

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

The dependence upon tax revenues is apparent. Over 75.6percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 75.2 percent. The community, as a whole, is the primary support for the Califon Borough School District.

The School District's Funds

Information about the School District's major funds starts on page 12 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues/sources of \$2,633,838 and expenditures of \$2,563,181. The net change in fund balance for the year was most significant in the General Fund, an increase of \$70,657. This was again due to unplanned miscellaneous revenue. The School District is able to meet current operating costs with no urgent need for additional funds.

General Fund Budgeting Highlights

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

During the course of the fiscal 2010 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$2,207,502, \$29,823 over original budgeted estimates of \$2,177,679.

The General fund revenues and other financing sources of the School District exceeded expenditures by approximately \$71,340. This compares favorably to a zero budgeted decrease, again due to unplanned miscellaneous revenue and across the board budget savings.

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

Capital Assets

At the end of the fiscal year 2010, the School District had \$1,770,094 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2009 balances compared to 2009.

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

	<u>2010</u>	<u>2009</u>
Land	\$ 83,800	\$ 83,800
Land Improvements		
Buildings and Improvements	1,641,603	1,684,630
Machinery and Equipment	<u>44,691</u>	<u>62,246</u>
Totals	<u>\$ 1,770,094</u>	<u>\$ 1,830,676</u>

Overall capital assets decreased \$60,582 from fiscal year 2009 to fiscal year 2010, entirely due to depreciation expense.

Debt Administration

At June 30, 2010, the School District had \$1,797,981 as outstanding debt. Of this amount \$162,981 is for compensated absences, and \$1,635,000 is for general obligation bonds payable.

At June 30, 2010, the School District's overall legal debt margin was \$4,767,286 and the unvoted debt margin was \$3,132,286.

For the Future

The Califon Borough School District is in very good financial condition presently. A major concern is the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and state funding is decreased.

Califon Borough School District did not successfully pass the 2010-2011 school budget, and the Borough made various appropriation reductions. It has been increasingly difficult to balance educational needs with increases in property tax rates. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. While history shows that the District generally supported the budget, budget defeats have become more prevalent in the recent past. This problem seems to be statewide and is not exclusive to the Califon Borough School District. The Califon Borough School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

CALIFON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED

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

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 Susan Schaffner, School Business Administrator/ Board Secretary at Califon Borough School District, 6 School Street, Califon, NJ 07830, or E-mail at sschaffner@califonschool.org.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$201,600	\$2,389	\$203,989
Receivables, Net	99,399	201	99,600
Interfund Receivables		598	598
Restricted Assets:			
Capital Reserve Account - Cash	103		103
Capital Assets, Net (Note 4):	1,770,094		1,770,094
Total Assets	2,071,196	3,188	2,074,384
LIABILITIES			
Accounts Payable	375		375
Accrued Interest	24,744		24,744
Deferred Revenue	11,920		11,920
Noncurrent Liabilities (Note 5):			
Due Within One Year	131,524		131,524
Due Beyond One Year	1,666,457		1,666,457
Total Liabilities	1,835,020		1,835,020
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	135,094		135,094
Restricted for:			
Other Purposes	39,952		39,952
Unrestricted	61,130	3,188	64,318
Total Net Assets	\$236,176	\$3,188	\$239,364

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular	\$ 1,186,911	\$ 14,500	\$ 294,649		\$ (877,762)		\$ (877,762)
Special Education	300,879		56,874		(244,005)		(244,005)
Other Special Instruction	56,722		10,722		(46,000)		(46,000)
Support Services:							
Tuition	59,117		11,175		(47,942)		(47,942)
Student & Instruction Related Serv.	284,161		74,183		(209,978)		(209,978)
School Administrative Services	5,756		1,088		(4,668)		(4,668)
General and Business Admin. Serv.	297,385		56,214		(241,171)		(241,171)
Plant Operations and Maintenance	226,545		42,823		(183,722)		(183,722)
Pupil Transportation	57,766		10,919		(46,847)		(46,847)
Interest Expense	66,510		52,191		(14,319)		(14,319)
Unallocated Depreciation	6,058				(6,058)		(6,058)
Total Governmental Activities	2,547,810	14,500	610,838		(1,922,472)		(1,922,472)
Business-Type Activities:							
Food Service	7,450	4,466	3,149			\$ 165	165
Total Business-Type Activities	7,450	4,466	3,149			165	165
Total Primary Government	\$ 2,555,260	\$ 18,966	\$ 613,987	-	\$ (1,922,472)	\$ 165	\$ (1,922,307)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes,Net					\$ 1,878,376		\$ 1,878,376
Property Taxes, Levied for Debt Service Purposes,Net					120,894		120,894
Investment Earnings					1,014		1,014
Miscellaneous Income					8,216		8,216
Total General Revenues, Special Items, Extraor. Items and Transfers					2,008,500		2,008,500
Change in Net Assets					86,028	165	86,193
Net Assets—Beginning (As Restated)					150,148	3,023	153,171
Net Assets—Ending					\$ 236,176	\$ 3,188	\$ 239,364

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

FUND FINANCIAL STATEMENTS

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 150,140		\$ 51,563	\$ 201,703
Receivables from Other Governments	14,562	\$ 84,837		99,399
Interfund Receivable	73,140	598		73,738
TOTAL ASSETS	<u>\$ 237,842</u>	<u>\$ 85,435</u>	<u>\$ 51,563</u>	<u>\$ 374,840</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable		\$ 375		\$ 375
Interfund Payable	598	73,140		73,738
Deferred Revenue		11,920		11,920
Total Liabilities	<u>598</u>	<u>85,435</u>	<u>-</u>	<u>86,033</u>
Fund Balances:				
Reserved for:				
Capital Reserve Account	103			103
Encumbrances	62,122		53,838	115,960
Designated for Subseq. Yr's Expenditures	39,849			39,849
Unreserved, Reported in:				
General Fund	135,170			135,170
Capital Fund			(2,275)	(2,275)
Total Fund Balances	<u>237,244</u>		<u>51,563</u>	<u>288,807</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 237,842</u>	<u>\$ 85,435</u>	<u>\$ 51,563</u>	<u>\$ 374,840</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 \$2,563,739 and the accumulated depreciation is \$793,645.

\$ 1,770,094

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5)

(24,744)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5)

(1,797,981)

Net assets of governmental activities

\$ 236,176

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 1,878,376			\$ 120,894	\$ 1,999,270
Tuition	14,500				14,500
Miscellaneous	9,230				9,230
Total - Local Sources	<u>1,902,106</u>			<u>120,894</u>	<u>2,023,000</u>
State Sources	433,460			52,191	485,651
Federal Sources	34,429	90,758			125,187
Total Revenues	<u>2,369,995</u>	<u>90,758</u>		<u>173,085</u>	<u>2,633,838</u>
EXPENDITURES					
Current:					
Regular Instruction	821,255	70,289			891,544
Special Education Instruction	239,826				239,826
Other Special Instruction	45,212				45,212
Support services and undistributed costs:					
Tuition	47,121				47,121
Student and Instruction Related Services	206,031	20,469			226,500
School Administrative Services	4,588				4,588
Other Administrative Services	237,041				237,041
Plant Operations and Maintenance	180,575				180,575
Pupil Transportation	46,044				46,044
Unallocated Benefits	471,645				471,645
Debt Service:					
Principal				105,000	105,000
Interest and Other Charges				68,085	68,085
Capital Outlay			-		
Total Expenditures	<u>2,299,338</u>	<u>90,758</u>		<u>173,085</u>	<u>2,563,181</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>70,657</u>				<u>70,657</u>
Net Change in Fund Balances	70,657				70,657
Fund Balance—July 1	166,587		51,563		218,150
Fund Balance—June 30	<u>\$ 237,244</u>		<u>\$ 51,563</u>	<u>-</u>	<u>\$ 288,807</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 70,657

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

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

Depreciation Expense	\$ (60,582)	
Capital Outlays	<u> -</u>	(60,582)

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. 105,000

Payment of compensated absences 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. Additionally, any unpaid earned compensated absence is not reported as an expenditure in the governmental funds, but is recorded as an expenditure in the statement of activities. (30,622)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 1,575

Change in Net Assets of Governmental Activities \$ 86,028

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

JUNE 30, 2010

		Business-Type Activities- Enterprise Funds	
		Food Service	Totals
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 2,389	\$ 2,389
Accounts Receivable		201	201
Interfund Receivable		598	598
Total Current Assets		<u>3,188</u>	<u>3,188</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment		600	600
Less Accumulated Depreciation		(600)	(600)
Total Noncurrent Assets		<u> </u>	<u> </u>
	Total Assets	<u>3,188</u>	<u>3,188</u>
LIABILITIES			
Current liabilities:			
Accounts Payable		<u> </u>	<u> </u>
Total Current Liabilities		<u> </u>	<u> </u>
	Total Liabilities	<u> </u>	<u> </u>
NET ASSETS			
Unrestricted		3,188	3,188
Total Net Assets		<u>\$ 3,188</u>	<u>\$ 3,188</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities -	
	Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 4,466	\$ 4,466
Total Operating Revenues	<u>4,466</u>	<u>4,466</u>
Operating Expenses:		
Cost of Sales	6,450	6,450
Salaries	1,000	1,000
Other Purchased Professional Services		
Total Operating Expenses	<u>7,450</u>	<u>7,450</u>
Operating Income (Loss)	<u>(2,984)</u>	<u>(2,984)</u>
Nonoperating Revenues (Expenses):		
Federal Sources:		
Special Milk Program	3,149	3,149
Total Nonoperating Revenues (Expenses)	<u>3,149</u>	<u>3,149</u>
Income (Loss) Before Contributions and Transfers	165	165
Total Net Assets—Beginning	3,023	3,023
Total Net Assets—Ending	<u>\$ 3,188</u>	<u>\$ 3,188</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 3,868	\$ 3,868
Payments to Suppliers	(7,735)	(7,735)
Net Cash Provided by (used for) Operating Activities	<u>(3,867)</u>	<u>(3,867)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Sources	3,188	3,188
Operating Subsidies and Transfers to Other Funds		
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>3,188</u>	<u>3,188</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(679)	(679)
Balances—Beginning of Year	3,068	3,068
Balances—End of Year	<u>\$ 2,389</u>	<u>\$ 2,389</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (2,984)	\$ (2,984)
Provided by (used for) Operating Activities:		
(Increase) Decrease in Accounts Receivable	(598)	(598)
Increase (Decrease) in Accounts Payable	(285)	(285)
Total Adjustments	<u>(883)</u>	<u>(883)</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (3,867)</u>	<u>\$ (3,867)</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2010

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 50,067	\$ 14,795
	<u>50,067</u>	<u>14,795</u>
Total Assets	\$ 50,067	\$ 14,795
LIABILITIES		
Accounts Payable		\$ 1,565
Payable to Student Groups		<u>13,230</u>
Total Liabilities		\$ 14,795
NET ASSETS		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 50,067</u>	<u> </u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended June 30, 2010

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Contributions:	
Plan Member	\$ 2,407
Total Contributions	<u>2,407</u>
Investment Earnings:	
Interest	<u>-</u>
Net Investment Earnings	<u>-</u>
Total Additions	<u>2,407</u>
DEDUCTIONS	
Unemployment Claims	<u>55</u>
Total Deductions	<u>55</u>
Change in Net Assets	2,352
Net Assets—Beginning of the Year	<u>47,715</u>
Net Assets—End of the Year	<u>\$ 50,067</u>

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

Notes to Financial Statements

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, and Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2009.

A. Reporting Entity:

The Califon Borough School District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of five members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Califon Borough School District had an approximate enrollment at June 30, 2010, of 152 students.

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's

governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No.34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. Accumulated vacation time must be used within the fiscal period and does not accrue. Sick leave benefits provide for ordinary sick pay that has been accumulated during employment by the board.

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

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

CALIFON BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2010, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

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

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	<u>\$204,092</u>	<u>\$64,862</u>	<u>\$268,954</u>
	<u>\$204,092</u>	<u>\$64,862</u>	<u>\$268,954</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2010, was \$268,954 and the bank balance was \$329,377. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$313,297 was covered by federal depository insurances and \$16,080 was covered by collateral pool.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3: RECEIVABLES

Receivables at June 30, 2010, consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	\$14,462	\$14,462
Federal Aid	84,838	85,039
Other	99	99
Gross Receivable	<u>\$99,399</u>	<u>\$99,600</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$99,399</u></u>	<u><u>\$99,600</u></u>

NOTE 4: CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 83,800			\$ 83,800
Total Capital Assets Not Being Depreciated	<u>83,800</u>	-	-	<u>83,800</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Building Improvements	2,190,458			2,190,458
Machinery and Equipment	289,481			289,481
Total at Historical Cost	<u>2,479,939</u>	-	-	<u>2,479,939</u>
Less Accumulated Depreciation for:				
Building and Improvements	(494,951)	(53,904)		(548,855)
Equipment	(238,112)	(6,678)		(244,790)
Total Accumulated Depreciation	<u>(733,063)</u>	<u>(60,582)</u>		<u>(793,645)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>(733,063)</u>	<u>(60,582)</u>	-	<u>(793,645)</u>
Government Activity Capital Assets, Net	<u>\$ 1,830,676</u>	<u>\$ (60,582)</u>	-	<u>\$ 1,770,094</u>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 54,524
Unallocated	6,058
Total	<u>\$ 60,582</u>

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5: LONG-TERM OBLIGATIONS

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 general obligation bonds.

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2010, are as follows:

	Balance <u>7/1/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/10</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 1,740,000		\$ 105,000	\$ 1,635,000	\$ 110,000
Other Liabilities:					
Compensated Absences Payable	132,359	\$ 35,941	5,319	162,981	21,524
Total Other Liabilities	<u>\$ 1,872,359</u>	<u>\$ 35,941</u>	<u>\$ 110,319</u>	<u>\$ 1,797,981</u>	<u>\$ 131,524</u>

On July 24, 2006, \$1,935,000 in Bonds were authorized pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented, (ii) a proposal adopted by the Board on August 8, 2005 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on September 27, 2005 and (iii) a resolution duly adopted by the Board on July 24, 2006, which sets forth the terms and sale of the Bonds.

On August 15, 2006 bonds were issued in the amount of \$1,935,000. Bond Proceeds and accrued interest were received on September 7, 2009 in the amount of \$1,939,766, of which \$4,766 was for accrued interest.

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

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

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

For the year ended June 30, 2010, it is not necessary for the Board to establish a liability for arbitrage rebate.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5: LONG-TERM OBLIGATIONS (Continued)

	Government Activities			Balance <u>6/30/10</u>
	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	
Bonds Payable	8/15/06	4%-4.25%	8/15/2021	\$ 1,635,000
Total Bonds				<u>\$ 1,635,000</u>

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2010, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 110,000	\$ 63,785	\$ 173,785
2012	110,000	59,385	169,385
2013	115,000	54,885	169,885
2014	120,000	50,185	170,185
2015	125,000	45,285	170,285
Thereafter	<u>1,055,000</u>	<u>158,464</u>	<u>1,213,464</u>
	<u>\$1,635,000</u>	<u>\$ 431,989</u>	<u>\$ 2,066,989</u>

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

NOTE 6: PENSION PLANS

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6: PENSION PLANS (Continued)

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.

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6: PENSION PLANS (Continued)

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2010	\$5,742	100 %	-0-
6/30/2009	\$7,128	100	-0-
6/30/2008	\$21,702	100	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2010	-0-	100 %	-0-
6/30/2009	-0-	100	-0-
6/30/2008	-0-	100	-0-

During the fiscal year ended June 30, 2010, the State of New Jersey did contribute \$77,871 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$85,305 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. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 7: 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 pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8: DEFERRED COMPENSATION

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

The Penn Mutual Life Insurance Company
American Funds - The Capital Group Companies
First Investors Corporation

NOTE 9: COMPENSATED ABSENCES

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. Accumulated vacation time must be used within the fiscal period and does not accrue. Sick leave benefits provide for ordinary sick pay that has been accumulated during employment by the board.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2010, no liability existed for compensated absences in the proprietary fund types.

NOTE 10: 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.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10: RISK MANAGEMENT (Continued)

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the *Benefit Reimbursement Method*. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2009-2010	\$2,407		\$55	\$50,067
2008-2009	\$2,744		\$2,774	\$47,715
2007-2008	\$3,297			\$47,745

NOTE 11: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

The Board is not involved in claims and lawsuits incidental to its operations.

NOTE 12: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$237,244 General Fund fund balance at June 30, 2010, \$62,122 is reserved for encumbrances; \$103 has been reserved in the Capital Reserve Account; \$39,849 has been reserved and is anticipated as revenue for the year ended June 30, 2011; and, \$135,170 is unreserved and undesignated.

NOTE 13: CAPITAL RESERVE ACCOUNT

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13: CAPITAL RESERVE ACCOUNT - (Continued)

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

The Capital Reserve had no activity for the July 1, 2009 to June 30, 2010 fiscal year.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2010 (Exhibit B-1):

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$73,140	\$598
Special Revenue Fund	\$598	73,140
	<u>\$73,738</u>	<u>\$73,738</u>

The Special Revenue Fund owes the current fund for cash advances in anticipation of federal grant receipts.

NOTE 15: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2010 is \$0.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,878,376		\$ 1,878,376	\$ 1,878,376	
Tuition			-	14,500	\$ 14,500
Miscellaneous	4,000		4,000	9,230	5,230
Total - Local Sources	1,882,376		1,882,376	1,902,106	19,730
State Sources:					
Equalization Aid	189,747	\$ (34,429)	155,318	155,318	
Transportation Aid	10,382		10,382	10,356	(26)
Special Education Aid	83,876		83,876	83,876	
Security Aid	11,298		11,298	11,298	
Other State Aid			-	10,119	10,119
TPAF Pension (On-Behalf - Non-Budgeted)				77,871	77,871
TPAF Social Security (Reimbursed - Non-Budgeted)				85,305	85,305
Total State Sources	295,303	(34,429)	260,874	434,143	173,269
Federal Sources:					
ARRA-ESF		33,146	33,146	33,146	
ARRA-GSF		1,283	1,283	1,283	
Total Federal Sources		34,429	34,429	34,429	
TOTAL REVENUES	2,177,679	-	2,177,679	2,370,678	192,999
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	61,062	(65)	60,997	59,776	1,221
Grades 1-5 - Salaries of Teachers	398,152	3,070	401,222	395,777	5,445
Grades 6-8 - Salaries of Teachers	291,600	(1,853)	289,747	283,915	5,832

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	19,000	108	19,108	19,108	
Purchased Professional-Educational Services	265	(265)	-	-	
Other Purchased Services (400-500 series)	10,300	(86)	10,214	9,786	428
General Supplies	36,170	14,923	51,093	43,949	7,144
Textbooks	10,650	(1,706)	8,944	8,944	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	827,199	14,126	841,325	821,255	20,070
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	173,445	(1,436)	172,009	168,540	3,469
Other Salaries for Instruction	66,850	5,709	72,559	71,186	1,373
General Supplies	800	(665)	135	100	35
Textbooks	100	(100)	-	-	
Total Resource Room/Resource Center	241,195	3,508	244,703	239,826	4,877
TOTAL SPECIAL EDUCATION - INSTRUCTION	241,195	3,508	244,703	239,826	4,877
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	25,846	(129)	25,717	25,200	517
General Supplies	300	(300)	-	-	
Total Basic Skills/Remedial - Instruction	26,146	(429)	25,717	25,200	517
School Sponsored Co/Extra Curricular Activities-Inst.:					
Salaries	11,400	756	12,156	9,756	2,400
Supplies and Materials	4,487	(4,487)	-	-	
Total School Sponsored Co/Extra Curricular Activities-Inst.	15,887	(3,731)	12,156	9,756	2,400

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
School Sponsored Athletics-Instruction:					
Salaries	10,200	-	10,200	10,190	10
Purchased Services (300-500 series)	887	(887)	-	-	
Other Objects	1,200	(882)	318	66	252
Total School Sponsored Athletics-Instruction	12,287	(1,769)	10,518	10,256	262
TOTAL INSTRUCTION	1,122,714	11,705	1,134,419	1,106,293	28,126
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Special	32,177	12,201	44,378	44,378	-
Tuition to Priv. Sch. For the Disabled W/I State	12,598	(9,803)	2,795	2,743	52
Total Instruction	44,775	2,398	47,173	47,121	52
Health Services:					
Salaries	26,002	800	26,802	26,202	600
Purchased Professional and Technical Services	500	-	500	500	
Other Purchased Services (400-500 series)	100	-	100	-	100
Supplies and Materials	1,500	737	2,237	1,433	804
Total Health Services	28,102	1,537	29,639	28,135	1,504
Other Supp. Services Students-Related Services:					
Salaries	19,013	3,000	22,013	22,000	13
Purchased Professional - Educational Services	36,300	(10,697)	25,603	25,267	336
Supplies and Materials	2,900	-	2,900	2,177	723
Total Other Supp. Services Students-Related Services	58,213	(7,697)	50,516	49,444	1,072
Other Supp. Services Students-Student:					
Purchased Professional - Educational Services	5,000	(344)	4,656	4,406	250
Total Other Supp. Services Students-Student	5,000	(344)	4,656	4,406	250

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	40,682	(2,569)	38,113	37,296	817
Salaries of Secretarial and Clerical Assistants	26,112	2,569	28,681	28,215	466
Purchased Professional - Educational Services	-	900	900	900	
Supplies and Materials	2,000	227	2,227	1,897	330
Other Objects	150	(150)	-	-	
Total Other Supp. Services Students-Regular	68,944	977	69,921	68,308	1,613
Improvement of Instructional Services:					
Other Objects	800	-	800	-	800
Total Improvement of Instructional Services	800	-	800	-	800
Educational Media Services/School Library:					
Salaries	50,031	261	50,292	49,290	1,002
Other Purchased Services (400-500 series)	2,700	(684)	2,016	1,893	123
Supplies and Materials	5,000	(852)	4,148	2,593	1,555
Total Educational Media Services/School Library	57,731	(1,275)	56,456	53,776	2,680
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	3,500	(425)	3,075	1,962	1,113
Total Instructional Staff Training Services	3,500	(425)	3,075	1,962	1,113
Supp. Services - General Administration:					
Salaries	132,778	1,050	133,828	130,174	3,654
Legal Services	2,450	-	2,450	627	1,823
Audit Fees	9,100	74	9,174	9,174	
Other Purchased Professional Services	1,690	(345)	1,345	1,270	75
Communications/Telephone	4,058	621	4,679	3,939	740
Other Purchased Services (400-500 series)	5,268	1,288	6,556	6,555	1
General Supplies	1,100	(756)	344	-	344
Miscellaneous Expenditures	3,424	348	3,772	3,105	667
BOE Membership Dues and Fees	4,022	(1,778)	2,244	2,244	
Total Supp. Services - General Administration	163,890	502	164,392	157,088	7,304

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Secretarial and Clerical Assistants	4,488	100	4,588	4,588	-
Other Objects	225	(100)	125	-	125
Total Support Services - School Administration	4,713	-	4,713	4,588	125
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	14,700	1,759	16,459	15,537	922
Total Required Maintenance for School Facilities	14,700	1,759	16,459	15,537	922
Other Operations and Maintenance of Plant:					
Salaries	84,270	(896)	83,374	77,048	6,326
Cleaning, Repair and Maintenance Services	12,950	4,888	17,838	17,838	-
Insurance	16,300	2,544	18,844	18,844	-
Miscellaneous Purchased Services	1,850	313	2,163	2,163	-
General Supplies	9,250	389	9,639	7,546	2,093
Energy (Natural Gas)	16,600	1,225	17,825	17,825	-
Energy (Electricity)	24,800	(2,101)	22,699	22,699	-
Total Other Operations and Maintenance of Plant	166,020	6,362	172,382	163,963	8,419
Care and Upkeep of Grounds:					
Purchased Professional and Technical Services	1,500	(425)	1,075	1,075	-
Total Care and Upkeep of Grounds	1,500	(425)	1,075	1,075	-
Student Transportation Services					
Contracted.Services-Aid in Lieu of Payments-Non Public Sch.	914	(30)	884	884	-
Contracted Services(Oth.than Bet.Home & Sch.)-Vendors	4,687	(1,508)	3,179	2,875	304
Contracted Services(Spl.Ed.Students)-ESCs & CTSAAs	51,530	1,980	53,510	39,585	13,925
Misc. Purchased Services - Transportation	2,700	-	2,700	2,700	-
Total Student Transportation Services	59,831	442	60,273	46,044	14,229

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Central Services:					
Salaries	-	11,745	11,745	11,745	
Purchased Professional Services	65,000	(11,641)	53,359	53,359	-
Supplies and Materials	605	(104)	501	129	372
Other Objects	150	-	150	-	150
Total Central Services	65,755	-	65,755	65,233	522
ALLOCATED BENEFITS					
Supp. Services - General Administration:					
Group Insurance	13,761	1,919	15,680	14,720	960
Total Supp. Services - General Administration	13,761	1,919	15,680	14,720	
TOTAL ALLOCATED BENEFITS	13,761	1,919	15,680	14,720	-
UNALLOCATED BENEFITS					
Social Security Contributions	32,254	3,993	36,247	35,726	521
Other Retirement Contributions - Regular	5,252	490	5,742	5,742	
Workmen's Compensation	20,200	(654)	19,546	19,546	
Health Benefits	233,929	12,530	246,459	246,398	61
Tuition Reimbursement	6,000	35	6,035	1,057	4,978
Other Employee Benefits	95	-	95	-	95
TOTAL UNALLOCATED BENEFITS	297,730	16,394	314,124	308,469	5,655
On-behalf TPAF pension Contrib. (non-budgeted)				77,871	(77,871)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				85,305	(85,305)
TOTAL ON-BEHALF CONTRIBUTIONS				163,176	(163,176)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	311,491	18,313	329,804	486,365	(157,521)
TOTAL UNDISTRIBUTED EXPENDITURES	1,054,965	22,124	1,077,089	1,193,045	(116,916)

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
TOTAL GENERAL CURRENT EXPENSE	2,177,679	33,829	2,211,508	2,299,338	(87,830)
TOTAL EXPENDITURES	2,177,679	33,829	2,211,508	2,299,338	(87,830)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(33,829)	(33,829)	71,340	105,169
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	(33,829)	(33,829)	71,340	105,169
Fund Balance, July 1	195,437		195,437	195,437	
Fund Balance, June 30	\$ 195,437	\$ (33,829)	\$ 161,608	\$ 266,777	\$ 105,169

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Capital Reserve				\$ 103	
Encumbrances				62,122	
Designated for Subsequent Year's Expenditures				39,849	
Unrestricted Fund Balance				<u>164,703</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				266,777	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(29,533)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u><u>\$ 237,244</u></u>	

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1b

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND-ARRA

Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
ARRA-ESF		\$ 33,146	\$ 33,146	\$ 33,146	
ARRA-GSF		1,283	1,283	1,283	
Total Federal Sources		34,429	34,429	34,429	
TOTAL REVENUES		\$ 34,429	\$ 34,429	\$ 34,429	
EXPENDITURES:					
Current Expense:					
ARRA:					
ARRA - ESF - Salaries of Teachers Grades 1-5		\$ 33,146	\$ 33,146	\$ 33,146	
ARRA - GSF - Salaries of Teachers Grades 1-5		1,283	1,283	1,283	
Total ARRA		34,429	34,429	34,429	
TOTAL EXPENDITURES		\$ 34,429	\$ 34,429	\$ 34,429	
Excess (Deficiency) of Revenues Over (Under) Expenditures					

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
State Sources		\$ 1,844	\$ 1,844		\$ (1,844)
Federal Sources	\$ 66,500	34,034	100,534	\$ 97,706	(2,828)
Total Revenues	66,500	35,878	102,378	97,706	(4,672)
EXPENDITURES:					
Instruction:					
Tuition	38,409	32,426	70,835	68,719	2,116
General Supplies	8,966	(3,896)	5,070	5,070	
Total Instruction	47,375	28,530	75,905	73,789	2,116
Support Services					
Purchased Professional - Technical Services	2,409	18,511	20,920	20,920	
Other Purchased Services	16,716	(11,163)	5,553	2,997	2,556
Total Support Services	19,125	7,348	26,473	23,917	2,556
Facilities Acquisition & Const. Serv.:					
Instructional Equipment					
Total Facilities Acq. & Const. Serv.					
Total Expenditures	66,500	35,878	102,378	97,706	4,672
Total Outflows	\$ 66,500	\$ 35,878	\$ 102,378	\$ 97,706	\$ 4,672
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

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

For the Fiscal Year Ended June 30, 2010

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 2,370,678	\$ 97,706
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	300
Current Year Encumbrances	N/A	(7,248)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	28,850	N/A
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(29,533)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 2,369,995</u>	<u>\$ 90,758</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 2,299,338	\$ 97,706
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	300
Current Year Encumbrances	N/A	(7,248)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 2,299,338</u>	<u>\$ 90,758</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

CALIFON BOROUGH SCHOOL DISTRICT

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2010

	Title II		IDEA	IDEA	ARRA		Totals
	Part A	Title IV	Basic	Preschool	IDEA	REAP	
					Basic		
REVENUES							
Federal Sources	\$ 3,801	\$ 368	\$ 36,096	\$ 1,912	\$ 30,711	\$ 24,818	97,706
TOTAL REVENUES	3,801	368	36,096	1,912	30,711	24,818	97,706
EXPENDITURES:							
Instruction:							
Tuition			36,096	1,912	30,711		68,719
General Supplies						5,070	5,070
Total Instruction			36,096	1,912	30,711	5,070	73,789
Support Services:							
Purchased Profess.-Tech. Serv.	1,172					19,748	20,920
Other Purchased Services	2,629	368					2,997
Total Support Services	3,801	368	-	-	-	19,748	23,917
Facilities Acquisition & Const. Serv.:							
Instructional Equipment							
Total Facilities Acq. & Const. Serv.							
TOTAL EXPENDITURES	3,801	368	36,096	1,912	30,711	24,818	97,706
Total Outflows	3,801	368	36,096	1,912	30,711	24,818	97,706
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)							

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-1

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

For the Fiscal Year Ended June 30, 2010

<u>Issue/Project Title</u>	<u>Approval</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2010</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Addition Construction & Renovations to Califon School	Voters	9/27/05	\$ 1,935,000	\$ 1,888,203	\$ -	\$ 46,797
Totals			<u>\$ 1,935,000</u>	<u>1,888,203</u>	<u>\$ -</u>	<u>\$ 46,797</u>
Accrued Interest on Bond Proceeds						4,766
Fund Balance						<u>\$ 51,563</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-2

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

For the Fiscal Year Ended June 30, 2010

Revenues and Other Financing

Sources

Refund of Prior Year Expenditures	\$ -
Total Revenues	<u>-</u>

Expenditures and Other Financing

Uses:

Purchased professional and technical services	-
Construction services	<u>-</u>
Total Expenditures	<u>-</u>

Excess(deficiency) of revenues over(under) expenditures	-
--	---

Fund Balance - Beginning	<u>51,563</u>
--------------------------	---------------

Fund Balance - Ending	<u><u>\$ 51,563</u></u>
-----------------------	-------------------------

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
NEW CONSTRUCTION & RENOVATIONS OF CALIFON SCHOOL

From Inception and for the Fiscal Year Ended June 30, 2010

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing				
Sources				
Bond Proceeds	\$ 1,935,000		\$ 1,935,000	\$ 1,935,000
Refund of Prior Year Expenditures	17,113		17,113	
Total Revenues	<u>1,952,113</u>	-	<u>1,952,113</u>	<u>1,935,000</u>
Expenditures and Other Financing				
Sources				
Purchased professional and technical serv.	\$ 259,509		259,509	292,600
Construction services	1,645,807		1,645,807	1,642,400
Total Expenditures	<u>1,905,316</u>	-	<u>1,905,316</u>	<u>1,935,000</u>
Excess(deficiency)of revenues over(under) expenditures	<u>\$ 46,797</u>	<u>\$ -</u>	<u>\$ 46,797</u>	

Additional project information:

Project number	N/A
Grant Date	N/A
Bond Authorization Date	9/27/2005
Bonds Authorized	\$1,935,000
Bonds Issued	\$1,935,000
Original Authorized Cost	\$1,935,000
Additional Authorized Cost	N/A
Revised Authorized Cost	\$1,935,000

Percentage Increase over Original

Authorized Cost	N/A
Percentage Completion	94%
Original Target Completion Date	6/30/07
Revised Target Completion Date	9/30/07

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

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

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

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

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

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

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

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

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

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	AGENCY FUNDS STUDENT ACTIVITY	PAYROLL AGENCY	TOTALS
ASSETS:				
Cash and Cash Equivalents	\$50,067	\$13,230	\$1,565	\$64,862
TOTAL ASSETS	<u>\$50,067</u>	<u>\$13,230</u>	<u>\$1,565</u>	<u>\$64,862</u>
LIABILITIES:				
Liabilities:				
Payroll Deductions			\$1,565	\$1,565
Payable to Student Groups		\$13,230		13,230
Total Liabilities		<u>13,230</u>	<u>1,565</u>	<u>14,795</u>
NET ASSETS				
Held in Trust for Unemployment Claims and Other Purposes	\$50,067			50,067
TOTAL LIABILITIES AND NET ASSETS	<u>\$50,067</u>	<u>\$13,230</u>	<u>\$1,565</u>	<u>\$64,862</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010**

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	<u>\$2,407</u>	<u>\$2,407</u>
Total Contributions	<u>2,407</u>	<u>2,407</u>
Investment Earnings:		
Interest		
Net Investment Earnings		
Total Additions	<u>2,407</u>	<u>2,407</u>
DEDUCTIONS		
Unemployment Claims	<u>55</u>	<u>55</u>
Total Deductions	<u>55</u>	<u>55</u>
Change in Net Assets	2,352	2,352
Net Assets—Beginning of the Year	<u>47,715</u>	<u>47,715</u>
Net Assets—End of the Year	<u>\$50,067</u>	<u>\$50,067</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>ACTIVITY</u>	<u>BALANCE JUNE 30, 2009</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2010</u>
School Activity Funds	<u>\$13,562</u>	<u>\$20,922</u>	<u>\$21,254</u>	<u>\$13,230</u>
	<u>\$13,562</u>	<u>\$20,922</u>	<u>\$21,254</u>	<u>\$13,230</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>BALANCE</u> <u>JUNE 30, 2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
ASSETS:				
Cash and Cash Equivalents	\$1,495	\$ 1,566,583	\$ 1,566,513	\$1,565
Total Assets	<u>\$1,495</u>	<u>\$ 1,566,583</u>	<u>\$ 1,566,513</u>	<u>\$1,565</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$1,495	\$ 615,736	\$ 615,666	\$1,565
Accrued Salaries and Wages		950,847	950,847	
Total Liabilities	<u>\$1,495</u>	<u>\$ 1,566,583</u>	<u>\$ 1,566,513</u>	<u>\$1,565</u>

LONG-TERM DEBT SCHEDULES

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2010**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2009</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2010</u>
			<u>DATE</u>	<u>AMOUNT</u>				
School Construction Bonds - Series 2006	08/15/06	1,935,000	08/15/10	\$ 110,000	4.00%	\$ 1,740,000	\$ 105,000	\$ 1,635,000
			08/15/11	110,000	4.00%			
			08/15/12	115,000	4.00%			
			08/15/13	120,000	4.00%			
			08/15/14	125,000	4.00%			
			08/15/15	130,000	4.00%			
			08/15/16	140,000	4.00%			
			08/15/17	145,000	4.00%			
			08/15/18	150,000	4.00%			
			08/15/19	155,000	4.05%			
			08/15/20	165,000	4.05%			
			08/15/21	170,000	4.25%			
Total						<u>\$ 1,740,000</u>	<u>\$ 105,000</u>	<u>\$ 1,635,000</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit I-3

**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>	Variance Positive/ (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 120,894	\$ -	\$ 120,894	\$ 120,894	\$ -
State Sources:					
Debt Service Aid Type II	<u>52,191</u>	<u>-</u>	<u>52,191</u>	<u>52,191</u>	<u>-</u>
Total - State Sources	52,191	-	52,191	52,191	-
TOTAL REVENUES	<u>173,085</u>	<u>-</u>	<u>173,085</u>	<u>173,085</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Interest	68,085	-	68,085	68,085	-
Redemption of Principal	<u>105,000</u>	<u>-</u>	<u>105,000</u>	<u>105,000</u>	<u>-</u>
Total Regular Debt Service	<u>173,085</u>	<u>-</u>	<u>173,085</u>	<u>173,085</u>	<u>-</u>
TOTAL EXPENDITURES	<u>173,085</u>	<u>-</u>	<u>173,085</u>	<u>173,085</u>	<u>-</u>
Fund Balance, July 1					
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Califon Borough School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	59-60
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	65-68
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	69-72
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	73-74
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	75-79

Sources:

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

Califon Borough School District
Net Assets by Component,
Last Eight Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
	N/A							
Governmental activities								
Invested in capital assets, net of related debt		\$ 260,016	\$ 278,928	\$ 467,559	\$ 121,837	\$ 173,477	\$ 90,676	\$ 135,094
Restricted		37,248	8,509	72,766	72,766	103	103	39,952
Unrestricted		(50,220)	8,605	(246,498)	147,339	114,122	59,369	61,130
Total governmental activities net assets	<u>-</u>	<u>\$ 247,044</u>	<u>\$ 296,042</u>	<u>\$ 293,827</u>	<u>\$ 341,942</u>	<u>\$ 287,702</u>	<u>\$ 150,148</u>	<u>\$ 236,176</u>
Business-type activities								
Invested in capital assets, net of related debt		\$ 120	\$ 60					
Restricted		-	-					
Unrestricted		1,109	1,256	\$ 2,648	\$ 2,489	\$ 996	\$ 3,023	3,188
Total business-type activities net assets	<u>-</u>	<u>\$ 1,229</u>	<u>\$ 1,316</u>	<u>\$ 2,648</u>	<u>\$ 2,489</u>	<u>\$ 996</u>	<u>\$ 3,023</u>	<u>\$ 3,188</u>
District-wide								
Invested in capital assets, net of related debt		\$ 260,136	\$ 278,988	\$ 467,559	\$ 121,837	\$ 173,477	\$ 90,676	\$ 135,094
Restricted		37,248	8,509	72,766	72,766	103	103	39,952
Unrestricted		(49,111)	9,861	(243,850)	149,828	115,118	62,392	64,318
Total district net assets	<u>-</u>	<u>\$ 248,273</u>	<u>\$ 297,358</u>	<u>\$ 296,475</u>	<u>\$ 344,431</u>	<u>\$ 288,698</u>	<u>\$ 153,171</u>	<u>\$ 239,364</u>

Source: CAFR Schedule A-1

Califon Borough School District
Changes in Net Assets, Last Eight Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2003	2004	2005	Fiscal Year Ending June 30,		2008	2009	2010
Expenses	N/A			2006	2007			
Governmental activities								
Instruction								
Regular		\$ 950,429	\$ 990,699	\$ 1,063,266	\$ 1,056,288	\$ 1,142,196	\$ 1,116,540	\$ 1,186,911
Special education		195,451	235,674	249,260	241,871	280,822	286,664	300,879
Other special education		47,418	45,748	37,435	56,229	46,607	63,302	56,722
Support Services:								
Tuition		200,168	118,461	140,204	112,474	6,507	82,662	59,117
Student & instruction related services		145,835	184,799	194,021	246,496	423,618	286,426	284,161
General administrative services		261,222	232,851	292,808	326,514	319,230	309,256	297,385
School administrative services		36,284	12,660	13,713	5,957	6,457	6,842	5,756
Business administrative services								
Plant operations and maintenance		157,255	236,989	202,511	221,467	254,329	217,890	226,545
Pupil transportation		56,454	38,888	47,184	17,666	91,924	76,907	57,766
Interest Expense					68,236	74,660	70,686	66,510
Unallocated depreciation		3,538	3,537	3,537	3,537	11,308	6,058	6,058
Total governmental activities expenses	-	<u>2,054,054</u>	<u>2,100,306</u>	<u>2,243,939</u>	<u>2,356,735</u>	<u>2,657,658</u>	<u>2,523,233</u>	<u>2,547,810</u>
Business-type activities:								
Food service		5,104	6,186	4,872	6,873	8,722	5,181	7,450
Total business-type activities expense	-	<u>5,104</u>	<u>6,186</u>	<u>4,872</u>	<u>6,873</u>	<u>8,722</u>	<u>5,181</u>	<u>7,450</u>
Total district expenses	-	<u>\$ 2,059,158</u>	<u>\$ 2,106,492</u>	<u>\$ 2,248,811</u>	<u>\$ 2,363,608</u>	<u>\$ 2,666,380</u>	<u>\$ 2,528,414</u>	<u>\$ 2,555,260</u>
 Program Revenues								
Governmental activities:								
Charges for services:								
Tuition					\$ 7,200	\$ 14,400	\$ 7,200	\$ 14,500
Operating grants and contributions		481,423	496,326	494,090	567,979	743,714	580,693	610,838
Capital grants and contributions								
Total governmental activities program revenues	-	<u>481,423</u>	<u>496,326</u>	<u>494,090</u>	<u>575,179</u>	<u>758,114</u>	<u>587,893</u>	<u>625,338</u>

Califon Borough School District
Changes in Net Assets, Last Eight Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,							
	2003	2004	2005	2006	2007	2008	2009	2010
Business-type activities:								
Charges for services								
Food service		2,559	3,329	3,461	3,883	3,979	3,748	4,466
Operating grants and contributions		2,334	2,944	2,743	2,831	3,250	3,460	3,149
Capital grants and contributions		-	-	-	-	-	-	-
Total business type activities program revenues	-	4,893	6,273	6,204	6,714	7,229	7,208	7,615
Total district program revenues	-	\$ 486,316	\$ 502,599	\$ 500,294	\$ 581,893	\$ 765,343	\$ 595,101	\$ 632,953
Net (Expense)/Revenue								
Governmental activities		\$ (1,572,631)	\$ (1,603,980)	\$ (1,749,849)	\$ (1,781,556)	\$ (1,899,544)	\$ (1,935,340)	\$ (1,922,472)
Business-type activities		(211)	87	1,332	(159)	(1,493)	2,027	165
Total district-wide net expense		\$ (1,572,842)	\$ (1,603,893)	\$ (1,748,517)	\$ (1,781,715)	\$ (1,901,037)	\$ (1,933,313)	\$ (1,922,307)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net		\$ 1,645,764	\$ 1,645,390	\$ 1,735,736	\$ 1,735,044	\$ 1,733,093	\$ 1,861,084	\$ 1,878,376
Taxes levied for debt service					48,500	98,231	120,266	120,894
Unrestricted grants and contributions								
Payments in lieu of taxes			-	-	-	-	-	-
Investment earnings		2,186	6,300	10,700	45,342	13,749	4,922	1,014
Miscellaneous income		13,764	1,288	1,198	785	231	17,773	8,216
Total governmental activities	-	1,661,714	1,652,978	1,747,634	1,829,671	1,845,304	2,004,045	2,008,500
Business-type activities:								
Investment earnings		-	-	-	-	-	-	-
Transfers								
Total business-type activities	-	-	-	-	-	-	-	-
Total district-wide		\$ 1,661,714	\$ 1,652,978	\$ 1,747,634	\$ 1,829,671	\$ 1,845,304	\$ 2,004,045	\$ 2,008,500
Change in Net Assets								
Governmental activities		\$ 89,083	\$ 48,998	\$ (2,215)	\$ 48,115	\$ (54,240)	\$ 68,705	\$ 86,028
Business-type activities		(211)	87	1,332	(159)	(1,493)	2,027	165
Total district		\$ 88,872	\$ 49,085	\$ (883)	\$ 47,956	\$ (55,733)	\$ 70,732	\$ 86,193

Source: CAFR Schedule A-2

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

Exhibit J-3

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Fiscal Year Ending June 30,</u>		<u>2008</u>	<u>2009</u>	<u>2010</u>
				<u>2006</u>	<u>2007</u>			
General Fund								
Reserved	\$ 597	\$ 82,130	\$ 93,225	\$ 73,971	\$ 99,093	\$ 20,078	\$ 37,565	\$ 102,074
Unreserved	4,381	61,862	84,390	95,340	144,193	202,369	129,022	135,170
Total general fund	<u>\$ 4,978</u>	<u>\$ 143,992</u>	<u>\$ 177,615</u>	<u>\$ 169,311</u>	<u>\$ 243,286</u>	<u>\$ 222,447</u>	<u>\$ 166,587</u>	<u>\$ 237,244</u>
All Other Governmental Funds								
Reserved	\$ 36,423							-
Unreserved, reported in:								
Special revenue fund	(321)							-
Capital projects fund				\$ (209,488)	\$ 108,531	\$ 51,475	\$ 51,563	\$ 51,563
Debt service fund					9,508	-	-	-
Permanent fund	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 36,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (209,488)</u>	<u>\$ 118,039</u>	<u>\$ 51,475</u>	<u>\$ 51,563</u>	<u>\$ 51,563</u>

Source: CAFR Schedule B-1

**Califon Borough School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<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>
Revenues										
Tax levy	\$ 1,181,062	\$ 1,335,193	\$ 1,531,273	\$ 1,645,764	\$ 1,645,390	\$ 1,735,736	\$ 1,783,544	\$ 1,831,324	\$ 1,981,350	\$ 1,999,270
Tuition charges	5,648						7,200	14,400	7,200	14,500
Interest earnings										
Miscellaneous	8,868	13,775	26,384	15,950	7,588	11,898	46,127	13,980	22,695	9,230
State sources	358,751	381,222	388,696	445,963	430,677	449,580	542,146	621,951	517,028	485,651
Federal sources	24,943	32,539	33,107	35,460	65,649	44,510	25,833	121,763	63,665	125,187
Total revenue	1,579,272	1,762,729	1,979,460	2,143,137	2,149,304	2,241,724	2,404,850	2,603,418	2,591,938	2,633,838
Expenditures										
Instruction										
Regular Instruction	580,885	625,022	672,979	724,937	754,950	805,772	766,697	780,577	855,033	891,544
Special education instruction	116,869	140,909	115,350	155,626	187,165	196,358	182,849	216,937	234,802	239,826
Other special instruction	20,311	21,200	22,309	37,756	36,332	29,490	42,508	36,004	51,850	45,212
Vocational education					-	-	-	-	-	-
Other instruction	13,766	17,901	19,833							
Support Services:										
Tuition	112,484	47,718	177,334	159,382	94,078	110,448	85,028	5,027	67,707	47,121
Student & instruction related services	155,117	190,438	212,821	116,120	166,555	152,843	186,345	327,248	234,607	226,500
General administrative services	121,890	134,654	144,835							
School Administrative services	25,784	25,038	28,450	28,891	10,054	10,803	4,503	4,988	5,604	4,588
Business administrative services	43,556	44,819	55,220	207,995	184,923	230,664	246,837	246,607	253,307	237,041
Plant operations and maintenance	97,414	102,540	107,916	125,213	191,802	162,677	170,633	199,745	181,248	180,575
Pupil transportation	52,833	61,590	68,291	44,951	30,884	37,170	13,355	71,012	62,993	46,044
Unallocated employee benefits	263,740	272,971	311,101	379,211	440,450	499,291	575,954	561,867	439,350	471,645
Special Revenue	21,114	38,827	37,257		-	-	-	-	-	-
Capital outlay	3,033	9,496	30,764	23,720	18,488	224,000	1,624,647	69,724	89,023	-
Debt service							38,992	171,085	172,186	173,085
Total expenditures	1,628,796	1,733,123	2,004,460	2,003,802	2,115,681	2,459,516	3,938,348	2,690,821	2,647,710	2,563,181
Excess (Deficiency) of revenues over (under) expenditures	(49,524)	29,606	(25,000)	139,335	33,623	(217,792)	(1,533,498)	(87,403)	(55,772)	70,657
Other Financing Sources (uses)										
Bond Proceeds							1,935,000			
Transfers out										-
Total other financing sources (uses)	-	-	-	-	-	-	1,935,000	-	-	-
Net change in fund balances	\$ (49,524)	\$ 29,606	\$ (25,000)	\$ 139,335	\$ 33,623	\$ (217,792)	\$ 401,502	\$ (87,403)	\$ (55,772)	\$ 70,657
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	6.5%	6.7%	6.8%

Source: CAFR Schedule B-2

CALIFON BOROUGH SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Transpor.</u> <u>Reimburse.</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2001	\$ 1,925	\$ 3,073		\$ 5,648	\$ 2,722	\$ 13,368
2002	671	11,639			351	12,661
2003	1,574	13,910		7,491	1,785	24,760
2004	2,186	10,764			3,000	15,950
2005	6,300		\$ 41		1,247	7,588
2006	10,700	1,198				11,898
2007	40,576			7,200	785	48,561
2008	13,749			14,400	231	28,380
2009	4,492			7,200	1,090	12,782
2010	1,014	4,955		14,500	9,467	29,936

SOURCE: District Records

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

Exhibit J-6

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2001	\$1,622,100	\$74,348,900	\$713,800	\$27,105	\$9,075,644	\$147,200	\$294,400	\$93,135,875	\$5,965,800	\$940,926	\$87,170,075	\$1.332	\$95,567,567
2002	1,622,100	74,648,700	719,700	27,105	9,075,644	147,200	294,400	93,501,451	5,965,800	1,000,802	87,535,651	1.439	102,882,205
2003	1,463,800	75,741,600	719,700	27,105	9,075,644	147,200	294,400	94,568,072	5,965,800	1,132,823	88,602,272	1.621	122,887,251
2004	1,656,500	76,295,700	719,700	26,305	8,919,644	-	294,400	94,671,355	5,965,800	793,306	88,705,555	1.785	129,251,924
2005	1,536,100	75,688,800	1,439,500	28,805	8,919,644	-	294,400	94,308,844	5,727,500	674,095	88,581,344	1.857	142,173,630
2006	1,476,500	76,610,500	1,439,500	28,805	8,919,644	-	294,400	95,170,944	5,727,500	674,095	89,443,444	1.891	142,173,630
2007	2,924,500	140,218,500	2,521,300	31,208	14,603,700	396,100	475,700	171,600,647	9,088,000	1,341,639	162,512,647	1.083	154,287,774
2008	3,199,100	140,743,600	1,957,500	27,508	14,999,300	396,100	475,700	172,597,980	9,575,100	1,224,072	163,022,880	1.109	163,369,149
2009	3,024,300	141,995,300	1,957,500	27,508	16,220,700	396,100	475,700	174,986,362	9,575,100	1,314,154	165,411,262	1.153	164,844,456
2010	2,788,300	142,390,600	1,959,800	25,408	16,221,700	396,100	475,700	175,120,300	9,575,100	1,287,592	165,545,200	1.203	154,096,021

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Califon Borough School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Califon Borough Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	North Hunterdon Reg. High School	Califon Borough	Library	Hunterdon County	
2001	\$1.332	\$0.000	\$1.332	\$0.550	\$0.418	\$0.036	\$0.464	\$2.800
2002	\$1.439	\$0.000	\$1.439	\$0.664	\$0.466	\$0.036	\$0.465	\$3.070
2003	\$1.621	\$0.000	\$1.621	\$0.651	\$0.595	\$0.034	\$0.489	\$3.390
2004	\$1.785	\$0.000	\$1.785	\$0.752	\$0.598	\$0.039	\$0.556	\$3.730
2005	\$1.857	\$0.000	\$1.857	\$0.810	\$0.627	\$0.041	\$0.555	\$3.890
2006	\$1.891	\$0.000	\$1.891	\$0.955	\$0.655	\$0.043	\$0.556	\$4.100
2007	\$1.053	\$0.030	\$1.083	\$0.499	\$0.381	\$0.025	\$0.312	\$2.300
2008	\$1.049	\$0.060	\$1.109	\$0.451	\$0.393	\$0.026	\$0.311	\$2.290
2009	\$1.080	\$0.073	\$1.153	\$0.458	\$0.384	\$0.025	\$0.308	\$2.328
2010	\$1.130	\$0.073	\$1.203	\$0.456	\$0.390	\$0.023	\$0.297	\$2.369

Source: District Records and Municipal Tax Collector

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

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

b Rates for debt service are based on each year's requirements.

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

Exhibit J-8

Taxpayer	2010			2000		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Country Square, Inc.	\$ 2,389,700	1	1.44%	\$ 1,350,000	2	1.84%
Wade Family Partnership, LP	1,815,500	2	1.10%			
Columbia Gas Transmission Corp.	1,531,500	3	0.93%	1,103,844	3	1.50%
Staiano Wood Products	1,324,500	4	0.80%	689,000	4	0.94%
United Telephone of NJ/Embarq	1,314,154	5	0.79%			
Individual Taxpayer #1	1,021,000	6	0.62%	1,494,800	1	2.04%
Individual Taxpayer #2	847,400	7	0.51%	551,800	7	0.75%
Individual Taxpayer #3	816,800	8	0.49%	536,900	8	0.73%
Individual Taxpayer #4	774,600	9	0.47%	452,900	9	0.62%
D & B Holding, LLC	753,700	10	0.46%			
Individual Taxpayer #1				362,300	10	0.49%
United National Bank				600,500	5	0.82%
Califon Lumber Company				583,700	6	0.80%
Total	\$ 12,588,854		7.61%	\$ 7,725,744		10.53%

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2001	\$1,181,062	\$1,181,062	100.00%	-
2002	\$1,335,193	\$1,335,193	100.00%	-
2003	\$1,531,273	\$1,531,273	100.00%	-
2004	\$1,645,764	\$1,645,764	100.00%	-
2005	\$1,645,390	\$1,645,390	100.00%	-
2006	\$1,735,736	\$1,735,736	100.00%	-
2007	\$1,735,044	\$1,735,044	100.00%	-
2008	\$1,733,093	\$1,733,093	100.00%	-
2009	\$1,861,084	\$1,861,084	100.00%	-
2010	\$1,878,376	\$1,878,376	100.00%	-

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

Note:

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

**Califon Borough School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2001	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2002	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2003	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2004	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2005	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2006	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2007	\$ 1,935,000	-0-	-0-	-0-	-0-	\$ 1,935,000	2.73%	\$1,858.79	
2008	\$ 1,840,000	-0-	-0-	-0-	-0-	\$ 1,840,000	2.58%	\$1,774.35	
2009	\$ 1,740,000	-0-	-0-	-0-	-0-	\$ 1,740,000	2.44%	\$1,677.92	
2010	\$ 1,635,000	-0-	-0-	-0-	-0-	\$ 1,635,000	2.29%	\$1,575.14	

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

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

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

**Califon Borough School District
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2001	-0-	-0-	-0-	-0-	-0-
2002	-0-	-0-	-0-	-0-	-0-
2003	-0-	-0-	-0-	-0-	-0-
2004	-0-	-0-	-0-	-0-	-0-
2005	-0-	-0-	-0-	-0-	-0-
2006	-0-	-0-	-0-	-0-	-0-
2007	\$ 1,935,000	-0-	\$ 1,935,000	1.19%	\$1,859
2008	\$ 1,840,000	-0-	\$ 1,840,000	1.13%	\$1,774
2009	\$ 1,740,000	-0-	\$ 1,740,000	1.05%	\$1,678
2010	\$ 1,635,000	-0-	\$ 1,635,000	0.99%	\$1,575

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

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

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

**Califon Borough School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2010**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Califon Borough	None	100.0%	None
Other debt			
North Hunterdon Regional School District	\$ 5,245,000	1.671%	\$ 87,668
Hunterdon County	115,523,635	0.636%	<u>735,141</u>
Subtotal, overlapping debt			822,809
Califon Borough School District Direct Debt *			<u>1,635,000</u>
Total direct and overlapping debt			<u><u>\$ 2,457,809</u></u>

Sources: Califon Borough Finance Officer, Hunterdon County Finance Office and Utility Authorities

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

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

Legal Debt Margin Calculation for Fiscal Year 2010

	Equalized valuation basis
	2009 \$ 154,682,746
	2008 159,580,967
	2007 162,464,914
	[A] <u>\$ 476,728,627</u>
Average equalized valuation of taxable prope	[A/3] \$ 158,909,542
Debt limit (3 % of average equalization value)	[B] 4,767,286
Net bonded school debt *	[C] 1,635,000
Legal debt margin	[B-C] <u>\$ 3,132,286</u>

	Fiscal Year									
	<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>
Debt limit	\$2,603,890	\$2,680,058	\$2,843,948	\$3,107,831	\$2,522,559	\$3,981,621	\$4,379,476	\$4,650,456	\$4,787,203	4,767,286
Total net debt applicable to limit	-	-	-	-	-	1,935,000	1,935,000	1,840,000	1,740,000	1,635,000
Legal debt margin	<u>\$2,603,890</u>	<u>\$2,680,058</u>	<u>\$2,843,948</u>	<u>\$3,107,831</u>	<u>\$2,522,559</u>	<u>\$2,046,621</u>	<u>\$2,444,476</u>	<u>\$2,810,456</u>	<u>\$3,047,203</u>	<u>\$3,132,286</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	48.60%	44.18%	39.57%	36.35%	34.30%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts
 * Includes authorized, but not issued

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2001	1,056	\$58,534,080	\$55,430 R	1.4%
2002	1,060	\$60,536,600	\$57,110 R	1.8%
2003	1,057	\$62,009,962	\$58,666 R	3.3%
2004	1,053	\$63,092,601	\$59,917 R	3.2%
2005	1,044	\$62,214,048	\$59,592 R	2.6%
2006	1,043	\$67,092,018	\$64,326 R	2.2%
2007	1,041	\$70,948,314	\$68,154 R	0.0%
2008	1,037	\$71,330,045	\$68,785 R	0.0%
2009	1,037	\$71,330,045	\$68,785 *	0.0%
2010	1,038	\$71,398,830	\$68,785 *	0.0% *

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

R =Revised

* =Current data unavailable

Califon Borough School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15

N/A

Employer	2010			2001		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
	-			-		
	-		0.00%	-		0.00%

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

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

Exhibit J-16

<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	15.5	15.5	10.8	10.6	13.9	13.2	13.0	13.1	11.7	11.7
Special education	4.6	4.4	3.3	4.3	4.0	5.5	6.5	6.2	7.2	7.2
Support Services:										
Student & instruction related services	4.2	2.7	2.9	2.7	3.2	3.1	3.1	2.9	3.2	3.2
General administrative services	1.0	1.0	1.8	1.0	1.3	1.1	1.0	1.0	1.0	1.0
School administrative services	0.8	0.8	-	0.8	-	0.3	0.1	0.1	0.1	0.1
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	1.5	1.3	1.3	1.3	1.3	2.0	2.0	2.0	2.0	2.0
Pupil transportation	1.6	1.5	1.5	0.8	0.4	1.0	-	-	-	-
Total	<u>30.2</u>	<u>28.2</u>	<u>22.6</u>	<u>22.5</u>	<u>25.1</u>	<u>27.2</u>	<u>26.7</u>	<u>26.3</u>	<u>26.2</u>	<u>26.2</u>

Source: District Personnel Records

Califon Borough School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Teacher/Pupil Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2001	156	1,633,130	10,469	8.15%	22	1:13.9	155.9	151.6	(0.83)	97.2%
2002	148	1,730,619	11,693	11.70%	22	1:13.9	147.9	142.8	(5.13)	96.6%
2003	144	1,974,476	13,712	17.26%	22	1:13.5	144.2	139.6	(2.50)	96.8%
2004	143	1,980,082	13,847	0.99%	23	1:12.0	142.4	138.7	(1.25)	97.4%
2005	140	2,097,193	14,980	8.18%	25	1:11.5	139.5	135.1	(2.04)	96.8%
2006	143	2,250,028	15,734	5.04%	18	1:7.9	143.0	138.5	2.51	96.9%
2007	143	2,277,609	15,927	1.23%	18	1:7.9	142.2	137.2	(0.56)	96.5%
2008	143	2,462,680	17,222	8.13%	18	1:7.9	144.8	139.7	1.83	96.5%
2009	152	2,458,499	16,174	-6.08%	18	1:8.4	150.3	141.3	3.80	94.0%
2010	156	2,390,096	15,321	-5.28%	18	1:8.7	157.0	152.0	4.46	96.8%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

**Califon Borough School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<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>
<u>District Building</u>										
<u>Califon Public School</u>										
Square Feet	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404
Capacity (students)	155	155	155	155	155	155	155	155	155	155
Enrollment	156	148	144	143	140	143	143	143	152	156

Number of Schools at June 30, 2010

Source: District records, ASSA

Elementary/Middle = 1

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

CALIFON BOROUGH SCHOOL DISTRICT
 GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Eight Fiscal Years Ending June 30, 2010

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>	<u>Total</u>
Elementary School	N/A	<u>19,285</u>	<u>\$ 28,286</u>	<u>\$ 86,882</u>	<u>\$ 39,744</u>	<u>\$ 16,098</u>	<u>\$ 34,394</u>	<u>\$ 14,683</u>	<u>\$ 15,537</u>	<u>\$ 235,624</u>
Total School Facilities		<u>19,285</u>	<u>28,286</u>	<u>86,882</u>	<u>39,744</u>	<u>16,098</u>	<u>34,394</u>	<u>14,683</u>	<u>15,537</u>	<u>235,624</u>
Other Facilities		-	-	-	-	-	-	-	-	-
Grand Total		<u>19,285</u>	<u>\$ 28,286</u>	<u>\$ 86,882</u>	<u>\$ 39,744</u>	<u>\$ 16,098</u>	<u>\$ 34,394</u>	<u>\$ 14,683</u>	<u>\$ 15,537</u>	<u>\$ 235,624</u>

CALIFON BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2010

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY: SAIF		
Property-Blanket Building and Contents	\$ 250,000,000	\$ 1,000
Comprehensive General Liability	5,000,000	
Comprehensive Automobile Liability	5,000,000	500
Comprehensive Crime Coverage	50,000	
Comprehensive Crime Coverage-Excess Indemnity	-0-	
COMPUTERS AND SCHEDULED EQUIPMENT - Selective Insurance:		
Data Processing Equipment/AV	38,534	250
WORKER'S COMPENSATION-SAIF		
	5,000,000	
UMBERLLA POLICY - SAIF		
	15,000,000	
SCHOOL BOARD LEGAL LIABILITY - SAIF		
Directors and Officers Policy-Limit each Loss	5,000,000	
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET		
POSITION BOND - Selective Insurance Company:		
Business Administrator	2,000	
Treasurer	128,000	

SOURCE: District Records

Single Audit Section

N/A