

SCHOOL DISTRICT
OF
BOROUGH OF CHESILHURST

COMPREHENSIVE ANNUAL
Financial Report

of the

Borough of Chesilhurst Board of Education

Chesilhurst, New Jersey

For the Fiscal Year Ended June 30, 2010

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Borough of Chesilhurst Board of Education

Chesilhurst, New Jersey

For the Fiscal Year Ended June 30, 2010

Prepared by

Borough of Chesilhurst Board of Education

Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF CHESILHURST SCHOOL DISTRICT
TABLE OF CONTENTS**

INTRODUCTORY SECTION

| <u>Exhibit</u> | <u>Page</u> |
|--------------------------|-------------|
| Letter of Transmittal | 1-4 |
| Organizational Chart | 5 |
| Roster of Officials | 6 |
| Consultants and Advisors | 7 |

FINANCIAL SECTION

| | |
|---|-------|
| Independent Auditor's Report | 8 - 9 |
| Required Supplementary Information – Part I Management's Discussion and Analysis | 10-17 |

Basic Financial Statements

A. District-wide Financial Statements:

| | |
|-----------------------------|----|
| A-1 Statement of Net Assets | 18 |
| A-2 Statement of Activities | 19 |

B. Fund Financial Statements:

Governmental Funds:

| | |
|--|----|
| B-1 Balance Sheet | 20 |
| B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance | 21 |
| B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 22 |

Proprietary Funds:

| | |
|---|----|
| B-4 Statement of Net Assets | 23 |
| B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets | 24 |
| B-6 Statement of Cash Flows | 25 |

Fiduciary Funds:

| | |
|--|----|
| B-7 Statement of Fiduciary Net Assets | 26 |
| B-8 Statement of Changes in Fiduciary Net Assets | 27 |

| | |
|--|-------|
| Notes to Basic Financial Statements | 28-50 |
|--|-------|

Required Supplementary Information – Part II

C. Budgetary Comparison Schedule

| | |
|---|-------|
| C-1 Budgetary Comparison Schedule – General Fund | 51-54 |
| C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual | N/A |
| C-1b American Recovery and Reinvestment Act – Budget and Actual | 55 |
| C-2 Budgetary Comparison Schedule – Special Revenue Fund | 56 |

Notes to the Required Supplementary Information

| | |
|-----------------------------------|----|
| C-3 Budget-to-GAAP Reconciliation | 57 |
|-----------------------------------|----|

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF CHESILHURST SCHOOL DISTRICT
TABLE OF CONTENTS**

FINANCIAL SECTION (Continued)

| <u>Exhibit</u> | <u>Page</u> |
|---|-------------|
| Other Supplementary Information | |
| D. School Based Budget Schedules (if applicable): | |
| D-1 Combining Balance Sheet | N/A |
| D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual | N/A |
| D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual | N/A |
| E. Special Revenue Fund: | |
| E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund – Budgetary Basis | 58 |
| E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis | 59 |
| F. Capital Projects Fund: | |
| F-1 Summary Schedule of Project Expenditures | 60 |
| F-2 Summary Schedule of Revenues and Expenditures | 61 |
| F-2a Schedule(s) of Project Revenues and Expenditures | 62 |
| G. Proprietary Funds: | |
| Enterprise Fund: | |
| G-1 Combining Statement of Net Assets | 63 |
| G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets | 64 |
| G-3 Combining Statement of Cash Flows | 65 |
| Internal Service Fund: | |
| G-4 Combining Statement of Net Assets | N/A |
| G-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets | N/A |
| G-6 Combining Statement of Cash Flows | N/A |
| H. Fiduciary Funds: | |
| H-1 Combining Statement of Fiduciary Net Assets | 66 |
| H-2 Combining Statement of Changes in Fiduciary Net Assets | 67 |

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF CHESILHURST SCHOOL DISTRICT
TABLE OF CONTENTS**

FINANCIAL SECTION (Continued)

| <u>Exhibit</u> | <u>Page</u> |
|---|-------------|
| Other Supplementary Information (Continued) | |
| H. Fiduciary Funds (Continued): | |
| H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements | 68 |
| H-4 Payroll Agency Fund Schedule of Receipts and Disbursements | 69 |
| I. Long-Term Debt: | |
| I-1 Statement of Serial Bonds | N/A |
| I-2 Schedule of Obligations under Capital Leases | N/A |
| I-3 Debt Service Fund Budgetary Comparison Schedule | N/A |

STATISTICAL SECTION

Financial Trends

| | |
|--|----|
| J-1 Net Assets by Component | 70 |
| J-2 Changes in Net Assets | 71 |
| J-3 Fund Balances, Governmental Funds | 72 |
| J-4 Changes in Fund Balances, Governmental Funds | 73 |
| J-5 General Fund Other Local Revenue By Source | 74 |

Revenue Capacity

| | |
|---|----|
| J-6 Assessed Value and Estimated Actual Value of Taxable Property | 75 |
| J-7 Direct and Overlapping Property Tax Rates | 76 |
| J-8 Principal Property Taxpayers* | 77 |
| J-9 Property Tax Levies and Collections | 78 |

Debt Capacity

| | |
|---|----|
| J-10 Ratio of Outstanding Debt by Type | 79 |
| J-11 Ratios of Net General Bonded Debt Outstanding | 80 |
| J-12 Ratios of Overlapping Governmental Activities Debt | 81 |
| J-13 Legal Debt Margin Information | 82 |

Demographic and Economic Information

| | |
|--|----|
| J-14 Demographic and Economic Statistics | 83 |
| J-15 Principal Employers | 84 |

Operating Information

| | |
|---|----|
| J-16 Full-time Equivalent District Employees by Function/Program | 85 |
| J-17 Operating Statistics | 86 |
| J-18 School Building Information | 87 |
| J-19 Schedule of Required Maintenance Expenditures by School Facility | 88 |
| J-20 Insurance Schedule | 89 |

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF CHESILHURST SCHOOL DISTRICT
TABLE OF CONTENTS**

SINGLE AUDIT SECTION

| | | |
|-----|---|--------|
| K-1 | Report on Internal Control over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 90-91 |
| K-2 | Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 98-07 | 92-93 |
| K-3 | Schedule of Expenditures of Federal Awards - Schedule A | 94 |
| K-4 | Schedule of Expenditures of State Financial Assistance - Schedule B | 95 |
| K-5 | Notes to the Schedules of Awards and Financial Assistance | 96-97 |
| K-6 | Schedule of Findings and Questioned Costs | 98-105 |
| K-7 | Summary Schedule of Prior Audit Findings | 106 |

INTRODUCTORY SECTION

BOROUGH OF CHESILHURST BOARD OF EDUCATION
CHESILHURST BOROUGH SCHOOL

511 Edwards Avenue
Chesilhurst, New Jersey 08089

Abdi H.Gass
Chief School Administrator
(856) 767-5451
FAX: (856) 719-1379

Frank Badessa
RSBA/Board Secretary
(856) 767-7447
FAX: (856) 767-1431

September 30, 2010

Honorable President and
Members of the Board of Education
Borough of Chesilhurst School District
Chesilhurst, New Jersey 08089

Dear Board Members:

The comprehensive annual financial report of the Borough of Chesilhurst Board of Education for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the 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 basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, P.L. 98-502 as amended by The Single Audit Act Amendments of 1996, P.L. 104-156 and the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* if federal grant expenditures exceed \$500,000 and the state Treasury Circular Letter 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid if state grant expenditures exceed \$500,000*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Borough of Chesilhurst Board of Education is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Borough of Chesilhurst Board of Education and its school constitute the District's reporting entity.

Up through the 2008-2009 fiscal year, the District provided a full range of educational services appropriate to grade levels Pre-K through 6. These include regular as well as special education for special needs youngsters. Beginning in the 2009-2010 fiscal year, the District entered into a sending/receiving tuition agreement with Winslow Township Board of Education which included all students. The following details the changes in the student enrollment of the District prior to the 2009-2010 School year.

| <u>Fiscal Year</u> | <u>Student Enrollment</u> | <u>Percent Change</u> |
|---------------------------|----------------------------------|------------------------------|
| 2009-10 | Not Available* | |
| 2008-09 | 103 | (.01%) |
| 2007-08 | 104 | (11.86%) |
| 2006-07 | 118 | (.84%) |
| 2005-06 | 119 | (21%) |
| 2004-05 | 150 | 4% |
| 2003-04 | 144 | (.69%) |
| 2002-03 | 145 | (6%) |
| 2001-02 | 154 | (14%) |
| 2000-01 | 180 | 14% |

*Winslow Township Board of Education is the receiving district.

2. ECONOMIC CONDITION AND OUTLOOK:

The Chesilhurst Borough area is a rural community in Camden County and presently is not experiencing any significant development or expansion.

3. MAJOR INITIATIVES:

The academic performance of Chesilhurst students as measured by NJASK, despite numerous timely requests by the Chesilhurst Chief School Administrator and Business Administrator, was not provided by Winslow Township Board of Education (Winslow Township).

The Executive County Superintendent (ECS) filed a petition with the Commissioner of Education to have Chesilhurst declared a non operating school district and that all Chesilhurst children to attend school in Winslow Township. Winslow Township has been designated by the New Jersey Department of Education as a "District In Need Of Improvement." The Chesilhurst board has taken measures to have its elementary students return to Shirley B. Foster School and is currently in litigation with the Winslow Township and the ECS concerning this issue. The Commissioner of Education has not yet announced her decision and the Judge hearing the lawsuit is holding the case in abeyance pending the Commissioner's decision.

4. INTERNAL ACCOUNTING CONTROLS:

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

As a recipient of federal awards and state financial assistance, the District also is responsible for ensuring that an adequate internal control process is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control process 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 process, including that portion related to federal awards and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS:

In addition to internal 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 2009-2010 fiscal year is reflected in the financial section. This budget, as well as the 2010-2011 budget, was prepared by the Executive County Superintendent of Schools. This action was taken in anticipation of consolidating the operations of Chesilhurst with the Winslow Township School District. However, an administrative law judge, through a legal proceeding, rendered a decision that the ESC does not have the authority to consolidate districts but only to recommend consolidation to the Commissioner of Education. The final decision, as to consolidation, has not been made.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2010.

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. These funds are explained in "Notes to the Financial Statements," Note 2.

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

8. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board's Audit Committee selected Raymond Colavita, C.P.A., R.M.A., from the accounting firm of Nightlinger, Colavita and Volpa, P.A. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10. ACKNOWLEDGMENTS:

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

Respectfully submitted,



Abdi H. Gass, Chief School Administrator



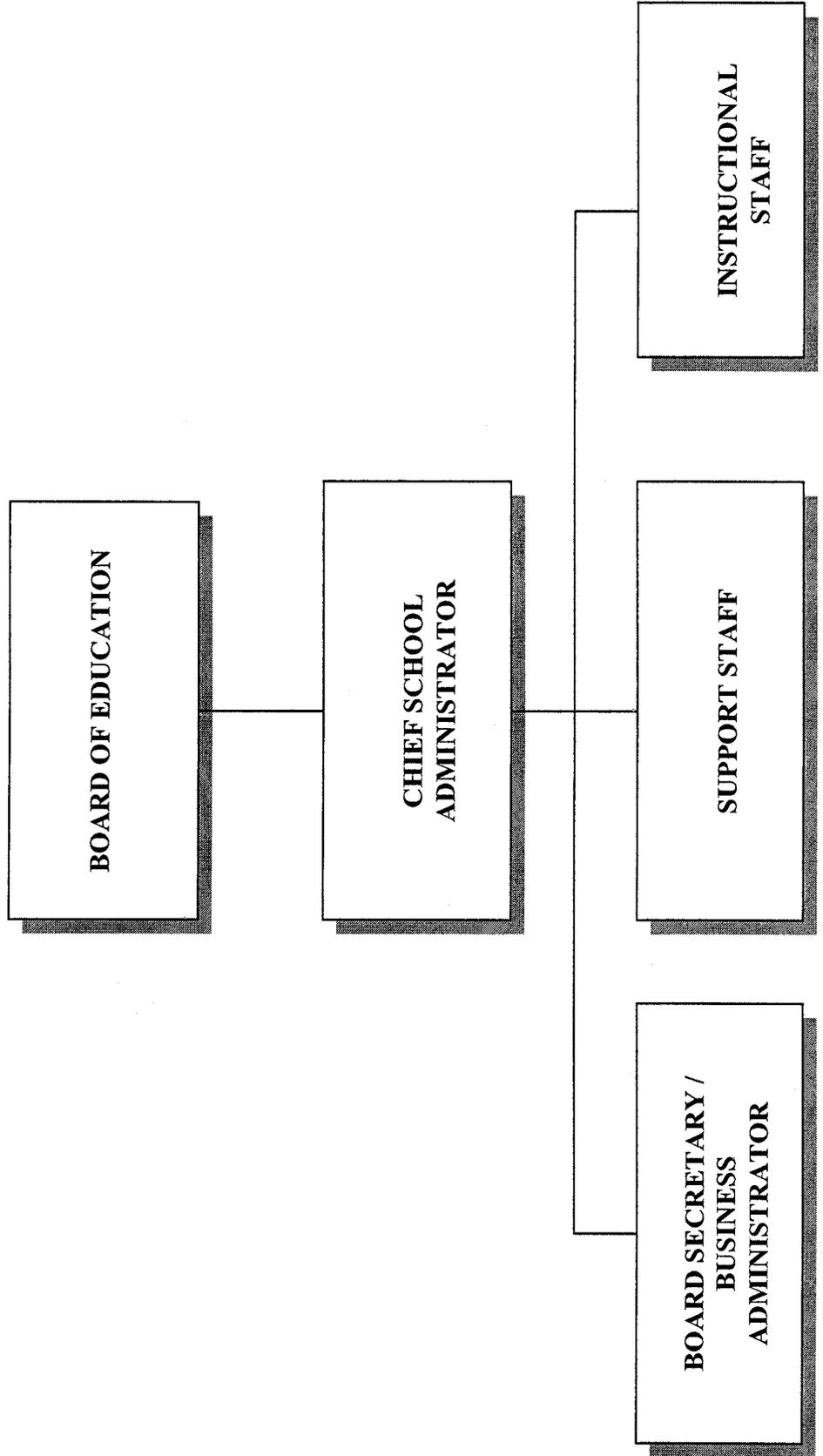
Frank Badessa, School Business Administrator/Board Secretary

BOROUGH OF CHESILHURST BOARD OF EDUCATION

Chesilhurst, New Jersey

ORGANIZATIONAL CHART

(UNIT CONTROL)



BOROUGH OF CHESILHURST BOARD OF EDUCATION
CHESILHURST, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2010

| <u>MEMBERS OF THE BOARD OF EDUCATION</u> | <u>TERM EXPIRES</u> |
|---|-----------------------|
| Derek Kennedy, President | 2011 |
| Maria Littles, Vice President | 2012 |
| Henrietta Coombs | 2013 |
| Andy Plaza | 2011 |
| Ronda Moore | 2012 |
| Mary Tillmon | 2013 |
| Sharika Munford (To April 2010) | |
| | |
| <u>OTHER OFFICIALS</u> | <u>Amount of Bond</u> |
| Dr. Abdi H. Gass, Chief School Administrator | |
| Dr. Frank Badessa, Board Secretary/Business Administrator | 50,000 |
| John Deserable, Treasurer | 150,000 |
| Emmett E. Primas, Solicitor | |

BOROUGH OF CHESILHURST SCHOOL DISTRICT
CONSULTANTS AND ADVISORS

AUDIT FIRM

Raymond Colavita, CPA, RMA
Nightlinger, Colavita and Volpa, P. A.
Certified Public Accountants
991 S. Black Horse Pike
P.O. Box 799
Williamstown, New Jersey 08094

ATTORNEY

Mr. Emmett E. Primas
20 E. Centre Street
Woodbury, New Jersey 08096

ARCHITECT

The Design Collaborative
414 Garden State Parkway
Cape May Court House, New Jersey 08210

OFFICIAL DEPOSITORY

TD Bank
1701 Route 70 East
Cherry Hill, New Jersey 08034

INSURANCE AGENCY

The Hardenbergh Insurance Agency, Inc
1000 Plaza At Main Street
Voorhees, New Jersey 08043

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

September 30, 2010

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Chesilhurst School District
County of Camden, New Jersey 08089

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 Borough of Chesilhurst School District in the County of Camden, 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 Township of Borough of Chesilhurst 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chesilhurst Board of Education in the County of Camden, State of New Jersey, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2010 on our consideration of the Borough of Chesilhurst Board of Education's internal control over financial reporting and 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 *Governments Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 10 through 17 and 51 through 56 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Borough of Chesilhurst 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 procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, Single Audit Policy For Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information included in this comprehensive annual financial report designated as the Statistical Section in the table of contents, is presented for the purpose of additional analysis. This information has not been audited by us and accordingly, we express no opinion on this information.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

BOROUGH OF CHESILHURST SCHOOL DISTRICT
BOROUGH OF CHESILHURST

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

UNAUDITED

The discussion and analysis of Borough of Chesilhurst Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; 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:

- ❖ General revenues accounted for \$2,984,092 in revenue or 97.8% 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 \$66,530 or 2.2% percent to total revenues of \$3,050,622.
- ❖ Total net assets of governmental activities decreased by \$927,957 made up of net reductions in cash and receivables. Capital assets increased by \$22,196.
- ❖ The School District had \$3,982,560 in expenses and only \$66,530 of these expenses was offset by grants or contributions. General revenues (primarily state aid, federal aid and property taxes) of \$2,984,092, along with the use of fund balance, were adequate to provide for these programs.
- ❖ The General Fund had \$3,038,329 in revenues \$3,883,673 in expenditures and \$57,048 in net other financing uses. The General Fund's balance decreased \$902,392 over 2009. This decrease was the result of the loss in state aid.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

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 helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on page 21. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore these statements are essentially the same.

The School District as a Whole

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

Table 1 provides a comparative summary of the School District's net assets for the years ended in 2010 and 2009.

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|---------------------|
| Assets | | |
| Current and other assets | \$ 415,002 | \$ 1,270,903 |
| Capital assets, net | 252,109 | 278,286 |
| Total Assets | <u>667,111</u> | <u>1,549,189</u> |
| Liabilities | | |
| Long-term liabilities | 20,730 | 20,730 |
| Other liabilities | 472,343 | 422,483 |
| Total Liabilities | <u>493,073</u> | <u>443,213</u> |
| Net Assets | | |
| Invested in capital assets, net of debt | 252,109 | 293,092 |
| Restricted | 5,895 | 767,665 |
| Unrestricted | (83,966) | 45,219 |
| Total net assets | <u>\$ 174,038</u> | <u>\$ 1,105,976</u> |

Table 2 shows the changes in net assets from fiscal year's 2010 and 2009.

Table 2
Changes in Net Assets

| | 2010 | 2009 |
|--|---------------------|--------------------|
| Revenues | | |
| Programs revenues | | |
| Charges for services | \$ | \$ 6,395 |
| Operating grants and contributions | 66,530 | 268,572 |
| General Revenues | | |
| Property taxes | 791,164 | 791,164 |
| Investment Income | 3,250 | 6,088 |
| Grants and entitlements | 2,252,203 | 2,617,529 |
| Other | | 167,166 |
| Total Revenues | 3,113,147 | 3,856,914 |
| Program Expenses | | |
| Instruction | | |
| Regular | 56,088 | 900,735 |
| Special Education | | 167,042 |
| Other Special Education | | 21,354 |
| Support Services | | |
| Tuition | 3,356,068 | 1,666,988 |
| Pupils and instructional staff | 18,912 | 417,723.00 |
| General administration, school administration, business | 258,299 | 168,717 |
| Operations and maintenance of Facilities | 76,720 | 192,994 |
| Pupil Transportation | | 191,857 |
| Unallocated Employee Benefits/Business support | 192,586 | 36,505 |
| Summer School | | 19,903 |
| Unallocated Depreciation | 23,534 | |
| Business-type activities | 353 | 100,424 |
| Total Expenses | 3,982,560 | 3,884,242 |
| | (869,413) | (27,328) |
| Less: Transfer to Charter School | (34,996) | |
| Prior Year Adjustments | (27,529) | |
| Decrease in net assets | \$ (931,938) | \$ (27,328) |

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. The District's total revenues were \$3,110,147 for the fiscal year ended June 30, 2010 of which \$3,047,955 was from governmental activities. Property taxes made up 26% percent of revenues for governmental activities for the Borough of Chesilhurst School District for fiscal year 2010. Federal, state and local grants accounted for 74%. The total cost of all programs and services was \$3,982,560. Instruction comprises 1.4% of District expenses.

Business-Type Activities

Revenues for the District’s business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- ❖ Food service expenses exceeded revenues by \$353. This shortfall represents depreciation expense.
- ❖ As the district became a non-operating as of July 1, 2009, there were no operating revenues or expenses during the 2009-10 school year.

Governmental Activities

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. The net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions.

| | <u>Total Cost of Services 2010</u> | <u>Net Cost of Services 2010</u> | <u>Total Cost of Services 2009</u> | <u>Net Cost of Services 2009</u> |
|--|--|--------------------------------------|--|--------------------------------------|
| Instruction | \$ 56,088 | \$ 56,088 | \$ 1,089,131 | \$ 937,755 |
| Support services | | | | |
| Tuition | 3,356,068 | 3,356,068 | 1,666,988 | 1,666,988 |
| Pupils and instructional staff | 18,912 | 18,912 | 417,723 | 361,203 |
| General administration, school administration, business | 258,299 | 258,299 | 168,717 | 168,717 |
| Operation and maintenance of facilities | 76,720 | 76,720 | 192,994 | 192,994 |
| Pupil Transportation | | - | 191,857 | 191,857 |
| Unallocated Employee Benefits | 192,586 | 126,056 | 36,505 | 36,505 |
| Summer school | | | 19,903 | 19,903 |
| Other | 23,534 | 23,534 | | - |
| Total Expenses | <u>\$ 3,982,207</u> | <u>\$ 3,915,677</u> | <u>\$ 3,783,818</u> | <u>\$ 3,575,922</u> |

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

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

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

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

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

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

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

The School District has no debt obligations and, therefore has no related interest or fiscal charges associated with payment of debt.

Other includes unallocated depreciation.

The School District's Funds

Information about the School District's major funds starts on page 21. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund presented in the fund-based statements) had total revenues of \$3,087,908 and expenditures of \$3,958,673. The net negative change in fund balance for the year was anticipated by the Board and shows that the School District was able to meet current operating costs with no urgent need for additional funds.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2010, and the amount and percentage of increases and decreases in relation to prior year revenues.

| <u>Revenue</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Increase/ (Decrease) from 2009</u> | <u>Percent Increase (Decrease)</u> |
|-----------------|---------------|-----------------------------|---|--|
| Local Sources | \$ 794,414 | 25.52% | \$ (108,127) | -13.49% |
| State Sources | 2,006,963 | 64.47% | (674,730) | -84.21% |
| Federal Sources | 311,770 | 10.01% | 168,038 | 20.97% |
| Total | \$ 3,113,147 | 100.0% | \$ (614,819) | -17.44% |

The decrease in Local Sources is attributed to reduced miscellaneous revenue of \$105,289 and interest earned of \$2,838.

The decreases in State Sources is attributed to a decrease in state Non-Public transportation aid of \$1,391, Special revenue fund of \$8,258, on-behalf pension contributions and social security reimbursements of \$52,658 and state aid- public of \$612,423.

The increase in Federal Sources is attributed to ARRA money for general fund purposes of \$292,858, offset by reduced grant awards of \$124,820.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2010.

| <u>Expenditures</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Increase/ (Decrease from 2009)</u> | <u>Percent Increase (Decrease)</u> |
|----------------------------|---------------|-------------------------|---------------------------------------|------------------------------------|
| Current: | | | | |
| Instruction | \$ 56,088 | 1.42% | \$ (901,298) | -107% |
| Undistributed expenditures | 3,902,585 | 98.58% | 1,132,823 | 46% |
| Total | \$ 3,958,673 | 100.00% | \$ 231,525 | 7% |

The decrease in Current – Instruction is attributed to the conversion of the district to a non-operating status.

The increase in Current – Undistributed Expenditures is attributed to the increase in tuition to Winslow School District for grades K through 6 of \$1,899,135. The various other decreases represent the elimination of operating costs to educate children in grades K through 6.

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 modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2010, 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.

- ❖ Staffing changes based on student needs.
- ❖ Additional costs for student transportation both in regular education and special education.
- ❖ Accounting changes in maintenance and operations
- ❖ Changes in appropriations to prevent budget overruns.

While the District’s final budget for the general fund anticipated that revenues and expenditures would roughly equal, with the appropriation of \$399,256 in Fund Balance, the actual results for the year show a decrease of \$900,273.

- ❖ Actual revenues were \$380,743 less than expected due primarily to the reduction in state aid of \$442,523.
- ❖ The actual expenditures were \$100,250 lower than expected due to not charging the Reserve for Maintenance in the amount of \$84,942 and the Emergency Reserve for \$110,109. These amounts were used to partially support the budget, in place of the state aid reductions.

Capital Assets

At the end of the fiscal year 2010, the School District had \$252,109 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2010 balances compared to 2009

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

| | <u>2010</u> | <u>2009</u> |
|---------------------------|-------------------|-------------------|
| Land | \$ 74,000 | \$ 74,000 |
| Improvements | 31,651 | 34,765 |
| Building and Improvements | 121,106 | 133,452 |
| Machinery and Equipment | 25,352 | 36,069 |
| Totals | <u>\$ 252,109</u> | <u>\$ 278,286</u> |

Overall capital assets decreased \$26,177 from fiscal year 2009 to fiscal year 2010. Increases in capital assets (primarily buildings and improvements, machinery and equipment) were offset by depreciation expenses for the year of \$ 23,887 and fixed asset adjustments of 2,290.

Debt Administration

At June 30, 2010, the School District had \$20,730 as outstanding debt representing compensated absences. There were no outstanding bonds, loans or capital leases. At June 30, 2010, the School District's overall legal debt margin was \$1,876,293, which remains as the unvoted debt margin.

For the Future

The operations of the Chesilhurst School District ended on June 30, 2010 with a general fund balance deficit of \$64,121. A major concern is the status of the shared services sending/receiving relationship between Chesilhurst and Winslow School District, as well as a lingering tuition dispute, being reviewed by the New Jersey Office of Fiscal Accountability and Compliance.

In conclusion, the Chesilhurst 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 Frank Badessa, School Business Administrator/Board Secretary at Borough of Chesilhurst Board of Education, 511 Edwards Avenue, Chesilhurst, NJ or email at Somlandrep@aol.com

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.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 181,940 | \$ 11,789 | \$ 193,729 |
| Due from other governments | 123,488 | | 123,488 |
| Due from Other Funds | 979 | | 979 |
| Insurance Claim Receivable | 96,206 | | 96,206 |
| Inventory | | 600 | 600 |
| Capital assets, net (Note 6): | 250,166 | 1,943 | 252,109 |
| Total Assets | <u>652,779</u> | <u>14,332</u> | <u>667,111</u> |
| LIABILITIES | | | |
| Accounts payable | 391,494 | | 391,494 |
| Cash Overdraft | | | |
| Due to Other Governments | 8,416 | | 8,416 |
| Due to Other Funds | 8,826 | | 8,826 |
| Deferred revenue | 63,607 | | 63,607 |
| Non-current liabilities (Note 7): | | | |
| Due within one year | | | |
| Due beyond one year | 20,730 | | 20,730 |
| Total liabilities | <u>493,073</u> | | <u>493,073</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 250,166 | 1,943 | 252,109 |
| Restricted for: | | | |
| Other purposes | 5,895 | | 5,895 |
| Unrestricted | (96,355) | 12,389 | (83,966) |
| Total net assets | <u>\$ 159,706</u> | <u>\$ 14,332</u> | <u>\$ 174,038</u> |

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Assets</u> | | |
|--|-----------------|-----------------------------|---|--|---------------------------------|--------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 56,088 | \$ | \$ | \$ (56,088) | \$ | \$ (56,088) |
| Support services: | | | | | | |
| Tuition | 3,356,068 | | | (3,356,068) | | (3,356,068) |
| Student & instruction related services | 18,912 | | | (18,912) | | (18,912) |
| General and business administrative services | 209,453 | | | (209,453) | | (209,453) |
| School administrative services | 14,917 | | | (14,917) | | (14,917) |
| Central services | 33,929 | | | (33,929) | | (33,929) |
| Plant operations and maintenance | 76,720 | | | (76,720) | | (76,720) |
| Unallocated employee benefits | 192,586 | | 66,530 | (126,056) | | (126,056) |
| Unallocated Depreciation | 23,534 | | | (23,534) | | (23,534) |
| Total governmental activities | 3,982,207 | | 66,530 | (3,915,677) | | (3,915,677) |
| Business-type activities: | | | | | | |
| Food Service | 353 | | | | (353) | (353) |
| Total business-type activities | 353 | | | | (353) | (353) |
| Total primary government | \$ 3,982,560 | \$ - | \$ 66,530 | (3,915,677) | (353) | (3,916,030) |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for general purposes, net | | | | 791,164 | | 791,164 |
| Federal and State aid not restricted | | | | 2,252,203 | | 2,252,203 |
| Investment Earnings | | | | 3,250 | | 3,250 |
| Fixed Asset Adjustment | | | | 1,338 | (3,628) | (2,290) |
| Transfer to Charter School | | | | (34,996) | | (34,996) |
| Prior Year Revenue Adjustments | | | | (25,239) | | (25,239) |
| Total general revenues, special items, extraordinary items and transfers | | | | 2,987,720 | (3,628) | 2,984,092 |
| Change in Net Assets | | | | (927,957) | (3,981) | (931,938) |
| Net Assets—beginning | | | | 1,087,663 | 18,313 | 1,105,976 |
| Net Assets—ending | | | | \$ 159,706 | \$ 14,332 | \$ 174,038 |

The accompanying Notes to 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.

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total Governmental Funds |
|---|-------------------|----------------------------|-----------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 164,184 | \$ | \$ | \$ 164,184 |
| State aid Receivable | 282 | | | 282 |
| Federal aid Receivable | | 122,367 | | 122,367 |
| Due from Borough of Chesilhurst | 839 | | | 839 |
| Insurance Claim Receivable | 96,206 | | | 96,206 |
| Due from other funds | 74,688 | | | 74,688 |
| | \$ 336,199 | \$ 122,367 | \$ | \$ 458,566 |
| Total assets | \$ 336,199 | \$ 122,367 | \$ | \$ 458,566 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 391,494 | \$ | \$ | \$ 391,494 |
| Due to other funds | 8,826 | 55,953 | | 64,779 |
| Due to other other governments | | 8,416 | | 8,416 |
| Deferred revenue | | 63,607 | | 63,607 |
| | 400,320 | 127,976 | | 528,296 |
| Total liabilities | 400,320 | 127,976 | | 528,296 |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances | 2,500 | | | 2,500 |
| Unreserved: | | | | |
| Designated for subsequent year's expenditures | 5,895 | | | 5,895 |
| General fund | (72,516) | | | (72,516) |
| Special Revenue fund (Deficit) | | (5,609) | | (5,609) |
| | (64,121) | (5,609) | | (69,730) |
| Total Fund balances | (64,121) | (5,609) | | (69,730) |
| Total liabilities and fund balances | \$ 336,199 | \$ 122,367 | \$ | |

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 (see Note 6).

250,166

Accrued interest payments on long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).

(20,730)

Net assets of governmental activities

\$ 159,706

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
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 Project Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|-------------------------------------|---|
| REVENUES | | | | |
| Local sources: | | | | |
| Local tax levy | \$ 791,164 | \$ | \$ | \$ 791,164 |
| Interest Earned | 3,250 | | | 3,250 |
| Total - Local Sources | 794,414 | | | 794,414 |
| State sources | 1,951,057 | 55,906 | | 2,006,963 |
| Federal sources | 292,858 | 18,912 | | 311,770 |
| Total revenues | 3,038,329 | 74,818 | | 3,113,147 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Tuition | | 56,088 | | 56,088 |
| Support services: | | | | |
| Tuition | 3,356,068 | | | 3,356,068 |
| Student and Instruction Related services | | 18,912 | | 18,912 |
| General administrative services | 209,453 | | | 209,453 |
| School administrative services | 14,917 | | | 14,917 |
| Central services | 33,929 | | | 33,929 |
| Plant operations and maintenance | 76,720 | | | 76,720 |
| Unallocated benefits | 192,586 | | | 192,586 |
| Total expenditures | 3,883,673 | 75,000 | | 3,958,673 |
| Excess (Deficiency) of revenues over expenditures | (845,344) | (182) | | (845,526) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Capital Project Fund | 3,187 | | (3,187) | |
| Prior Year Adjustments | (25,239) | | | (25,239) |
| Transfers out - Charter School | (34,996) | | | (34,996) |
| Total other financing sources and uses | (57,048) | | (3,187) | (60,235) |
| Net change in fund balances | (902,392) | (182) | (3,187) | (905,761) |
| Fund balance—July 1 | 838,271 | (5,427) | 3,187 | 836,031 |
| Fund balance—June 30 | \$ (64,121) | \$ (5,609) | \$ - | \$ (69,730) |

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
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) \$ (905,761)

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 | \$ (23,534) | |
| Fixed Asset Adjustment | 1,338 | |
| Capital outlays | <u> </u> | (22,196) |

In the statement of activities only the loss on fixed assets is reported.

Repayment of long-term debt 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.

Payment of accrued interest on long term debt is an expenditure in the government funds, but the payment reduces the liability in the statement of net assets and is not reported in the statement of activities.

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

Change in net assets of governmental activities (A-2) \$ (927,957)

BOROUGH OF CHESILHURST BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

| | Business-type Activities | |
|---|---------------------------------|------------------|
| | Enterprise Funds | |
| | Food | |
| | Service | Totals |
| ASSETS | | |
| Current assets: | | |
| Cash and Cash Equivalents | \$ 29,545 | \$ 29,545 |
| Inventory | 600 | 600 |
| Total Current Assets | <u>30,145</u> | <u>30,145</u> |
| Fixed Assets: | | |
| Furniture, machinery, & equipment | 18,100 | 18,100 |
| Less Accumulated Depreciation | (16,157) | (16,157) |
| Total Fixed Assets | <u>1,943</u> | <u>1,943</u> |
| Total Assets | <u>32,088</u> | <u>32,088</u> |
| LIABILITIES AND FUND EQUITY: | | |
| Current liabilities: | | |
| Due to Other Funds | 17,756 | 17,756 |
| Total Current Liabilities | <u>17,756</u> | <u>17,756</u> |
| Net Assets | | |
| Invested in capital assets net of related debt | 1,943 | 1,943 |
| Unrestricted (Deficit) | 12,389 | 12,389 |
| Total Net Assets (Deficit) | <u>\$ 14,332</u> | <u>\$ 14,332</u> |

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
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 | \$ | \$ |
| Total Operating Revenue: | _____ | _____ |
| Operating expenses: | | |
| Depreciation | 353 | 353 |
| Total Operating Expenses | 353 | 353 |
| Operating income (loss) | (353) | (353) |
| Non-operating revenues (expenses): | | |
| Fixed Asset Adjustment | (3,628) | |
| Federal sources: | | |
| Total non-operating revenues (expenses) | (3,628) | |
| Income (loss) before contributions & transfers | (3,981) | (353) |
| Transfers in (out) | | |
| Change in net assets | (3,981) | (353) |
| Total net assets—beginning | 18,313 | 18,313 |
| Total net assets (deficit)—ending | \$ 14,332 | \$ 17,960 |

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | Business-type Activities | |
|--|---------------------------------|-----------------------------|
| | Enterprise Funds | |
| | Food Service | Total Enterprise |
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from Receivables | \$ 15,525 | \$ 15,525 |
| | <u> </u> | <u> </u> |
| Net cash provided by (used for) operating activities | 15,525 | 15,525 |
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State Sources | | |
| Federal Sources | | |
| Operating Transfer In | | |
| | <u> </u> | <u> </u> |
| Net cash provided by (used for) non-capital financing activities | | |
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and dividends | | |
| | <u> </u> | <u> </u> |
| Net cash provided by (used for) investing activities | | |
| | <u> </u> | <u> </u> |
| Net increase (decrease) in cash and cash equivalents | 15,525 | 15,525 |
| Balances—beginning of year | 14,020 | 14,020 |
| | <u> </u> | <u> </u> |
| Balances—end of year | \$ 29,545 | \$ 29,545 |
| | <u> </u> | <u> </u> |
| Reconciliation of operating income (loss) to net cash provided | | |
| (used) by operating activities: | | |
| Operating income (loss) | \$ (353) | \$ (353) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation and net amortization | 353 | 353 |
| (Increase) decrease in accounts receivable, net | 15,525 | 15,525 |
| | <u> </u> | <u> </u> |
| Total adjustments | 15,878 | 15,878 |
| | <u> </u> | <u> </u> |
| Net cash provided by (used for) operating activities | \$ 15,525 | \$ 15,525 |
| | <u> </u> | <u> </u> |

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

| | <u>Unemployment Compensation Fund</u> | <u>Agency Fund</u> |
|---|---|------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 615 | \$ 8,087 |
| Interfunds Receivable | 8,826 | |
| | <hr/> | <hr/> |
| Total assets | 9,441 | 8,087 |
| | <hr/> | <hr/> |
| LIABILITIES | | |
| Payroll Deductions and Withholdings | | 4,115 |
| Due to Student Groups | | 3,972 |
| Interfund Payable | | |
| | <hr/> | <hr/> |
| Total liabilities | | \$ 8,087 |
| | <hr/> | <hr/> |
| NET ASSETS | | |
| Held in trust for scholarship payments | | |
| Held in trust for unemployment claims and other purposes | \$ 9,441 | |
| | <hr/> | |

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Unemployment Compensation Fund</u> |
|------------------------------------|---|
| ADDITIONS | |
| Contributions: | |
| Plan member District Contributions | \$ 19,881 |
| Total Contributions | <u>19,881</u> |
| Investment earnings: | |
| Interest | 15 |
| Net Investment Earnings | <u>15</u> |
| Total Additions | <u><u>19,896</u></u> |
| DEDUCTIONS | |
| Miscellaneous Deductions | |
| Unemployment Claims | 32,509 |
| Total deductions | <u>32,509</u> |
| Change In Net Assets | (12,613) |
| Net Assets—Beginning of the Year | <u>22,054</u> |
| Net Assets—End of the Year | <u><u>\$ 9,441</u></u> |

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

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Borough of Chesilhurst School District (District) is organized as a Type II school district under the Constitution of the State of New Jersey. The District operates under a locally elected Board form of government consisting of seven members. The District provides educational services as authorized by state and federal guidelines.

The District serves an area of 1.73 square miles. It is located in Camden County and provides education for all of Chesilhurst Borough's grades K through 12. The District operated one instructional building for grades K through 6 up to the 2008-09 school year. As of July 1, 2009, all students were attending the Winslow Township School District on a tuition basis.

A. Reporting Entity:

The Borough of Chesilhurst School District is a Type II district located in the State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three-year terms. These terms are staggered so that three members' terms expire each year.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Borough of Chesilhurst 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 Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting 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).

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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* and Statement No. 38, *Certain Financial Statement Note Disclosures*. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2003.

A. Basis of Presentation:

The 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.

District-wide Statements: The statement of net assets and the statements of activities display information about 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different 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. Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) 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 and state formula aid, are presented as general revenues.

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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GOVERNMENTAL FUNDS

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The district reports the following major governmental funds:

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

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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. The district currently had one completed capital project in the fund, which was closed out as of June 30, 2010.

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

PROPRIETARY FUNDS

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

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

The District's Enterprise Fund is comprised of the Food Service Fund. As the District was a non-operating district during the 2009-10 school year, the food service fund was not maintained. Balances in the fund will remain until such time as a final decision is reached, regarding operation, consolidation or continued non-operating status.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

PROPRIETARY FUNDS (Cont'd)

Food Service Fund:

| | |
|--------------------------|----------|
| Equipment | 12 Years |
| Light Trucks and Vehicle | 4 Years |
| Heavy Trucks and Vehicle | 6 Years |

FIDUCIARY FUNDS

Fiduciary Funds include Expendable Trust, Nonexpendable Trust and Agency Funds. The measurement focus of the Expendable Trust Funds is the same as for governmental funds. The measurement focus of the Nonexpendable Trust Funds is similar to Proprietary Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is a description of the Fiduciary Funds of the School District:

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. Expendable Trust Funds include Unemployment Compensation Insurance and the following scholarship funds:

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. The District does not maintain a nonexpendable trust fund.

Agency Funds - Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting and Measurement Focus:

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 the New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The District is entitled to receive 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 in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office 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 fund as described later. 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the 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.

A reconciliation of the general and special revenue funds from the budgetary basis of accounting (as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds) to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types is presented on Exhibit C-3.

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval and are approved by the board of school estimates. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. 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. 6:23-2(g). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the School Board and under certain circumstances require approval by the County Superintendent of Schools.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Budgets/Budgetary Control: (Cont'd)

In addition to the appropriation of Fund Balance in the amount of \$195,000, the following material budget adjustments and transfers were made to/ (from) budgetary line items:

| <u>Account Name</u> | <u>Amount</u> |
|---------------------------------------|---------------|
| Tuition | \$ (72,432) |
| Legal Services | 49,272 |
| Other Purchased Professional Services | 25,151 |
| Operations and Maintenance of Plant | 65,306 |
| Unallocated Employee Benefits | 73,367 |
| Transfer of Funds to Charter School | 34,996 |

E. Encumbrances 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.

F. Tuition Receivable:

Tuition charges are established by the Board of Education based on estimated costs. There were no tuition receivable contracts during the 2009-2010 school year.

G. Tuition Payable:

Tuition charges for the fiscal years 2007-08, 2008-09 and 2009-010 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined. Prior to the 2009-10 school year, only District students in Grades 7 through 12 were sent to The Winslow Township School District on a tuition basis. In the 2009-10 school year, all students grades K through 12 were sent to Winslow Township School district on a tuition basis.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

H. Inventories and Prepaid Expenses:

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

On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

I. Short-Term Interfund Receivables/Payables:

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

J. Assets, Liabilities and Equity:

Transactions

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

Inventories

On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2010. The food service enterprise fund had a Supply inventory balance of \$600 at June 30, 2010. These supplies will remain on hand until such time as the non-operating status of the district is resolved.

Capital Assets

General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed prior to June 30, 2010 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Capital assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the statement of Net Assets. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital assets are depreciated in the district-wide financial statements using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------|-----------------------------------|
| School Building | 50 |
| Building Improvements | 20 |
| Equipment | 5-10 |

K. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or when such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the Statement of Net Assets. In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

L. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

M. 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.

N. Extraordinary and Special Items:

Extraordinary items are transactions or events, unusual in nature and infrequent in occurrence. Special items are transactions or events, 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

O. 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 not 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.

P. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Q. Comparative Data/Reclassifications:

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

R. Management Estimates:

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

S. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

T. 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.

U. 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.

V. Revenues – Exchange and Non-exchange 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 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.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Non-exchange 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 for 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 non-exchange transactions must also be available before it can be recognized.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

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

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit. In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school district.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Custodial Credit Risk

All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act and are classified as to credit risk by the following three categories described below.

Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the districts deposits may not be returned to it. Although the district does not have a formal policy regarding custodial credit risk, as described in Note 1: N.J.S.A. 17:9-41 et. Seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Protection Act.

The Board of Education designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

As of June 30, 2010, \$356,526 of the districts bank balance of \$606,526 was exposed to custodial credit risk.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account may be established by New Jersey school districts for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The district does not have a capital reserve account.

NOTE 5. TUITION CONTRACTS AND ADJUSTMENTS PAYABLE

The district sends students to the Winslow Township Board of Education school district on a tuition basis, of which invoices have been received and paid out of the 2009-10 budget, for tuition adjustments from the 2006-2007 school year.

Tuition billing adjustments have been received for the 2007-08 and 2008-09 school years and are intended to be paid through the 2010-11 budget. The 2009-10 tuition contract is currently in dispute. The 2009-10 tuition billing adjustment, if any, will be paid through the 2011-12 budget, when invoices are received, based on audited tuition rates and enrollment and or in the event that Chesilhurst becomes a merged district.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 6. FIXED ASSETS

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements/ Adjustments</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|-------------------------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets that are not being depreciated: | | | | |
| Land | \$ 74,000 | \$ - | \$ - | \$ 74,000 |
| Construction in progress | - | | | - |
| Total capital assets not being depreciated | <u>74,000</u> | <u>-</u> | | <u>74,000</u> |
| Building and building improvements | 556,377 | | | 556,377 |
| Site Improvements | 62,285 | | | 62,285 |
| Machinery and equipment | 134,445 | | 6,511 | 140,956 |
| Totals at historical cost | <u>753,107</u> | <u>-</u> | <u>6,511</u> | <u>759,618</u> |
| Less accumulated depreciation for : | | | | |
| Building and improvements | (422,925) | (12,346) | | (435,271) |
| Site Improvements | (27,520) | (3,114) | | (30,634) |
| Equipment | (104,300) | (8,074) | (5,173) | (117,547) |
| Total accumulated depreciation | <u>(554,745)</u> | <u>(23,534)</u> | <u>(5,173)</u> | <u>(583,452)</u> |
| Total capital assets being depreciated, net of accumulated depreciation | 198,362 | (23,534) | 1,338 | 176,166 |
| Government activities capital assets, net | <u>\$ 272,362</u> | <u>\$ (23,534)</u> | <u>\$ 1,338</u> | <u>\$ 250,166</u> |
| | | | | To A-1 |
| Business-type activities - Equipment | \$ 26,900 | \$ - | \$ (8,800) | \$ 18,100 |
| Less accumulated depreciation | (20,976) | (353) | 5,172 | (16,157) |
| Business-type activities capital assets, net | <u>\$ 5,924</u> | <u>\$ (353)</u> | <u>\$ (3,628)</u> | <u>\$ 1,943</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|-------------|------------------|
| Unallocated | <u>\$ 23,534</u> |
|-------------|------------------|

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 7. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2010, the following changes occurred in long-term obligations:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year | Long-term Portion |
|----------------------------------|------------------------------|------------------|-------------------|---------------------------|--|------------------------------|
| Governmental Activities: | | | | | | |
| Bonds payable: | | | | | | |
| General obligation debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total bonds payable | <hr/> | | | | | |
| Other Liabilities: | | | | | | |
| Compensated absences payable | 20,730 | | | 20,730 | | 20,730 |
| Total other liabilities | \$ 20,730 | \$ - | \$ - | \$ 20,730 | \$ - | \$ 20,730 |
| | <hr/> | | | | | |
| | To A-1 | | | | | |
| Business-Type Activities: | | | | | | |
| Compensated absences payable | | | | \$ - | \$ - | \$ - |
| | <hr/> <hr/> | | | | | |

A. Bonds Payable -- Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds.

B. Bonds Authorized But Not Issued -- As of June 30, 2010, the District had no authorized but not issued bonds.

C. Capital Leases -- The District does not have any open capital leases as of June 30, 2010.

NOTE 8. OPERATING LEASES

The District has commitments to lease a copier under an operating lease that expires in 2013. The total amount of operating lease obligations initiated in the year ended June 30, 2009 was 0\$. Future minimum scheduled lease payments are as follows, depending on continued operations:

| Year ending June 30, | <u>Amount</u> |
|-------------------------------------|----------------------|
| 2011 | \$ 2,102 |
| 2012 | 2,102 |
| 2013 | <u>2,102</u> |
| Total future minimum lease payments | <u>\$ 6,306</u> |

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9. 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. Members contribute at a uniform rate.

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:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service, or under the disability provision of the System. Retirement benefits for age and service are available at age 60 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9. PENSION PLANS (CONT'D)

In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for a 12 month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also 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 2000, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced. Chapter 415, P.L. 1999 provides for a reduction in this rate of 3% for the calendar years 2000 and 2001 and for a contribution rate reduction of up to 2% of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year. Where a contribution is required from the Board of Education, the board is billed annually for its normal contribution plus any accrued liability. There is no accrued liability for the Public Employees' Retirement System as of June 30, 2009 since the requirements were fully funded by the State.

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 5.5% 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 9. PENSION PLANS (CONT'D)

| Three-Year Trend Information for PERS | | | | | |
|---------------------------------------|----|--|--|---|---------------------------------------|
| <u>Year Funding</u> | | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | | <u>Net Pension Obligation</u> |
| 6/30/10 | \$ | 11,436 | 100 | % | \$ 11,436 |

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

| <u>Year Funding</u> | | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | | <u>Net Pension Obligation</u> |
|-------------------------|----|--|--|---|---------------------------------------|
| 6/30/10 | \$ | 57,122 | 100 | % | \$ 0 |

During the fiscal year ended June 30, 2010, the State of New Jersey contributed \$57,122 to the TPAF for normal and 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 \$9,408 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 basic financial statements, and the combining and individual fund statements and schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or a disability retirement. 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.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 11. COMPENSATED ABSENCES

The District accounts for compensated absences 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 who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. Upon retirement and who have not less than ten (10) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the Districts' agreements with the various employee unions. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

In the district-wide *Statement of Net 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, there was no liability for compensated absences in the Food Service Fund.

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of various 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:

Lincoln Investment Planning, Inc.
Washington National

NOTE 13. 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 13. RISK MANAGEMENT (CONT'D)

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 prior three years:

| <u>Fiscal Year</u> | <u>District Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-----------------------------------|-----------------------------------|------------------------------|---------------------------|
| 2009-2010 | \$ 19,896 | \$ | \$ (32,509) | \$ 9,441 |
| 2008-2009 | 30,056 | 2,370 | (18,036) | 22,054 |
| 2007-2008 | 33,240 | 4,131 | (39,127) | 7,664 |

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2010:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|--------------------|---------------------------------|------------------------------|
| General Fund | \$ 74,688 | \$ 8,826 |
| Grant Fund | | 55,953 |
| Unemployment Trust | 8,826 | |
| Food Service Fund | | 17,756 |
| Payroll Fund | | 979 |
| Total | \$ <u>83,514</u> | \$ <u>83,514</u> |

NOTE 15. FUND BALANCE APPROPRIATED

General Fund - Of the (\$64,121) deficit balance in General Fund balance at June 30, 2010, \$2,500 is reserved for encumbrances; \$0 is reserved for excess surplus in accordance with N.J.S.A. 18A:7F-7); \$5,895 has been appropriated and included as anticipated revenue for the year ending June 30, 2011 and (\$72,516) represents a deficit in unreserved and undesignated Fund Balance.

NOTE 16. LITIGATION

The District is from time to time involved in claims and lawsuits incidental to its operations. Per confirmation by the District's legal counsel, there are no pending litigations, claims, assessments of contingent liability against the District.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 16. LITIGATION (CONT'D)

There is, however, a matter, whereby the Chesilhurst Board of Education seeks to terminate its tuition arrangement with the Winslow Board of Education for grades Pre-K through Grade 6. The Winslow Board of Education, however, has communicated its intention to seek termination of the sending/receiving relationship for all Chesilhurst students grades Pre-k-12. The matter is pending, awaiting a decision from the Commissioner of Education and the Administrative Law Judge.

NOTE 17. CALCULATION OF EXCESS SURPLUS

In accordance with *N.J.S.A.* 18A:7F-7, as amended, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). 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. At June 30, 2010, there was no excess fund balance to be anticipated as revenue in the 2010-11 or 2011-12 budgets. Pursuant to the provisions of Executive Order No. 14, \$84,942 of budgeted Maintenance Reserve and \$110,109 of Emergency Reserve were approved by the County Office of the Department of Education for withdrawal, to address the budget shortfall in the general fund account group due to the 2009-10 withholding of state aid.

NOTE 18. DEFICIT FUND BALANCES

The District has a deficit fund balance of \$72,516 in the General Fund and \$5,609 in the Special Revenue Fund of as of June 30, 2010 as reported in the fund statements (modified accrual basis). *N.J.S.A.* 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school year, districts must record the last state aid payment as revenue, for budgeted purposes only, in the current budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the state is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the General and Special Revenue Fund balance deficits do not alone indicate that the district is facing financial difficulties.

Pursuant to *N.J.S.A.* 18A:22-44.2 any negative unreserved, undesignated general or special revenue fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District special revenue fund deficit in the GAAP funds statements of \$5,609 is equal to the last state aid payment. The District General fund deficit in the GAAP funds statements of \$75,703 is less than the last state aid payment.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 19. SUBSEQUENT EVENTS

As of the audit date, the status of the District is that operations have ceased as of 6/30/10. There is, however, a court proceeding, previously described, being entertained by the Board to reinstate the operation of the school.

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Budget Adjustments Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actua Favorable/ (Unfavorable)</u> |
|---|----------------------------|---|-------------------------|------------------|---|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 791,164 | \$ | \$ 791,164 | \$ 791,164 | \$ |
| Interest on investments | | | | 3,250 | 3,250 |
| Miscellaneous | 8,000 | | 8,000 | | (8,000) |
| Total - Local Sources | 799,164 | | 799,164 | 794,414 | (4,750) |
| State Sources: | | | | | |
| Extraordinary Aid | | | | | |
| Categorical Special Education | 92,363 | | 92,363 | 92,363 | |
| Categorical Security Aid | | | | | |
| Equalization Aid | 51,339 | | 51,339 | 51,339 | |
| Adjustment Aid | 1,614,024 | (292,858) | 1,321,166 | 878,643 | (442,523) |
| Categorical Transportation Aid | 731,251 | | 731,251 | 731,251 | |
| Nonpublic Transportation | 132,768 | | 132,768 | 132,768 | |
| On-behalf TPAF Post Retirement Medical Contribution | | 282 | 282 | 282 | |
| On-behalf TPAF Non-Contributory Ins | | | | 54,234 | 54,234 |
| Reimbursement TPAF Social Security | | | | 2,888 | 2,888 |
| | | | | 9,408 | 9,408 |
| Total - State Sources | 2,621,745 | (292,576) | 2,329,169 | 1,953,176 | (375,993) |
| Federal Sources: | | | | | |
| ARRA - ESF | | 281,944 | 281,944 | 281,944 | |
| ARRA - GSF | | 10,914 | 10,914 | 10,914 | |
| | | 292,858 | 292,858 | 292,858 | |
| TOTAL REVENUES | 3,420,909 | 282 | 3,421,191 | 3,040,448 | (380,743) |
| EXPENDITURES: | | | | | |
| Current Expense: | | | | | |
| Undistributed Expenditures: | | | | | |
| Instruction: | | | | | |
| Tuition - Other LEAs Within the State - Regular | 2,794,661 | (9,738) | 2,784,923 | 2,791,742 | (6,819) |
| Tuition - Other LEAs Within the State - Special | 627,020 | (88,837) | 538,183 | 538,183 | |
| Tuition - CSSD and Regional Day Schools | | 726 | 726 | 726 | |
| Tuition to Private Schools for Handicapped w/in State | | 2,646 | 2,646 | 2,646 | |
| Tuition - State Facility | | 22,771 | 22,771 | 22,771 | |
| Total Undistributed Expenditures - Instruction | 3,421,681 | (72,432) | 3,349,249 | 3,356,068 | (6,819) |

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Budget Adjustments Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actua Favorable/ (Unfavorable)</u> |
|---|----------------------------|---|-------------------------|----------------|---|
| EXPENDITURES: (Continued) | | | | | |
| Support Services General Administration: | | | | | |
| Salaries | \$ 94,000 | \$ (3,783) | \$ 90,217 | \$ 90,217 | \$ |
| Legal Services | 5,000 | 49,272 | 54,272 | 54,272 | |
| Audit Fees | 4,500 | 12,500 | 17,000 | 14,500 | 2,500 |
| Other Purchased Professional Services | 2,500 | 25,151 | 27,651 | 27,651 | |
| Communications/Telephone | 2,500 | 4,538 | 7,038 | 7,038 | |
| General Supplies | 2,500 | 2,900 | 5,400 | 5,400 | |
| Miscellaneous Expenditures | 2,433 | 4,267 | 6,700 | 6,700 | |
| BOE Membership Dues and Fees | 5,000 | (1,325) | 3,675 | 3,675 | |
| Total Support Services General Administration | 118,433 | 93,520 | 211,953 | 209,453 | 2,500 |
| Support Services School Administration: | | | | | |
| Other Salaries | 10,000 | (100) | 9,900 | 9,900 | |
| Other Purchased Services (400-500 Series) | | 1,434 | 1,434 | 1,434 | |
| Other Objects | | 3,583 | 3,583 | 3,583 | |
| Total Support Services School Administration | 10,000 | 4,917 | 14,917 | 14,917 | |
| Support Services Central Services | | | | | |
| Salaries | 30,000 | (36) | 29,964 | 29,964 | |
| Purchased Technical Services | | 3,965 | 3,965 | 3,965 | |
| Total Support Services Central Services | 30,000 | 3,929 | 33,929 | 33,929 | |
| Increase in Maintenance Reserve | 84,942 | | 84,942 | | 84,942 |
| Req. Maintenance for School Facilities: | | | | | |
| Cleaning, Repair, and Maintenance Services | 5,000 | 6,414 | 11,414 | 11,414 | |
| Total Req. Maintenance for School Facilities: | 5,000 | 6,414 | 11,414 | 11,414 | |
| Other Operation and Maintenance of Plant : | | | | | |
| Salaries | | 12,820 | 12,820 | 12,820 | |
| Other Purchased Property Services | | 10,938 | 10,938 | 10,938 | |
| Insurance | | 10,736 | 10,736 | 10,736 | |
| General Supplies | | 2,628 | 2,628 | 2,628 | |
| Energy (Natural Gas) | | 6,218 | 6,218 | 6,218 | |
| Energy (Electricity) | | 21,966 | 21,966 | 21,966 | |
| Other Operation and Maintenance of Plant : | | 65,306 | 65,306 | 65,306 | |
| Total Operations and Maintenance of Plant Services | 5,000 | 71,720 | 76,720 | 76,720 | |
| Undistributed Expenditures - Student Transportation Services: | | | | | |
| Contracted Services (Home/school) - Joint Agreements | 15,000 | (11,263) | 3,737 | | 3,737 |
| Total Student Transportation Services | 15,000 | (11,263) | 3,737 | | 3,737 |

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Budget Adjustments Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actua Favorable/ (Unfavorable)</u> |
|--|----------------------------|---|-------------------------|-------------------|---|
| EXPENDITURES: (Continued) | | | | | |
| Undistributed Expenditures: (Continued) | | | | | |
| Other Support Services: | | | | | |
| Increase in Current Expense Emergency Reserve | \$ 110,109 | \$ | \$ 110,109 | \$ | \$ 110,109 |
| Total Other Support Services | <u>110,109</u> | | <u>110,109</u> | | <u>110,109</u> |
| Unallocated Benefits | | | | | |
| Social Security Contributions | 10,000 | (2,599) | 7,401 | 7,401 | |
| Other Retirement Contributions | | 11,436 | 11,436 | 11,436 | |
| Other Retirement Contributions - ERIP | | 7,643 | 7,643 | 7,643 | |
| Unemployment Compensation | | 22,165 | 22,165 | 33,258 | (11,093) |
| Health Benefits | 15,000 | 2,271 | 17,271 | 17,271 | |
| Other Employee Benefits | | 32,451 | 32,451 | 49,047 | (16,596) |
| Total Unallocated Benefits | <u>25,000</u> | <u>73,367</u> | <u>98,367</u> | <u>126,056</u> | <u>(27,689)</u> |
| On-behalf TPAF Post Retirement Medical Contribution | | | | 54,234 | (54,234) |
| On-behalf TPAF Non-Contributory Ins | | | | 2,888 | (2,888) |
| Reimbursement TPAF Social Security | | | | 9,408 | (9,408) |
| Total Undistributed Expenditures | <u>3,820,165</u> | <u>163,758</u> | <u>3,983,923</u> | <u>3,883,673</u> | <u>100,250</u> |
| TOTAL EXPENDITURES - CURRENT EXPENSE | <u>3,820,165</u> | <u>163,758</u> | <u>3,983,923</u> | <u>3,883,673</u> | <u>100,250</u> |
| TOTAL EXPENDITURES | <u>3,820,165</u> | <u>163,758</u> | <u>3,983,923</u> | <u>3,883,673</u> | <u>100,250</u> |
| Excess (Deficiency) of Revenues and Other Over (Under) Expenditures | <u>(399,256)</u> | <u>(163,476)</u> | <u>(562,732)</u> | <u>(843,225)</u> | <u>(280,493)</u> |
| Other financing sources (uses): | | | | | |
| Transfer of Funds to Charter Schools | | (34,996) | (34,996) | (34,996) | |
| Prior Year Adjustments | | | | (25,239) | (25,239) |
| Transferred from Capital Project Fund | | | | 3,187 | 3,187 |
| Total other financing sources | | <u>(34,996)</u> | <u>(34,996)</u> | <u>(57,048)</u> | <u>(22,052)</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>(399,256)</u> | <u>(198,472)</u> | <u>(597,728)</u> | <u>(900,273)</u> | <u>(302,545)</u> |
| Fund Balances, July 1 | 1,096,506 | | 1,096,506 | 1,096,506 | |
| Fund Balances, June 30 | <u>\$ 697,250</u> | <u>\$ (198,472)</u> | <u>\$ 498,778</u> | <u>\$ 196,233</u> | <u>\$ (302,545)</u> |

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Original</u> <u>Budget</u> | <u>Budget</u> <u>Adjustments</u> <u>Transfers</u> | <u>Final</u> <u>Budget</u> | <u>Actual</u> | <u>Variance</u> <u>Final to Actua</u> <u>Favorable/</u> <u>(Unfavorable)</u> |
|---|----------------------------------|---|-------------------------------|--------------------|---|
| <u>RECAPITULATION :</u> | | | | | |
| Reserved: | | | | | |
| Encumbrances | | | | \$ 2,500 | |
| Excess Surplus | | | | | |
| Excess Surplus- Designated for Subsequent Year's Expenditures | | | | | |
| Unreserved: | | | | | |
| Designated for Subsequent Year's Expenditures | | | | 5,895 | |
| Unrestricted Fund Balance | | | | 187,838 | |
| | | | | <u>196,233</u> | |
| Reconciliation to Governmental Funds Statements (GAAP): | | | | | |
| Last State Aid Payment not Recognized on GAAP Basis | | | | (260,354) | |
| Fund Balance per Governmental Funds (GAAP) | | | | <u>\$ (64,121)</u> | |

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
ARRA SUPPLEMENTARY SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Original Budget</u> | <u>Budget Adjustments Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actua Favorable/ (Unfavorable)</u> |
|--|----------------------------|---|-------------------------|-------------------|---|
| ARRA - ESF: | | | | | |
| Undistributed Expenditures: | | | | | |
| Instruction: | \$ | \$ | \$ | \$ | \$ |
| Tuition LEA's - Special | | 281,944 | 281,944 | 281,944 | |
| Total Undistributed Expenditures - Fund 16 | | 281,944 | 281,944 | 281,944 | |
| ARRA - GSF: | | | | | |
| Undistributed Expenditures | | | | | |
| Instruction: | | | | | |
| Tuition LEA's - Special | | 10,914 | 10,914 | 10,914 | |
| Total | | 10,914 | 10,914 | 10,914 | |
| Total Undistributed Expenditures - Fund 17 | | 10,914 | 10,914 | 10,914 | |
| TOTAL EXPENDITURES ARRA | \$ | \$ 292,858 | \$ 292,858 | \$ 292,858 | \$ |

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Original</u> <u>Budget</u> | <u>Budget</u> <u>Transfers</u> | <u>Final</u> <u>Budget</u> | <u>Actual</u> | <u>Variance</u> <u>Final to Actual</u> |
|--|----------------------------------|-----------------------------------|-------------------------------|---------------|---|
| REVENUES: | | | | | |
| State Sources | \$ 56,088 | \$ | \$ 56,088 | \$ 56,088 | \$ |
| Federal Sources | | 12,293 | 12,293 | 3,811 | 8,482 |
| Total Revenues | <u>56,088</u> | <u>12,293</u> | <u>68,381</u> | <u>59,899</u> | <u>8,482</u> |
| EXPENDITURES: | | | | | |
| Instruction | | | | | |
| Tuition | 56,088 | | 56,088 | 56,088 | |
| Other Purchased Services | | 975 | 975 | | 975 |
| Total Instruction | <u>56,088</u> | <u>975</u> | <u>57,063</u> | <u>56,088</u> | <u>975</u> |
| Support Services | | | | | |
| Other Salaries | | 2,995 | 2,995 | 2,859 | 136 |
| Personal Services - Employee Benefits | | 4,492 | 4,492 | | 4,492 |
| Other Purchased Services | | 2,000 | 2,000 | 122 | 1,878 |
| Supplies and Materials | | 1,831 | 1,831 | 830 | 1,001 |
| Total Support Services | | <u>11,318</u> | <u>11,318</u> | <u>3,811</u> | <u>7,507</u> |
| Total Expenditures | <u>56,088</u> | <u>12,293</u> | <u>68,381</u> | <u>59,899</u> | <u>8,482</u> |
| Excess (Deficiency) of Revenues Over (Under) | | | | | |
| Expenditures and Other Financing Sources (Uses) | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGET-TO-GAAP RECONCILIATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

| | <u>Ref.</u> | <u>General Fund</u> | <u>Ref.</u> | <u>Special Revenue Fund</u> |
|---|-------------|-------------------------|-------------|-------------------------------------|
| Sources/inflows of resources | | | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule | [C-1] | \$ 3,040,448 | [C-2] | \$ 59,899 |
| 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 | | | | 18,033 |
| Current Year | | | | (2,932) |
| State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes. | | 258,235 | | 5,427 |
| State aid payment recognized for budgetary purposes, not recognized for GAAP statements | | (260,354) | | (5,609) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | [B-2] | \$ 3,038,329 | [B-2] | \$ 74,818 |
| Uses/outflows of resources | | | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] | \$ 3,883,673 | [C-2] | \$ 59,899 |
| 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 | | | | 18,033 |
| Current Year | | | | (2,932) |
| Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes Net transfers (outflows) to capital project fund and food service fund. | | | | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | [B-2] | \$ 3,883,673 | [B-2] | \$ 75,000 |

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.

EXHIBIT E-1

BOROUGH OF CHESILHURST SCHOOL DISTRICT
SPECIAL REVENUE FUND - BUDGETARY BASIS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | Preschool Education Aid | Title I Part A | TOTALS | |
|--|-------------------------------|-------------------|-----------|------------|
| | | | 2010 | 2009 |
| REVENUES: | | | | |
| State Sources | \$ 56,088 | \$ | 56,088 | \$ 54,648 |
| Federal Sources | | 3,811 | 3,811 | 161,765 |
| Total Revenues | 56,088 | 3,811 | 59,899 | 216,413 |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Salaries of Teachers | | | | 118,019 |
| Tuition | 56,088 | | 56,088 | |
| Other Purchased Services | | | | 38,000 |
| General Supplies | | | | 3,874 |
| Total Instruction | 56,088 | | 56,088 | 159,893 |
| Support Services: | | | | |
| Other Salaries | | 2,859 | 2,859 | 2,995 |
| Personal Services - Employee Benefits | | | | 20,895 |
| Purchase Professional / Educational Services | | | | 18,685 |
| Purchase Professional /Tech Services | | 122 | 122 | 11,186 |
| Other Purchased Services | | 830 | 830 | 2,759 |
| Supplies and Materials | | | | |
| Total Support Services | | 3,811 | 3,811 | 56,520 |
| Total Expenditures | \$ 56,088 | \$ 3,811 | \$ 59,899 | \$ 216,413 |

BOROUGH OF CHESILHURST SCHOOL DISTRICT
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

DISTRICT-WIDE TOTAL

| | <u>Budgeted</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------|------------------|------------------|-----------------|
| EXPENDITURES: | | | |
| Instruction: | | | |
| Tuition | \$ 56,088 | \$ 56,088 | \$ _____ |
| | <u>56,088</u> | <u>56,088</u> | <u>_____</u> |
| Total Instruction | | | |
| Support Services: | | | |
| Total Support Services | | | |
| Total Expenditures | \$ <u>56,088</u> | \$ <u>56,088</u> | \$ <u>_____</u> |

CALCULATION OF BUDGET AND CARRYOVER

| | | |
|--|----------------|------------|
| Total 2009-10 Preschool Education Aid Allocation | \$ 56,088 | (1) |
| Actual ECPA Carryover (June 30, 2009) | 46,448 | (2) |
| Add: Actual Transfer from General Fund 2009-10 | | |
| | <u>102,536</u> | <u>(3)</u> |
| Total Preschool Education Aid Funds Available for 2009-10 Budget | | |
| Less: 2009-10 Budgeted Preschool Education Aid (including | | |
| prior year budgeted carryover) | (56,088) | (4) |
| | <u>46,448</u> | <u>(5)</u> |
| Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2010 | | |
| Add: 2009-10 Unexpended Preschool Education Aid | - | (6) |
| | <u>46,448</u> | <u>(7)</u> |
| 2009-10 Carryover - Preschool Education Aid | | |
| | <u>46,448</u> | <u>(7)</u> |
| 2009-10 Preschool Education Aid Carryover | | |
| Budgeted for Preschool Programs in 2010-11 | \$ _____ | (8) |

CAPITAL PROJECTS FUND DETAIL STATEMENT

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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| <u>Project Title/Issue</u> | <u>Original Date</u> | <u>Appropriations</u> | <u>Expenditures to Date</u> | | <u>Cancelled</u> | <u>Unexpended Balance June 30, 2010</u> |
|---|----------------------|-----------------------|-----------------------------|---------------------|------------------|---|
| | | | <u>Prior Years</u> | <u>Current Year</u> | | |
| Acquisition of Telecommunications Equipment | 8-Feb-05 | \$ 31,864 | \$ 28,677 | \$ - | (3,187) | \$ - |

BOROUGH OF CHESILHURST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Revenues and Other Financing Sources

| | | |
|------------------------------|----|-------|
| State Sources - SCC Grant | \$ | |
| Miscellaneous | | |
| Transfer from capital outlay | | |
| | | _____ |
| Total revenues | | _____ |

Expenditures and Other Financing Uses

| | | |
|---|--|-------|
| Purchased Professional & Technical Services | | |
| Land and Improvements | | |
| Construction Services | | |
| Equipment | | |
| | | _____ |
| Total expenditures | | _____ |

Excess (deficiency) of revenues over (under) expenditures

| | | |
|---------------------------------|---------|------------|
| Fund Balance - beginning | 3,187 | |
| Less: cancelled to General Fund | (3,187) | |
| | | _____ |
| Fund Balance - ending | \$ | - _____ |

BOROUGH OF CHESILHURST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
SECURITY UPGRADES TO SCHOOL FACILITIES
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|--|--------------------------|-------------------------|---------------|--|
| Revenues and Other Financing Sources | | | | |
| State Sources - SCC Grant | \$ 25,665 | \$ | \$ 25,665 | \$ 25,665 |
| Transfer from capital outlay | 6,199 | | 6,199 | 6,199 |
| | <hr/> | | <hr/> | <hr/> |
| Total revenues | 31,864 | | 31,864 | 31,864 |
| | <hr/> | | <hr/> | <hr/> |
| Expenditures and Other Financing Uses | | | | |
| Equipment | 28,677 | | 28,677 | 31,864 |
| | <hr/> | | <hr/> | <hr/> |
| Total expenditures | 28,677 | | 28,677 | 31,864 |
| | <hr/> | | <hr/> | <hr/> |
| Excess (deficiency) of revenues over (under) expenditures | \$ 3,187 | \$ | \$ 3,187 | \$ |
| Less: cancelled to General fund | | (3,187) | (3,187) | |
| | <hr/> | | <hr/> | <hr/> |
| Fund Balance, June 30 | 3,187 | (3,187) | - | |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Additional Project Information:

| | |
|--|------------------|
| Project Number | 0810-050-04-1000 |
| Grant Date | 2/28/2005 |
| Original Authorized Cost | \$ 31,864 |
| Additional Authorized Cost | - |
| | <hr/> |
| Revised Authorized Cost | \$ 31,864 |
| | <hr/> <hr/> |
| Percentage Increase over Original Authorized Cost | 0% |
| Percentage completion | 100% |
| Original target completion date | 4/20/2005 |
| Revised target completion date | 4/20/2005 |

PROPRIETARY FUND DETAIL STATEMENTS

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.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010 AND 2009

| | <u>2010</u> | <u>2009</u> |
|---|------------------|------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash | \$ 29,545 | \$ 14,020 |
| Accounts Receivable: | | |
| State | | 711 |
| Federal | | 14,814 |
| Inventories | 600 | 600 |
| Total Current Assets | <u>30,145</u> | <u>30,145</u> |
| Fixed Assets: | | |
| Equipment | 18,100 | 26,900 |
| Accumulated Depreciation | (16,157) | (20,976) |
| Total Fixed Assets | <u>1,943</u> | <u>5,924</u> |
| Total Assets | <u>32,088</u> | <u>36,069</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| Interfund Payable | <u>17,756</u> | <u>17,756</u> |
| Total Current Liabilities | <u>17,756</u> | <u>17,756</u> |
| NET ASSETS: | | |
| Invested in Capital Assets, net of related debt | 1,943 | 5,924 |
| Unrestricted | <u>12,389</u> | <u>12,389</u> |
| Total Net Assets | <u>\$ 14,332</u> | <u>\$ 18,313</u> |

BOROUGH OF CHESILHURST SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

| | 2010 | 2009 |
|---|-------------|-------------|
| OPERATING REVENUES: | | |
| Local Sources: | | |
| Daily Sales - Reimbursable Programs: | | |
| School Lunch Program | \$ | \$ 6,395 |
| School Breakfast Program | | |
| Total Daily Sales - Reimbursable Programs | | 6,395 |
| Daily Sales Non-Reimbursable Programs | | |
| Total Operating Revenue | | 6,395 |
| OPERATING EXPENSES: | | |
| Salaries | | 36,795 |
| Cost of Sales | | 62,849 |
| Depreciation | 353 | 780 |
| Total Operating Expenses | 353 | 100,424 |
| Operating Loss | (353) | (94,029) |
| Non-Operating Revenues: | | |
| State Sources: | | |
| State School Breakfast Program | | 955 |
| State School Lunch Program | | 1,429 |
| Federal Sources: | | |
| School Breakfast Program | | 14,576 |
| National School Lunch Program | | 34,559 |
| Food Distribution Program | | 9,157 |
| Fixed Asset Adjustment | (3,628) | |
| Total Non-Operating Revenues | (3,628) | 60,676 |
| Net Income before Operating Transfers | (3,981) | (33,353) |
| Operating Transfer In | | 50,000 |
| Net Income (Deficit) | (3,981) | 16,647 |
| Net Assets, July 1 | 18,313 | 1,666 |
| Net Assets, June 30 | \$ 14,332 | \$ 18,313 |

BOROUGH OF CHESILHURST SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

| | <u>2010</u> | <u>2009</u> |
|---|------------------|------------------|
| Cash Flows from Operating Activities: | | |
| Operating Income (Loss) | \$ (353) | \$ (94,029) |
| Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities: | | |
| Depreciation | 353 | 780 |
| Change in Assets and Liabilities: | | |
| (Increase)/ Decrease in Accounts Receivable | 15,525 | 9,157 |
| Increase/ (Decrease) in Inventories | | (203) |
| Increase/(Decrease) in Accounts Payable | | |
| Net Cash Used by Operating Activities | <u>15,525</u> | <u>(84,295)</u> |
| Cash Flows from Noncapital Financing Activities: | | |
| Cash Received from State and Federal Reimbursements | | 45,091 |
| Operating Transfer In | | 50,000 |
| Net Cash Provided by Noncapital Financing Activities | | <u>95,091</u> |
| Cash Flows from Capital & Related Financing Activities; | | |
| Purchase of Capital Asset | | |
| Cash Flows from Investing Activities: | | |
| Interest on Investments | | |
| Net Decrease in Cash and Cash Equivalents | <u>15,525</u> | <u>10,796</u> |
| Cash and Cash Equivalents, July 1 | <u>14,020</u> | <u>3,224</u> |
| Cash and Cash Equivalents, June 30 | <u>\$ 29,545</u> | <u>\$ 14,020</u> |

FIDUCIARY FUNDS DETAIL STATEMENTS

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 an/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.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

| | <u>Expendable</u> | | <u>Agency</u> | | <u>Total</u> | |
|--|---------------------|-----------------|-----------------|------------------|------------------|-------------|
| | <u>Trust</u> | | <u>Student</u> | | <u>2010</u> | <u>2009</u> |
| | <u>Unemployment</u> | | <u>Activity</u> | <u>Payroll</u> | | |
| | <u>Compensation</u> | | | | | |
| | <u>Insurance</u> | | | | | |
| ASSETS: | | | | | | |
| Cash and Cash Equivalents | \$ 615 | \$ 2,993 | \$ 5,094 | \$ 8,702 | \$ 19,476 | |
| Interfund Accounts Receivable | 8,826 | | | 8,826 | 8,732 | |
| Total Assets | \$ 9,441 | \$ 2,993 | \$ 5,094 | \$ 17,528 | \$ 28,208 | |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Claims Payable | \$ | \$ | \$ | \$ | \$ 2,297 | |
| Payroll Deductions and Withholdings | | | 4,115 | 4,115 | 335 | |
| Due to Student Groups | | 2,993 | | 2,993 | 2,930 | |
| Interfund Payable | | | 979 | 979 | 592 | |
| Total Liabilities | | 2,993 | 5,094 | 8,087 | 6,154 | |
| Fund Balances: | | | | | | |
| Reserved: | | | | | | |
| Unemployment Compensation | 9,441 | | | 9,441 | 22,054 | |
| Total Fund Balance | 9,441 | | | 9,441 | 22,054 | |
| Total Liabilities and Fund Balances | \$ 9,441 | \$ 2,993 | \$ 5,094 | \$ 17,528 | \$ 28,208 | |

BOROUGH OF CHESILHURST SCHOOL DISTRICT
EXPENDABLE TRUST FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | Unemployment Compensation Trust Fund | 2010 | Total 2009 |
|----------------------------------|---|-----------------|-----------------------|
| OPERATING REVENUES: | | | |
| Local sources: | | | |
| Plan Member Contributions | \$ | \$ | \$ 2,370 |
| District Contributions | 19,881 | 19,881 | 30,000 |
| Interest on Investments | 15 | 15 | 56 |
| Total Operating Revenues | <u>19,896</u> | <u>19,896</u> | <u>32,426</u> |
| OPERATING EXPENSES: | | | |
| Miscellaneous Disbursements | | | 68 |
| Unemployment Compensation Claims | 32,509 | 32,509 | 17,968 |
| Total Operating Expenses | <u>32,509</u> | <u>32,509</u> | <u>18,036</u> |
| Change in Net Assets | (12,613) | (12,613) | 14,390 |
| Net Assets, July 1 | <u>22,054</u> | <u>22,054</u> | <u>7,664</u> |
| Net Assets, June 30 | <u>\$ 9,441</u> | <u>\$ 9,441</u> | <u>\$ 22,054</u> |

BOROUGH OF CHESILHURST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Balance</u> <u>July 1,</u> <u>2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30,</u> <u>2010</u> |
|---------------------------|---|------------------|------------------|--|
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 2,930 | \$ 63 | \$ | \$ 2,993 |
| Total Assets | <u>\$ 2,930</u> | <u>\$ 63</u> | <u>\$</u> | <u>\$ 2,993</u> |
| LIABILITIES: | | | | |
| Due to Student Groups | \$ 2,930 | \$ 63 | \$ | \$ 2,993 |
| Total Liabilities | <u>\$ 2,930</u> | <u>\$ 63</u> | <u>\$</u> | <u>\$ 2,993</u> |

Interest income received but not allocated.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

| | <u>Balance</u> <u>July 1,</u> <u>2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30,</u> <u>2010</u> |
|--|---|-------------------|-------------------|--|
| ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 927 | \$ 286,750 | \$ 282,583 | \$ 5,094 |
| Total Assets | <u>\$ 927</u> | <u>\$ 286,750</u> | <u>\$ 282,583</u> | <u>\$ 5,094</u> |
| LIABILITIES: | | | | |
| Interfund Payable | \$ 592 | \$ 387 | \$ | \$ 979 |
| Payroll Deductions and Withholdings | 335 | 286,363 | 282,583 | 4,115 |
| Total Liabilities | <u>\$ 927</u> | <u>\$ 286,750</u> | <u>\$ 282,583</u> | <u>\$ 5,094</u> |

LONG-TERM DEBT SCHEDULES

N/A

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.

STATISTICAL SECTION

BOROUGH OF CHESILHURST SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)

| | Fiscal Year Ending June 30, | | | | | | |
|--|-----------------------------|-------------------|-------------------|---------------------|---------------------|---------------------|-------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Governmental Activities | | | | | | | |
| Invested in Capital Assets, net of related debt | \$ 374,471 | \$ 257,395 | \$ 276,996 | \$ 283,288 | \$ 260,428 | \$ 251,632 | \$ 250,166 |
| Restricted | 290,612 | 516,491 | 710,392 | 814,429 | 756,031 | 761,741 | 5,895 |
| Unrestricted | 145,812 | (40,806) | (359,568) | 120,824 | 115,179 | 74,290 | (96,355) |
| Total Governmental Activities Net assets | \$ 810,895 | \$ 733,080 | \$ 627,820 | \$ 1,218,541 | \$ 1,131,638 | \$ 1,087,663 | \$ 159,706 |
| Business-Type Activities | | | | | | | |
| Invested in Capital Assets, net of related debt | \$ 4,249 | \$ 3,649 | \$ 3,049 | \$ 7,483 | \$ 6,704 | \$ 5,924 | \$ 1,943 |
| Restricted | - | - | - | - | - | - | - |
| Unrestricted | (75,240) | 21,176 | (8,598) | (13,537) | (5,038) | 12,389 | 12,389 |
| Total Business-Type Activities Net Assets | \$ (70,991) | \$ 24,825 | \$ (5,549) | \$ (6,054) | \$ 1,666 | \$ 18,313 | \$ 14,332 |
| District-Wide | | | | | | | |
| Invested in Capital Assets, net of related debt | \$ 378,720 | \$ 261,044 | \$ 280,045 | \$ 290,771 | \$ 267,132 | \$ 257,556 | \$ 252,109 |
| Restricted | 290,612 | 516,491 | 710,392 | 814,429 | 756,031 | 761,741 | 5,895 |
| Unrestricted | 70,572 | (19,630) | (368,166) | 107,287 | 110,141 | 86,679 | (83,966) |
| Total District-Wide Net Assets | \$ 739,904 | \$ 757,905 | \$ 622,271 | \$ 1,212,487 | \$ 1,133,304 | \$ 1,105,976 | \$ 174,038 |

Source: CAFR Schedule A-1

BOROUGH OF CHESILHURST SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)

| | Fiscal Year Ending June 30, | | | | | | |
|---|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Expenses | | | | | | | |
| Governmental activities | | | | | | | |
| Instruction | | | | | | | |
| Regular | \$ 673,247 | \$ 693,147 | \$ 782,594 | \$ 807,300 | \$ 878,483 | \$ 900,735 | \$ 56,088 |
| Special Education | 126,117 | 99,509 | 76,884 | 117,853 | 108,244 | 167,042 | |
| Other Special Instruction | 87,776 | 43,666 | 12,565 | 16,792 | 19,988 | 21,354 | |
| Other Instruction | 5,718 | 9,919 | 9,693 | | | | |
| Support Services | | | | | | | |
| Tuition | 1,484,305 | 1,299,128 | 1,451,775 | 1,639,287 | 1,884,517 | 1,666,988 | 3,356,068 |
| Student and Instruction Related Services | 218,295 | 297,687 | 292,603 | 369,887 | 310,325 | 417,723 | 18,912 |
| General Administrative Services | 219,398 | 147,613 | 153,040 | 146,946 | 174,689 | 152,340 | 209,453 |
| School Administrative Services | 9,019 | 17,268 | 17,144 | 8,483 | 15,247 | 16,377 | 14,917 |
| Central Services | | | | | | | 33,929 |
| Plant Operations and Maintenance | 159,380 | 144,923 | 174,830 | 212,631 | 220,934 | 192,994 | 76,720 |
| Pupil Transportation | 161,780 | 174,149 | 174,748 | 144,888 | 205,734 | 191,857 | |
| Employee Benefits | 339,620 | 392,881 | 409,761 | 31,456 | 23,433 | 36,505 | 192,586 |
| Unallocated Depreciation and Amortization | 42,237 | 12,748 | 12,748 | | | | 23,534 |
| Summer School | | | | | | 19,903 | |
| Total Governmental Activities Expenses | 3,526,892 | 3,332,638 | 3,568,385 | 3,495,523 | 3,841,594 | 3,783,818 | 3,982,207 |
| Business-Type Activities | | | | | | | |
| Food Service | 115,618 | 101,723 | 120,435 | 115,479 | 101,631 | 100,424 | 353 |
| Total Business-Type Activities Expense | 115,618 | 101,723 | 120,435 | 115,479 | 101,631 | 100,424 | 353 |
| Total District Expenses | \$ 3,642,510 | \$ 3,434,361 | \$ 3,688,820 | \$ 3,611,002 | \$ 3,943,225 | \$ 3,884,242 | \$ 3,982,560 |
| Program Revenues | | | | | | | |
| Governmental Activities | | | | | | | |
| Operating Grants and Contributions | \$ 477,859 | \$ 467,274 | \$ 554,348 | \$ 469,990 | \$ 431,207 | \$ 207,896 | \$ 66,530 |
| Total Governmental Activities Program Revenues | 477,859 | 467,274 | 554,348 | 469,990 | 431,207 | 207,896 | 66,530 |
| Business-Type Activities | | | | | | | |
| Charges for Services | | | | | | | |
| Food Service | 10,109 | 7,935 | 9,122 | 8,707 | 7,062 | 6,395 | |
| Operating Grants and Contributions | 42,881 | 45,256 | 40,939 | 57,376 | 57,289 | 60,676 | |
| Total Business-Type Activities Program Revenues | 52,990 | 53,191 | 50,061 | 66,083 | 64,351 | 67,071 | |
| Total District Program Revenues | \$ 530,849 | \$ 520,465 | \$ 604,409 | \$ 536,073 | \$ 495,558 | \$ 274,967 | \$ 66,530 |
| Net (Expense)/Revenue | | | | | | | |
| Governmental Activities | \$ (3,049,033) | \$ (2,865,364) | \$ (3,014,037) | \$ (3,025,533) | \$ (3,410,387) | \$ (3,575,922) | \$ (3,915,677) |
| Business-Type Activities | (62,628) | (48,532) | (70,374) | (49,396) | (37,280) | (33,353) | (353) |
| Total District-Wide Net Expense | \$ (3,111,661) | \$ (2,913,896) | \$ (3,084,411) | \$ (3,074,929) | \$ (3,447,667) | \$ (3,609,275) | \$ (3,916,030) |
| General Revenues and Other Changes in Net Assets | | | | | | | |
| Governmental Activities | | | | | | | |
| Property Taxes Levied for General Purposes, net | \$ 726,581 | \$ 689,923 | \$ 857,170 | \$ 853,814 | \$ 781,162 | \$ 791,164 | \$ 791,164 |
| Unrestricted Grants and Contributions | 2,162,980 | 2,257,458 | 2,178,554 | 2,323,091 | 2,441,525 | 2,617,529 | 2,252,203 |
| Investment Earnings | 2,347 | 12,064 | 37,826 | 63,435 | 29,128 | 6,088 | 3,250 |
| Miscellaneous Income | 127,350 | 95,380 | 179,704 | 216,289 | 115,233 | 105,289 | |
| Fixed Asset Adjustment | | (116,729) | 21,264 | 21,985 | | 61,877 | 1,338 |
| Compensated Absences | | | (325,741) | | | | |
| Prior Year Adjustments | | | | 177,640 | | | (25,239) |
| Transfers | (20,000) | (150,547) | (40,000) | (40,000) | (45,000) | (50,000) | (34,996) |
| Total Governmental Activities | 2,999,258 | 2,787,549 | 2,908,777 | 3,616,254 | 3,322,048 | 3,531,947 | 2,987,720 |
| Business-Type Activities | | | | | | | |
| Compensated Absences | | | | 3,678 | | | |
| Previous Acquired Assets Not Reported | | | | 5,213 | | | (3,628) |
| Transfer | 20,000 | 144,348 | 40,000 | 40,000 | 45,000 | 50,000 | |
| Total Business-Type Activities | 20,000 | 144,348 | 40,000 | 48,891 | 45,000 | 50,000 | (3,628) |
| Total District-Wide | \$ 3,019,258 | \$ 2,931,897 | \$ 2,948,777 | \$ 3,665,145 | \$ 3,367,048 | \$ 3,581,947 | \$ 2,984,092 |
| Change in Net Assets | | | | | | | |
| Governmental Activities | \$ (49,775) | \$ (77,815) | \$ (105,260) | \$ 590,721 | \$ (88,339) | \$ (43,975) | \$ (927,957) |
| Business-Type Activities | (42,628) | 95,816 | (30,374) | (505) | 7,720 | 16,647 | (3,981) |
| Total District-Wide | \$ (92,403) | \$ 18,001 | \$ (135,634) | \$ 590,216 | \$ (80,619) | \$ (27,328) | \$ (931,938) |

Source: CAFR Schedule A-2

BOROUGH OF CHESILHURST SCHOOL DISTRICT
FUND BALANCES-GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

| | Fiscal Year Ending June 30, | | | | | | |
|------------------------------------|-----------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| General Fund | | | | | | | |
| Reserved | \$ 293,437 | \$ 462,701 | \$ 716,872 | \$ 811,242 | \$ 754,770 | \$ 844,833 | \$ 8,395 |
| Unreserved | 177,175 | 51,050 | (5,428) | 146,672 | 142,199 | (6,562) | (72,516) |
| Total General Fund | <u>\$ 470,612</u> | <u>\$ 513,751</u> | <u>\$ 711,444</u> | <u>\$ 957,914</u> | <u>\$ 896,969</u> | <u>\$ 838,271</u> | <u>\$ (64,121)</u> |
| All Other Governmental Funds | | | | | | | |
| Reserved | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Unreserved, Reported in: | | | | | | | |
| Special Revenue Fund | (13,188) | (13,188) | (13,188) | (13,188) | (14,943) | (5,427) | (5,609) |
| Capital Projects Fund | | | 3,187 | 3,187 | 3,187 | 3,187 | |
| Total All Other Governmental Funds | <u>\$ (13,188)</u> | <u>\$ (13,188)</u> | <u>\$ (10,001)</u> | <u>\$ (10,001)</u> | <u>\$ (11,756)</u> | <u>\$ (2,240)</u> | <u>\$ (5,609)</u> |

Source: CAFR Schedule B-1

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS**

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|--------------------|------------------|-------------------|-------------------|--------------------|--------------------|---------------------|
| Revenues | | | | | | | |
| Tax Levy | \$ 726,581 | \$ 689,923 | \$ 857,170 | \$ 853,814 | \$ 781,162 | \$ 791,164 | \$ 791,164 |
| Interest Earnings | 2,347 | 12,064 | 37,826 | 63,435 | 29,128 | 6,088 | 3,250 |
| Miscellaneous | 127,350 | 99,258 | 179,704 | 216,289 | 115,233 | 105,289 | |
| State Sources | 2,423,447 | 2,503,111 | 2,514,272 | 2,589,501 | 2,737,269 | 2,681,693 | 2,006,963 |
| Federal Sources | 217,392 | 221,621 | 218,630 | 203,580 | 135,463 | 143,732 | 311,770 |
| Total Revenues | 3,497,117 | 3,525,977 | 3,807,602 | 3,926,619 | 3,798,255 | 3,727,966 | 3,113,147 |
| Expenditures | | | | | | | |
| Instruction | | | | | | | |
| Regular Instruction | 673,247 | 693,147 | 782,594 | 779,304 | 767,808 | 792,730 | 56,088 |
| Special Education Instruction | 126,117 | 99,509 | 76,884 | 113,767 | 94,607 | 145,993 | |
| Other Special Instruction | 87,776 | 43,666 | 12,565 | 16,209 | 17,470 | 18,663 | |
| Other instruction | 5,718 | 9,919 | 9,693 | | | | |
| Support Services | | | | | | | |
| Tuition | 1,484,305 | 1,299,128 | 1,451,775 | 1,582,439 | 1,647,097 | 1,456,933 | 3,356,068 |
| Student and Instruction Related Services | 218,295 | 297,687 | 292,603 | 357,060 | 271,229 | 365,086 | 18,912 |
| General Administrative Services | 219,398 | 147,613 | 153,040 | 141,849 | 152,680 | 133,144 | 209,453 |
| School Administrative Services | 9,019 | 17,268 | 17,144 | 8,189 | 13,326 | 14,314 | 14,917 |
| Central Services | | | | | | | 33,929 |
| Plant Operations and Maintenance | 159,380 | 144,923 | 174,830 | 205,258 | 193,099 | 168,675 | 76,720 |
| Pupil Transportation | 161,780 | 174,149 | 174,748 | 139,863 | 179,815 | 167,681 | |
| Employee Benefits | 35,447 | 36,363 | 46,240 | 30,365 | 20,481 | 31,906 | 192,586 |
| Unallocated Employee Benefits | 304,173 | 356,518 | 363,521 | 435,586 | 459,779 | 412,120 | |
| Special Schools | | | | | | 19,903 | |
| Capital Outlay | 13,200 | 12,401 | 11,085 | 7,900 | | | |
| Total Expenditures | 3,497,855 | 3,332,291 | 3,566,722 | 3,817,789 | 3,817,391 | 3,727,148 | 3,958,673 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (738) | 193,686 | 240,880 | 108,830 | (19,136) | 818 | (845,526) |
| Other Financing Sources (Uses) | | | | | | | |
| Cancellation of Prior Year Payables | | | | 185,632 | | | |
| Prior Year Adjustments | | | | | | | (25,239) |
| Payment of Prior Year Unrecorded Liabilities | | | | (7,992) | | | |
| Transfers (Net) | (20,000) | (150,547) | (40,000) | (40,000) | (45,000) | (50,000) | (34,996) |
| Total Other Financing Sources (Uses) | (20,000) | (150,547) | (40,000) | 137,640 | (45,000) | (50,000) | (60,235) |
| Net Change in Fund Balances | \$ (20,738) | \$ 43,139 | \$ 200,880 | \$ 246,470 | \$ (64,136) | \$ (49,182) | \$ (905,761) |
| Debt Service as a Percentage of Noncapital Expenditures | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Source: CAFR Schedule B-2

EXHIBIT J-5

BOROUGH OF CHESILHURST SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
 (UNAUDITED)

| <u>Fiscal Year</u> <u>Ended June 30,</u> | <u>Interest on</u> <u>Investments</u> | <u>Tuition</u> <u>Revenue</u> | <u>Prior</u> <u>Year</u> <u>Tuition</u> | <u>Prior</u> <u>Year</u> <u>Order</u> <u>Adjustment</u> | <u>Winslow</u> <u>Settlement</u> | <u>REDI</u> <u>Grant</u> | <u>Misc.</u> | <u>Total</u> |
|---|--|----------------------------------|---|--|-------------------------------------|-----------------------------|--------------|--------------|
| 2010 | \$ 3,250 | \$ | \$ | \$ | \$ | \$ | \$ | \$ 3,250 |
| 2009 | 6,088 | | 7,994 | | 50,724 | | 46,571 | 111,377 |
| 2008 | 29,128 | | 8,439 | | 50,724 | | 56,070 | 144,361 |
| 2007 | 63,435 | | | 30,000 | 75,712 | | 116,694 | 285,841 |
| 2006 | 37,826 | | 10,263 | 73,714 | 87,001 | | 8,726 | 217,530 |
| 2005 | 12,064 | | 19,999 | 9,971 | 64,411 | | 4,877 | 111,322 |
| 2004 | 2,330 | 25,811 | 10,457 | 32,543 | 25,216 | 21,112 | 12,228 | 129,697 |
| 2003 | | | 21,829 | 506 | | | 2,040 | 24,375 |
| 2002 | 4,761 | 33,748 | 16,839 | | | | 61 | 55,409 |
| 2001 | | | | | | | 11,250 | 11,250 |

Source: District Records

**BOROUGH OF CHESHURST SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

| Fiscal Year Ended June 30, | Vacant Land | Residential | Farm Reg. | Qfarm | Commercial | Industrial | Apartment | Total Assessed Value | Public Utility ^a | Net Valuation Taxable | Total Direct School Tax Rate ^b | Estimated Actual (County Equalized Value) |
|----------------------------|--------------|---------------|-----------|-------|--------------|------------|------------|----------------------|-----------------------------|-----------------------|---|---|
| 2010 | \$ 7,328,200 | \$ 76,505,800 | \$ | \$ | \$ 4,606,100 | \$ 778,500 | \$ 416,200 | \$ 89,634,800 | \$ 555,379 | \$ 90,190,179 | \$ | \$ 88,914,100 ^d |
| 2009 | 7,508,000 | 75,605,300 | | | 4,606,100 | 778,500 | 416,200 | 88,914,100 | 438,919 | 89,353,019 | 0.886 | 88,914,100 |
| 2008 | * 7,328,200 | 74,505,300 | | | 4,801,700 | 778,500 | 416,200 | 87,829,900 | 385,910 | 88,215,810 | 0.891 | 82,130,332 |
| 2007 | 3,845,900 | 39,444,536 | | | 2,337,800 | 481,700 | 220,900 | 46,330,836 | 205,288 | 46,536,124 | 1.757 | 59,663,893 |
| 2006 | 3,820,100 | 38,234,136 | | | 2,337,800 | 596,800 | 220,900 | 45,209,736 | 218,116 | 45,427,852 | 1.883 | 58,493,642 |
| 2005 | 3,971,400 | 37,422,836 | | | 2,337,800 | 596,800 | 220,900 | 44,549,736 | 257,029 | 44,806,765 | 1.726 | 57,972,267 |
| 2004 | 4,113,000 | 36,881,336 | | | 2,337,800 | 596,800 | 220,900 | 44,149,836 | 298,899 | 44,448,735 | 1.593 | 52,651,901 |
| 2003 | 4,248,300 | 36,437,836 | | | 2,337,800 | 596,800 | 220,900 | 43,861,636 | 330,934 | 44,192,570 | 1.644 | 48,745,389 |
| 2002 | 4,309,500 | 36,029,336 | | | 2,336,800 | 596,800 | 220,900 | 43,493,336 | 280,443 | 43,773,779 | 1.542 | 46,390,185 |
| 2001 | 4,610,400 | 35,190,600 | | | 2,336,800 | 596,800 | 220,900 | 42,955,500 | 359,233 | 43,314,733 | 1.181 | 45,869,674 |

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

c Tax rates have not been confirmed by the County Board of Taxation as of the date of the audit report.

d Estimate

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate Per \$100 of Assessed Value)**

| Year Ended June 30, | Borough of Chesilhurst Board of Education | | | Overlapping Rates | | | Total |
|---------------------|---|--|--------------|--|------------------------|---------------|-------|
| | Basic Rate ^a | General Obligation Debt Service ^b | Total Direct | Lower Camden County Regional School District | Borough of Chesilhurst | Camden County | |
| 2010 | \$ c | | \$ c | c | \$ c | \$ c | \$ c |
| 2009 | 0.886 | | 0.886 | | 0.958 | 0.575 | 2.419 |
| 2008 | 0.891 | | 0.891 | | 0.756 | 0.593 | 2.240 |
| 2007 | 1.757 | | 1.757 | | 1.214 | 1.076 | 4.047 |
| 2006 | 1.883 | | 1.883 | | 0.903 | 1.051 | 3.837 |
| 2005 | 1.726 | | 1.726 | | 0.751 | 0.986 | 3.463 |
| 2004 | 1.593 | | 1.593 | | 0.652 | 0.980 | 3.225 |
| 2003 | 1.645 | | 1.645 | | 0.527 | 1.028 | 3.200 |
| 2002 | 1.542 | | 1.542 | | 0.431 | 1.027 | 3.000 |
| 2001 | 1.181 | | 1.181 | | 0.311 | 0.968 | 2.460 |

(1) District dissolved

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 calculation.

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.

c Taxe rates have not been confirmed by the County Board of Taxation as of the date of the audit report.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

| <u>Taxpayer</u> | <u>2010</u> | | <u>2001</u> | |
|--------------------|-------------------------------|---|-------------------------------|---|
| | <u>Taxable Assessed Value</u> | <u>% of Total District Net Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>% of Total District Net Assessed Value</u> |
| Fourth Garden Park | \$ 1,358,000 | 3.00% | \$ | |
| Taxpayer #1 | 847,700 | 1.88% | | |
| Taxpayer #2 | 665,600 | 1.47% | | |
| Taxpayer #3 | 647,500 | 1.43% | | |
| Taxpayer #4 | 530,200 | 1.17% | | |
| Taxpayer #5 | 467,200 | 1.03% | | Not Available |
| Taxpayer #6 | 436,600 | 0.97% | | |
| Taxpayer #7 | 403,300 | 0.89% | | |
| Monte Visco, LLC | | 0.00% | | |
| Taxpayer #8 | 399,200 | 0.88% | | |
| Taxpayer #9 | 345,700 | 0.76% | | |
| Total | \$ 6,101,000 | 13.49% | \$ | |

Source: District CAFR & Municipal Tax Assessor

BOROUGH OF CHESILHURST SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected Within the Fiscal Year of the Levy | | Collections in Subsequent Years |
|----------------------------------|--|---|-----------|---------------------------------------|
| | | Amount | % of Levy | |
| 2010 | \$ 791,164 | \$ 790,325 | 99.89% | \$ 839 |
| 2009 | 791,164 | 474,698 | 60.00% | 316,466 |
| 2008 | 781,162 | 592,066 | 75.79% | 189,096 |
| 2007 | 853,814 | 853,814 | 100.00% | |
| 2006 | 857,170 | 714,308 | 83.33% | 142,862 |
| 2005 | 773,547 | 517,442 | 66.89% | 256,105 |
| 2004 | 708,252 | 652,009 | 92.06% | 56,243 |
| 2003 | 726,581 | 726,581 | 100.00% | |
| 2002 | 674,919 | 674,919 | 100.00% | |
| 2001 | 511,350 | 511,350 | 100.00% | |

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

Note:

BOROUGH OF CHESILHURST SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30, | Governmental Activities | | | Business-Type Activities | Total District | Percentage of Personal Income ^a | Per Capita ^a |
|----------------------------------|---|-------------------|--------------------------------------|-----------------------------|----------------|--|-------------------------|
| | General Obligation Bonds ^b | Capital Leases | Bond Anticipation Notes (BANs) | Capital Leases | | | |
| 2010 | \$ | \$ | \$ | \$ | \$ | | \$ |
| 2009 | | | | | | | |
| 2008 | | | | | | | |
| 2007 | | | | | | | |
| 2006 | | | | | | | |
| 2005 | | | | | | | |
| 2004 | | | | | | | |
| 2003 | | | | | | | |
| 2002 | | | | | | | |

N/A

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-13 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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

| 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 | | |
| 2010 | \$ | \$ | \$ | | \$ |
| 2009 | | | | | |
| 2008 | | | | | |
| 2007 | | | | | |
| 2006 | | | | | |
| 2005 | | | | | |
| 2004 | | | | | |
| 2003 | | | | | |
| 2002 | | | | | |

N/A

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-13.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2010

| <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 | | | |
| Borough of Chesilhurst | \$ 587,666 | 100% | \$ 587,666 |
| Other debt | | | |
| Camden County | 87,511,781 | 0.185% | 162,276 |
| Subtotal, Overlapping Debt | | | 749,942 |
| Borough of Chesilhurst School District Direct Debt | | | - |
| Total Direct and Overlapping Debt | | | \$ 749,942 |

Sources: Borough of Chesilhurst Finance Officer, Camden 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 Chesilhurst. 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.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST NINE FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2010

| | |
|---------------------------|---------------------------|
| Equalized Valuation Basis | |
| 2009 | \$ 77,404,109 |
| 2008 | 69,010,686 |
| 2007 | 78,740,374 |
| | <u>[A] \$ 225,155,169</u> |

| | |
|---|----------------------------|
| Average Equalized Valuation of Taxable Property | [A/3] \$ 75,051,723 |
| Debt Limit (2.5% of Average Equalization Value) | [B] 1,876,293 ^a |
| Net Bonded School Debt | [C] - |
| Legal Debt Margin | <u>[B-C] \$ 1,876,293</u> |

| | Fiscal Year | | | | | | | | | |
|------------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Debt Limit | \$ 974,438 | \$ 1,022,761 | \$ 1,085,627 | \$ 1,159,906 | \$ 1,225,570 | \$ 1,319,316 | \$ 1,491,597 | \$ 1,711,952 | \$ 1,806,710 | \$ 1,876,293 |
| Total Net Debt Applicable to Limit | | | | | | | | | | |
| Legal Debt Margin | \$ 974,438 | \$ 1,022,761 | \$ 1,085,627 | \$ 1,159,906 | \$ 1,225,570 | \$ 1,231,259 | \$ 1,491,597 | \$ 1,711,952 | \$ 1,806,710 | \$ 1,876,293 |

| | | | | | | | | | | |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Total Net Debt Applicable to the Limit as a Percentage of Debt Limit | N/A |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|

Source: Abstract of Rates

^a Limit set by NISA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

BOROUGH OF CHESILHURST SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

| <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> |
|-------------|--------------------------------|--|--|---|
| 2010 | ** 1,940 | \$ 84,865,592 | \$ 43,745 | ** 15.0% |
| 2009 | 1,936 | 82,223,895 | 42,471 | ** 15.1% |
| 2008 | 1,917 | 79,045,578 | 41,234 | 9.9% |
| 2007 | 1,892 | 75,778,384 | 40,052 | 7.5% |
| 2006 | 1,883 | 72,465,372 | 38,484 | 8.2% |
| 2005 | 1,861 | 67,234,208 | 36,128 | 6.2% |
| 2004 | 1,806 | 62,895,756 | 34,826 | 7.3% |
| 2003 | 1,742 | 58,665,334 | 33,677 | 8.2% |
| 2002 | 1,657 | 53,817,703 | 32,479 | 7.9% |
| 2001 | 1,520 | 48,048,720 | 31,611 | 5.6% |

** Estimate

Source:

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

^b Personal income

^c Per Capita

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

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

| <u>Function/Program</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction | | | | | | | | | | |
| Regular | 13.5 | 13.5 | 13.5 | 13.5 | 10.5 | 10.5 | 10.5 | 9.0 | 9.0 | 9.0 |
| Special education | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.0 | 4.0 | 4.0 | 4.0 |
| Other special education | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Vocational | | | | | | | | | | |
| Other instruction | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.0 | 1.0 | 1.0 |
| Support Services: | | | | | | | | | | |
| Tuition | | | | | | | | | | |
| Student & instruction related services | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| General administrative services | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| School administrative services | | | | | | | | | | |
| Business administrative services | 1.5 | 1.5 | 1.5 | 1.5 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Plant operations and maintenance | 1.5 | 1.5 | 1.5 | 1.5 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Pupil transportation | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Food Service | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Total | 30.5 | 30.5 | 30.5 | 29.0 | 25.5 | 25.5 | 24.0 | 22.0 | 22.0 | 22.0 |

Source: District Personnel Records

BOROUGH OF CHESILHURST SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

| Fiscal Year | Enrollment | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | Pupil/Teacher Ratio Elementary | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|--------------------------------|---|---|--------------------------------------|-------------------------------|
| | | | | | | | | | | |
| 2010 | | | | | | | | | | |
| 2009 | 103 | 3,783,818 | 36,736 | -0.55% | 15 | 6.87:1 | 103 | 99.20 | -0.77% | 96.31% |
| 2008 | 104 | 3,841,594 | 36,938 | 16.25% | 15 | 6.9:1 | 104 | 99.20 | -11.28% | 95.38% |
| 2007 | 118 | 3,749,426 | 31,775 | 2.71% | 15 | 7.9:1 | 117 | 111.50 | -1.68% | 95.30% |
| 2006 | 109 | \$ 3,372,032 | 30,936 | 37.91% | 14 | 7.8 : 1 | 119 | 111.25 | -8.46% | 93.49% |
| 2005 | 148 | 3,319,890 | 22,432 | -13.74% | 15 | 8.6 : 1 | 130 | 122.64 | -8.45% | 94.34% |
| 2004 | 134 | 3,484,655 | 26,005 | 22.04% | 14 | 9.6 : 1 | 142 | 133.30 | -1.39% | 93.87% |
| 2003 | 146 | 3,111,093 | 21,309 | 21.89% | 15 | 9.6 : 1 | 144 | 138.70 | 4.35% | 96.32% |
| 2002 | 181 | 3,164,302 | 17,482 | 107.83% | 15 | 8.6 : 1 | 138 | 134.20 | -16.36% | 97.25% |
| 2001 | 186 | 1,564,593 | 8,412 | | 14 | 12.9 : 1 | 165 | 159.00 | 11.49% | 96.36% |

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).

BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <u>District Building</u> | | | | | | | | | | |
| <u>Elementary</u> | | | | | | | | | | |
| Shirley B. Foster (1975) | 15,234 | 15,234 | 15,234 | 15,234 | 15,234 | 15,234 | 15,234 | 15,234 | 15,234 | 15,234 |
| Square Feet | 156.0 | 156.0 | 156.0 | 156.0 | 156.0 | 156.0 | 156.0 | 156.0 | 156.0 | 156.0 |
| Capacity (students) | 165.0 | 138.0 | 144.0 | 142.0 | 130.0 | 119 | 118.0 | 104.0 | 103.0 | - |
| Enrollment | | | | | | | | | | |
| <u>Middle School</u> | | | | | | | | | | |
| Square Feet | | | | | | | | | | |
| Capacity (students) | | | | | | | | | | |
| Enrollment | | | | | | | | | | |
| <u>Other</u> | | | | | | | | | | |
| Administration Building | | | | | | | | | | |
| Square Feet | | | | | | | | | | |
| Transportation | | | | | | | | | | |
| Square Feet | | | | | | | | | | |
| Maintenance Offices | | | | | | | | | | |
| Square Feet | | | | | | | | | | |

Number of Schools at June 30, 2010

Early Learning Center = 0

Elementary = 1

Middle School = 0

Other = 0

Source: District records, ASSA

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST TEN FISCAL YEARS
 (UNAUDITED)

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

| School Facilities | Project # (s) | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|-------------------------------|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Shirley B. Foster Elem School | N/A | \$ 11,414 | \$ 41,423 | \$ 44,000 | \$ 59,258 | \$ 24,256 | \$ 17,300 | \$ 28,390 | \$ 13,929 | \$ 11,062 | \$ 12,981 |
| Total School Facilities | | 11,414 | 41,423 | 44,000 | 59,258 | 24,256 | 17,300 | 28,390 | 13,929 | 11,062 | 12,981 |
| Other Facilities | | | | | | | | | | | |
| Grand Total | | \$ 11,414 | \$ 41,423 | \$ 44,000 | \$ 59,258 | \$ 24,256 | \$ 17,300 | \$ 28,390 | \$ 13,929 | \$ 11,062 | \$ 12,981 |

BOROUGH OF CHESILHURST SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2010
UNAUDITED

| | <u>Coverage</u> | <u>Deductible</u> |
|--|----------------------|-------------------|
| School Alliance Insurance Fund: | | |
| Comprehensive General Liability | \$ 5,000,000 | |
| Comprehensive Automobile Liability | 5,000,000 | |
| Property & Auto Physical Damage | 250,000,000 | |
| Boiler & Machinery | 100,000,000 | |
| Comprehensive Crime Coverage | | |
| Money and Securities (ea. Loss inside/outside) | 50,000 | |
| Blanket Dishonesty Bond | | |
| Including Faithful Performance* | 100,000 | |
| ea. Person/\$400,000 per loss | | |
| Computer Fraud | 50,000 | |
| Forgery and Alteration | 50,000 | |
| Environmental Impairment Liability | 1,000,000/25,000,000 | |
| | Fund Agg. | |
| Excess Liability (GL/AL) | 5,000,000 | |
| School Leaders Professional Liability | 5,000,000/5,000,000 | |
| | Agg. | |
| Worker's Compensation | Statutory | |
| Employer's Liability | 5,000,000 | |

*Blanket bond positions are excluded.

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

September 30, 2010

**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**

The Honorable President and
Members of the Board of Education
Borough of Chesilhurst School District
County of Camden, New Jersey 08089

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Chesilhurst School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Board of Education of the Chesilhurst School District basic financial statements and have issued our report thereon dated September 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Education of the Chesilhurst School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Education of the Chesilhurst School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the Chesilhurst School District 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

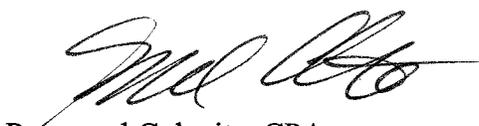
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chesilhurst 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. (However, we noted two immaterial instances of noncompliance that we have reported to the Board of Education of the Chesilhurst School District in the separate Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance dated September 30, 2010).

This report is intended solely for the information and use of the audit committee, management, the Chesilhurst Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

September 30, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04

The Honorable President and
Members of the Board of Education
Chesilhurst Borough School District
County of Camden, New Jersey 08089

Compliance

We have audited the compliance of the Board of Education of the Chesilhurst School District, in the County of Camden, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the fiscal year ended June 30, 2010. The Chesilhurst Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Chesilhurst Board of Education's management. Our responsibility is to express an opinion on the Chesilhurst Board of Education's compliance based on our audit.

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

In our opinion, the Board of Education of the Chesilhurst School District, in the County of Cumberland, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey OMB's Circular 04-04, and which are described in the accompanying *schedule of findings and questioned costs* as items Finding 2010-1, 2010-2, 2010-5 and 2010-6.

Internal Control Over Compliance

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

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

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

This report is intended for the information and use of the audit committee, management, the Chesilhurst Board of Education, the New Jersey State Department of Education, 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. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Grant or State Project Number | Program or Award Amount | Grant Period From To | Balance June 30, 2009 | | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | PO Adj. | Repayment of Prior Years' Balances | Balance June 30, 2010 | |
|--|---------------------------|--|----------------------------------|-------------------------|------------------------|---------------------|------------------------------------|------------------|---------------------------|------------|--|------------------------|---------------------|
| | | | | | Accounts Receivable | Deferred Revenue | | | | | | Accounts Receivable | Deferred Revenue |
| U.S. Department of Agriculture | | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | |
| ARRA - SFSF - ESF(Educ. State Grants) | 84.394 | N/A | \$281,944 | | | \$ | \$281,944 | \$ | (\$281,944) | | \$ | \$ | \$ |
| ARRA - SFSF - GSF(Government Services) | 84.397 | N/A | 10,914 | | | | 10,914 | | (10,914) | | | | |
| Enterprise Fund: | | | | | | | | | | | | | |
| National School Lunch Program | 10.555 | N/A | 23,983 | 7/1/08 | 6/30/2009 | | | | | | | | |
| National School Breakfast Program | 10.553 | N/A | 10,338 | 7/1/08 | 6/30/2009 | | | 10,576 | | | | | |
| Total Enterprise Fund: | | | | | | | 292,858 | 4,238 | (292,858) | | | | |
| | | | | | | | 14,814 | | | | | | |
| U.S. Department of Education | | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | |
| Title I, Part A | 84.010 | NCLB0810-09 | 101,994 | 9/1/08 | 8/31/2009 | | | | | | | | |
| Title I, Part A | 84.010 | NCLB0810-10 | 86,700 | 9/1/09 | 8/31/2010 | | | | | | | | |
| Title I, Part A, Carryover | 84.010 | NCLB0810-05 | 118,710 | 9/1/04 | 8/31/2005 | | | | | 2,931 | | | |
| Title I, SIA | 84.010 | NCLB0810-09 | 5,018 | 9/1/08 | 8/31/2009 | | | | | | | | 1,393 |
| I.D.E.A. Part B - Basic | 84.027 | IDEA0810-10 | 29,750 | 9/1/09 | 8/31/2010 | | | | | | | | |
| I.D.E.A. Part B - Basic | 84.027 | IDEA0810-09 | 35,000 | 9/1/08 | 8/31/2009 | | | | | | | | |
| I.D.E.A. Part B - Basic, Carryover | 84.027 | IDEA0810-06 | 57,078 | 9/1/05 | 8/31/2006 | | | | | | | | |
| I.D.E.A. Part B - Basic, Carryover | 84.027 | IDEA0810-05 | 56,563 | 9/1/04 | 8/31/2005 | | | | | | | | |
| I.D.E.A. Part B - Preschool | 84.173 | IDEA0810-09 | 1,900 | 9/1/08 | 8/31/2009 | | | | | | | | |
| I.D.E.A. Part B - Preschool | 84.173 | IDEA0810-10 | 1,615 | 9/1/09 | 8/31/2010 | | | | | | | | |
| Title IV Drug Free School Act | 84.233 | NCLB0810-10 | 1,160 | 9/1/09 | 8/31/2010 | | | | | | | | |
| Title IV Drug Free School Act | 84.233 | NCLB0810-09 | 1,365 | 9/1/08 | 8/31/2009 | | | | | | | | |
| Title VI | 84.298 | NCLB0810-00 | 2,543 | 9/1/99 | 8/31/2000 | | | | | | | | |
| Title IIA, Innovative Program, Carryover | 84.281 | NCLB0810-09 | 11,838 | 9/1/08 | 8/31/2009 | | | | | | | | |
| Title IIA, Innovative Program | 84.281 | NCLB0810-10 | 10,065 | 9/1/09 | 8/31/2010 | | | | | | | | |
| Title II Part D, Carryover | 84.281 | NCLB0810-09 | 851 | 9/1/08 | 8/31/2009 | | | | | | | | |
| Title II Part D | 84.281 | NCLB0810-10 | 725 | 9/1/09 | 8/31/2010 | | | | | | | | |
| Total Special Revenue Fund | | | | | | | 18,039 | 8,412 | (3,811) | 2,931 | | 17,159 | 8,416 |
| Total Federal Financial Assistance | | | | | | | \$ 307,672 | \$ | (296,669) | \$ 2,931 | \$ | \$ 17,159 | \$ 8,416 |

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

These funds were not audited in accordance with OMB Circular A-133 since the total of all federal grant expenditures was less than \$500,000.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| State Grantor/Program Title | Grant or State Project Number | Program or Award Amount | Grant Period From To | Balance June 30, 2009 | | | Cash Received | Budgetary Expenditures | Adjust./Repayment of Prior Year Balances | Balance June 30, 2010 | | | Cumulative Total Expenditures |
|---|-------------------------------|-------------------------|----------------------|-----------------------|------------------|-----------------------------|---------------|------------------------|--|-----------------------|------------------|----------------|-------------------------------|
| | | | | (Accounts Receivable) | Deferred Revenue | Carryover/(Walkover) Amount | | | | (Accounts Receivable) | Deferred Revenue | Due to Grantor | |
| State Department of Education: | | | | | | | | | | | | | |
| Special Education | | | | | | | | | | | | | |
| Categorical Aid | 10-495-034-5120-089 | \$ 92,363 | 7/1/09 | 6/30/10 | \$ | \$ | \$ 83,127 | \$ (92,363) | \$ | \$ | \$ | \$ (9,236) | \$ 92,363 |
| Equalization Aid | 10-495-034-5120-078 | 878,643 | 7/1/09 | 6/30/10 | | | 719,061 | (878,643) | | | | (159,582) | 878,643 |
| Security Aid | 10-495-034-5120-084 | 51,339 | 7/1/09 | 6/30/10 | | | 46,205 | (51,339) | | | | (5,134) | 51,339 |
| Adjustment Aid | 10-495-034-5120-085 | 731,251 | 7/1/09 | 6/30/10 | | | 658,126 | (731,251) | | | | (73,125) | 731,251 |
| Transportation Aid | 10-495-034-5120-014 | 132,768 | 7/1/09 | 6/30/10 | | | 119,491 | (132,768) | | | | (13,277) | 132,768 |
| Additional Nonpublic Transportation Aid | 10-495-034-5120-014 | 282 | 7/1/09 | 6/30/10 | | | | (282) | | | | | 282 |
| Additional Nonpublic Transportation Aid | 09-495-034-5120-014 | 1,673 | 7/1/08 | 6/30/09 | | (1,673) | | | | | | | |
| TPAF Post Retirement Medical Contribution | 10-495-034-5095-001 | 54,234 | 7/1/09 | 6/30/10 | | | 54,234 | (54,234) | | | | | |
| TPAF Non-contributory Insurance | 10-495-034-5095-007 | 2,888 | 7/1/09 | 6/30/10 | | | 2,888 | (2,888) | | | | | |
| Reimbursed T.P.A.F. Social Security Cont. | 09-100-034-5095-002 | 62,340 | 7/1/08 | 6/30/09 | | (3,927) | 3,399 | | 528 | | | | |
| Reimbursed T.P.A.F. Social Security Cont. | 10-495-034-5095-002 | 9,408 | 7/1/09 | 6/30/10 | | | 9,408 | (9,408) | | | | | 9,408 |
| Total General Fund | | | | | | (5,600) | 1,697,612 | (1,953,176) | 528 | (282) | | (260,354) | 1,896,054 |
| Special Revenue Fund | | | | | | | | | | | | | |
| Preschool Education Aid | 09-495-034-5120-025 | 54,274 | 7/1/08 | 6/30/09 | | (5,427) | 5,427 | | | | 46,448 | | 56,088 |
| Preschool Education Aid | 10-495-034-5120-086 | 56,088 | 7/1/09 | 6/30/10 | | | 50,479 | (56,088) | | | | (5,609) | 56,088 |
| Total Special Revenue Fund | | | | | | (5,427) | 55,906 | (56,088) | | | 46,448 | (5,609) | 56,088 |
| State Department of Agriculture: | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | |
| State School Lunch Program | 10-100-010-33360-122 | 1,429 | 7/1/08 | 6/30/09 | | (275) | 275 | | | | | | |
| State School Breakfast Program | 10-100-010-33350-021 | 955 | 7/1/08 | 6/30/09 | | (436) | 436 | | | | | | |
| Total Enterprise Fund | | | | | | (711) | 711 | | | | | | |
| Total State Financial Assistance | | | | | | \$ (11,738) | \$ 1,754,229 | \$ (2,009,264) | \$ 528 | \$ (282) | \$ 46,448 | \$ (265,963) | \$ 1,952,142 |

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2010

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Borough of Chesilhurst School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with N.J.S.A. 18A:22-4.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$2,119) for the general fund and \$14,919 for the special revenue fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES FOR SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2010
(Continued)

| | <u>Federal</u> | | <u>State</u> | | <u>Total</u> |
|-------------------------------------|-------------------|----|------------------|----|------------------|
| General Fund | \$ 292,858 | \$ | 1,951,057 | \$ | 2,243,915 |
| Special Revenue Fund | 18,912 | | 55,906 | | 74,818 |
| Food Service Fund | <u>0</u> | | <u>0</u> | | <u>0</u> |
| Total Awards & Financial Assistance | \$ <u>311,770</u> | \$ | <u>2,006,963</u> | \$ | <u>2,318,733</u> |

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

The Borough of Chesilhurst School District had no loan balances outstanding at June 30, 2010.

NOTE 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

no 1) Material weakness (es) identified? _____ yes _____ X

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes _____ X _____ no

Noncompliance material to basic financial statements noted? _____ yes _____ X _____ no

Federal Awards N/A

Internal control over major programs:

1) Material weakness (es) identified? _____ yes _____ no

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? _____ yes _____ no

CFDA Number(s) _____ Name of Federal Program or Cluster _____

No Major Federal Programs

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00
Auditee qualified as low-risk auditee? _____ X _____ yes _____ no

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)**

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

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

1) Material weakness (es) identified? yes X no

2) Significant deficiencies identified that are not considered to be material weaknesses? X yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04 X yes no

Identification of major programs:

| <u>GMIS Number(s)</u> | <u>Name of State Program</u> |
|-----------------------|------------------------------|
| 10-495-034-5120-078 | Equalization Aid |
| 10-495-034-5120-085 | Adjustment Aid |
| 10-495-034-5120-084 | Security Aid |
| 10-495-034-5120-089 | Special Education Aid |

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)**

Section II - Financial Statement Findings

Finding: None

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

FEDERAL AWARDS NONE

Finding:

Information on the federal program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

STATE AWARDS

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085) and Special Education Aid (GMIS No. 495-034-5120-089)

Finding: 2010-1

Criteria or specific requirement: County Approval is required for budget transfers in excess of 10%

Condition: While the district was involved in a involuntary consolidation, along with a sending/receiving Memorandum of Agreement (MOA) with another district, 7 transfers over the 10% allowable limit were noted, which did not appear to be submitted for approval to the County Superintendent of Schools.

Questioned Costs: None

Context: NJSA 18A:22-8.1 requires the County Office approval for transfers in excess of 10%

Effect: Budget transfers over 10% were not approved by the County Superintendent.

Cause: There is an ongoing dispute with the receiving district, regarding tuition and benefit costs. In addition, the budget was prepared by the County Office, as the budget submitted by the district was not approved.

Recommendation: Where the District's report of current month and year to date transfers between advertised general appropriation accounts reflects a transfer from (or to certain accounts) that cumulatively exceed 10% of an advertised appropriation amount, such amount should be submitted for approval to the County Superintendent of Schools.

Management's response: The school district will fully address the matter once the related legal proceeding is complete.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

STATE AWARDS

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085) and Special Education Aid (GMIS No. 495-034-5120-089)

Finding: 2010-2

Criteria or specific requirement: The district may not incur an obligation in excess of the amount appropriated in the budget.

Condition: Three line accounts were over-expended during the fiscal year and at June 30 despite the Board Secretary's monthly certification to the contrary (N.J.A.C. 6A:23-2.12). This was in part due to the absence of available funds provided in the County prepared and approved budget, based on a Memorandum of Agreement (MOA). In addition, there were unanticipated unemployment charges and unused vacation expense relating to the conversion of the district from an operating to a non-operating status.

Questioned Costs: None

Context: NJAC 6A:23A-16.10 stipulates that a district may not overspend any budget line item or program category account.

Effect: Three overexpenditures of budget line items were noted.

Cause: There is an ongoing dispute with the receiving district, regarding tuition and benefit costs. In addition, the budget was prepared by the County Office, as the budget submitted by the district was not approved.

Recommendation: The Board Secretary should pursue a resolution to the budget issues relating to the disputed tuition charges, as contained in the County approved budget.

Management's response: The school district will fully address the matter once the related legal proceeding is complete.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Cost**

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085) and Special Education Aid (GMIS No. 495-034-5120-089)

Finding: 2010-5

Criteria or specific requirement: The on-roll status of students reported on the ASSA Application for State School Aid is to be verified.

Condition: As a result of the lack of supporting enrollment data, to be acquired from the receiving district, it was not possible to complete the required ASSA audit procedures.

Questioned Costs: None

Context: Without enrollment data, it is not possible to verify the ASSA report.

Effect: The information on the ASSA report was not verified and could be inaccurate.

Cause: The receiving district did not provide the on-roll information of students for verification.

Recommendation: At such time as the ASSA enrollment information is available from the receiving district, for the 2009-10 school year, this information should be submitted for audit.

Management's response: The school district will comply completely when it is in receipt of the required documents

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Cost**

Information on the state program: Transportation Aid (GMIS No. 495-034-5120-014)

Finding: 2010-6

Criteria or specific requirement: The on-roll status of students reported on the DRTRS Eligibility Summary Report is to be verified.

Condition: As a result of the lack of supporting enrollment data, to be acquired from the receiving district, it was not possible to complete the required DRTRS audit procedures.

Questioned Costs: None

Context: Without enrollment data, it is not possible to verify the DRTRS report.

Effect: The information on the DRTRS report was not verified and could be inaccurate.

Cause: The receiving district did not provide the information required to verify the on-roll status of students.

Recommendation: At such time as DRTS enrollment information is available from the receiving district, for the 2009-10 school year, this information should be submitted for audit.

Management's response: The school district will comply completely when it is in receipt of the required documents

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

This section identifies the status of prior - year findings related to the general - purpose financial statements and Federal and State awards that are required to be reported in accordance with Chapter 6.12 Government Auditing Standards, US OMB Circular A-133 (Section .315 (a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR - YEAR FINDINGS

The prior year findings have been corrected.