

**SCHOOL DISTRICT**  
**OF**  
**ISLAND HEIGHTS**



**ISLAND HEIGHTS BOARD OF EDUCATION**  
**ISLAND HEIGHTS, NEW JERSEY**

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

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE**

**ISLAND HEIGHTS BOARD OF EDUCATION**

**ISLAND HEIGHTS, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**PREPARED BY**

**ISLAND HEIGHTS BOARD OF EDUCATION  
FINANCE DEPARTMENT**

**ISLAND HEIGHTS SCHOOL DISTRICT**

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## **INTRODUCTORY SECTION**

# ISLAND HEIGHTS BOARD OF EDUCATION

November 3, 2010

Honorable President and  
Members of the Board of Education  
Island Heights School District  
County of Ocean  
Island Heights, NJ 08732

Dear Board Members:

The comprehensive annual financial report of the Island Heights School District for the fiscal year ended June 30, 2010 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Island Heights 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 the financial position and results of operations of the various funds and account groups of the Island Heights school 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.  
These are:

- Introductory
- Financial
- Statistical
- Single audit

The introductory section includes this transmittal letter, the district's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented in multi-year basis.

The district is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to the 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 Island Heights School District is an independent reporting entity within the criteria adopted by the GASB, as established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Island Heights Board of Education and the Island Heights Grade School constitute the district's reporting entity.

The Island Heights School District provides a full range of educational services and programs, which are appropriate for grades Kindergarten through Grade Six. These services and programs include regular, as well as, special education for handicapped pupils. The district completed the 2009-10 fiscal year with an enrollment

of 112 pupils housed in the Island Heights Grade School, and 3 pupils enrolled in an out-of-district placement for special education pupils. The June 2010 enrollment was up to 119 in district and 4 out of district as compared to the official data collected for the ASSA report submitted on October 15, 2009. The following enrollment information shows the enrollments recorded on the ASSA reports for each October 15th for the past five years.

<u>Fiscal Year</u> <u>(as of 10/15)</u>	<u>Pupil</u> <u>Enrollment</u>	<u>% Change</u>
2009-10	115	9%
2008-09	108	-4%
2007-08	112	-2%
2006-07	114	11%
2005-06	103	1%

## **2. Economic Conditions and Outlook:**

The Borough of Island Heights is limited in land for building purposes. The current land use in the 0.6 square mile borough is primarily for single-family residences. There are no subdivisions where new small businesses are being developed. Most of the remaining lots are suitable only for homes. Zoning in the borough of Island Heights prohibits multi-family dwellings. The population of the borough in 1990 was 1,750 and has only grown to 1751 as of the 2000 census. There are limited businesses in Island Heights and the majority of tax ratables are collected from the homeowners. As a result of the lack of employment in the borough of Island Heights, most wage earners living in Island Heights are employed outside of Island Heights. Because of the lack of business tax ratables, and the slow growth of new homes, the present trend of collecting most of the tax ratables from homeowners is expected to continue in the future.

## **3. Major Initiatives:**

The Island Heights Grade School passed a referendum in September 2002 to put on an addition and renovation to the grade school. This project was completed in September 2004 in time for the beginning of school.

The Island Heights grade school continues to provide a resource room program for the pupils classified with handicaps. This program allows them to receive specialized instruction designed to help them with their classified handicapped. When the handicap is severe and cannot be accommodated in the Island Heights Grade School, special class placements are made in out-of-district placements. Every effort is made to enroll handicapped pupils in the Island Heights Grade School and every effort is made to "mainstream" out of district special education pupils whenever appropriate.

The Island Heights Grade School provides various clubs for pupils immediately after normal school hours. The types of clubs conducted are a book club, an art club, a literature club, a computer club, a newspaper club and an after-school assistance club, which assists children with homework, research reports, and with academic subjects in which pupils may need extra help. In addition, there are different physical education activities conducted at different times of the year, after school, wherein the physical education teacher conducts skill training in different seasonal sports. An instrumental music program is conducted after school, two times a week, so that pupils do not have to be taken out of class during the regular school day. The Island Heights Board of Education, the staff, and the school community have been very supportive of these extra before/after school activities.

## **4. Internal Accounting Controls:**

Management of the district is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The Island Heights Board of Education Business Administrator, Frank

Fraze, has become fully trained in the GAAP procedures and has been the key person in establishing GAAP for the Island Heights Grade School.

The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurances recognizes that:

- A. The cost of a control should not exceed the benefits likely to be derived; and,
- B. The valuation of the costs and benefits requires estimated and judgments by management.

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

Each year before September 30th, the Island Heights Grade School submits data and information to the Bureau of Child Nutrition Program, N.J. Department of Agriculture, Trenton, NJ, in the form of a school nutrition program agreement. For the past five years, our agreements have been approved. We are currently waiting approval for the current school year.

The internal operation of the school lunch program was monitored during the 2007-08 school year. Only minor recommendations were made, with which we have complied. In 2004-05 the IASA Consolidated Grant became known as the NCLB (No Child Left Behind) Grant. The district filed the application for the IDEA Grant and the grant was awarded to the district.

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

#### **5. Budgetary Controls:**

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

An encumbrance account 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 as of June 30th each year.

#### **6. Accounting System and Reports:**

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

#### **7. Debt Administration**

On June 30, 2010, the district had an outstanding debt of \$773,000 from bonds issued in May 2003. These bonds will be fully paid in May 2022.

The investment policy of the district is guided in large part by State of New Jersey statutes as detailed in "Notes to the Financial Statements", Note 2. The district has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the governmental unit deposit protection act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to

deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

**8. Risk Management:**

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

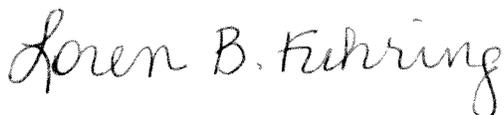
**9. Other Information:**

Independent Audit: The State of New Jersey statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert A. Hulsart & Co., CPAs, was selected by the Island Heights Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the Single Audit Act of 1984 and the related OBM Circular A-133 and State Treasury Circular Letter 04-04 OBM. The auditor's report on the general-purpose financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports relate specifically to the single audit and are included in the single audit section of this report.

**10. Acknowledgments:**

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

Respectfully submitted,



Loren B. Fuhring  
Superintendent



Frank J. Frazee, CPA  
Business Administrator

## Island Heights Board of Education Organizational Chart

Board of Education

Superintendent

Board Secretary

Support Staff

Instructional Staff

Business Staff

**Island Heights Board of Education****Island Heights, New Jersey****June 30, 2010**

<b>Members of Board of Education</b>	<b>Term Expires</b>
Douglas Camburn	2011
Debra Challoner	2012
Karl Ciak	2013
Melissa Drew	2011
Kevin Nelson	2013
Courtney Parks	2012
Robert P. Wilber, Jr.	2011

**Other Officials:**

Loren B. Fuhring - Superintendent

Frank J. Frazee, CPA – School Business Administrator

Lil Brendel – Board Secretary

## **Island Heights Board of Education**

### **Consultants & Advisors**

#### **Architect**

The Gibson Tarquini Group  
764 Cutbert Blvd.  
Cherry Hill, NJ 08002

#### **Audit firm**

Robert A. Hulsart & Company  
2807 Hurley Pond Road  
Wall, NJ 07719

#### **Attorney**

Montenegro, Thompson, Montenegro & Genz  
531 Burnt Tavern Road  
Brick, NJ

#### **Official Depository**

TD Bank  
Fischer Blvd.  
Toms River, NJ 08743

**FINANCIAL SECTION**

# Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

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

Telecopier:  
 (732) 280-8888

e-mail:  
 rah@monmouth.com

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

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

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
 of the Board of Education  
 Island Heights School District  
 County of Ocean  
 Island Heights, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the Island Heights School District, in the County of Ocean, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Island Heights Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2010, on our consideration of the Island Heights Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 12 through 16 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Island Heights Board of Education's basic financial statements. The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Respectfully submitted,

**ROBERT A. HULSART AND COMPANY**

---

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

November 3, 2010

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

Telecopier:  
(732) 280-8888  
e-mail:  
rah@monmouth.com

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

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

K-1

Honorable President and Members  
of the Board of Education  
Island Heights School District  
County of Ocean  
Island Heights, New Jersey

We have audited the general-purpose financial statements of the Board of Education of the Island Heights School District, in the County of Ocean, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 3, 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 Island Heights Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Island Heights Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Island Heights Board of Education's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the audit committee, management, the Island Heights 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.

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

November 3, 2010

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**ISLAND HEIGHTS BOARD OF EDUCATION  
ISLAND HEIGHTS, NEW JERSEY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

The discussion and analysis of the Island Heights Board of Education District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement NO. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

The overall condition of all funds, instructional activities and business-type activities remains strong for the School District. All goals related to financial activities have been met and if revenue and expenditure patterns can be maintained, the resources for next year will be available.

Total spending for all our programs was \$2,258,513 for the school year 2009-10. Most of the School District's taxes and state aid programs funds were used to support the cost of services for regular instructional programs. State and federal aid in the amount of \$311,059 supported educational programs and the school district's taxes, grants and contributions were sufficient to cover all unfounded costs incurred in the school year 2009-10.

The total cost for the school year 2009-10 for current expense was \$2,105,764 which was an increase of \$180,686. The increase was due to increased expenditures for instruction and support services.

### **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 Island Heights Board of Education as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The funds financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Island Heights Board of Education, the General Fund is by far the most significant fund.

## **Reporting the School District as a Whole**

### **State 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 answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector business. 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 position of the school district has improved or diminished. The causes of this change may be the results 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 conditions, required educational programs and other factors.

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

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

## **Reporting the School District’s Most Significant Funds**

### **Fund Financial Statements**

Fund financial reports provide detailed information about the District’s funds. The District uses many funds to account for a multitude of financial transactions. The District’s governmental funds are the General Fund, Special Revenue Fund and Capital Projects Fund.

### **Governmental Funds**

The District’s activities are reported in governmental funds, which focus on how money flow into and out of those funds and the balances left at year-end available for spending in future years. These funds are reported using an accounting method called modified accrual account, 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 District’s general government operations and the basic services it provides. Governmental fund information helps the reader 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 account as business type activities; therefore these statements are essentially the same.

## The School District as a Whole

Recall that the state of Net Assets provides the perspective of the School district as a whole.

Table I provides a summary of the School District's net assets for 2009 and 2010.

Table I  
Net Assets

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current and Other Assets	\$ 300,279	532,266
Capital Assets	<u>2,903,357</u>	<u>2,928,852</u>
Total Assets	<u>3,203,636</u>	<u>3,461,118</u>
<b>Liabilities</b>		
Long-Term Liabilities	860,326	920,168
Other Liabilities	<u>71,415</u>	<u>60,000</u>
Total Liabilities	<u>931,741</u>	<u>980,168</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	2,130,357	2,095,852
Restricted	234,475	295,888
Unrestricted	<u>(92,937)</u>	<u>89,210</u>
<b>Total Net Assets</b>	<u>\$ 2,271,895</u>	<u>2,480,950</u>

The District's combined net assets were \$2,271,895 on June 30, 2010.

Table 2 shows changes in net assets for fiscal year 2009 and 2010.

**Table 2**  
**Change in Net Assets**

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 12,905	10,596
Operating Grants and Contributions	66,257	44,840
General Revenue:		
Property Taxes	1,685,606	1,674,971
Grants and Entitlements	249,993	298,368
Other (net of transfers)	<u>17,527</u>	<u>22,838</u>
Total Revenues	<u>2,032,288</u>	<u>2,051,613</u>
<b>Program Expenses</b>		
Instruction	1,024,279	1,093,616
Support Services:		
Pupils and Instructional Staff	187,853	175,519
General Administration, School Admin	225,053	196,057
Business Operations & Maintenance of		
Facilities	296,306	351,115
Pupil Transportation	53,261	32,500
Business Type Activities	17,177	16,351
Other	<u>468,159</u>	<u>215,252</u>
Total Expenses	<u>2,272,088</u>	<u>2,080,410</u>
Increase/(Decrease) in Net Assets	<u>\$ (239,800)</u>	<u>(28,797)</u>

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

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

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

## **Analysis of Financial Position**

Depreciation expense GASB34 requires school districts for the first time to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets. For fiscal year ended June 30, 2010 the net increase in accumulated depreciation was \$56,600. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. One way to think of depreciation expense is that in order to maintain net assets at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation in assets during the year.

Student enrollment in the school district continues to increase which will continue to affect the district's future expenditures. Assessed valuations are continuing to grow, increasing the district's ability to maintain a stable tax rate.

The financial well being of the school district is tied in large measure to the state funding formula and the tax base. As long as the state fully funds state aid and the tax base continues to increase, the school district's tax rate should continue to be stable.

Original budget versus final budget. Over the course of the school year, the school board revised its budget as it attempts to deal with unexpected changes in revenue and expenditures. All transfers are approved by the Board of Education at their regular scheduled meetings.

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS – A**

STATEMENT OF NET ASSETS

Exhibit A-1

JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 60,605	3,779	64,384
Receivables, Net	415	1,005	1,420
Restricted Assets:			
Capital Reserve - Cash	33,305		33,305
Other Cash and Cash Equivalents	201,170		201,170
Capital Assets, Net	2,903,357		2,903,357
Total Assets	<u>3,198,852</u>	<u>4,784</u>	<u>3,203,636</u>
<b><u>Liabilities</u></b>			
Accounts Payable	8,640		8,640
Other Liabilities	2,775		2,775
Noncurrent Liabilities:			
Due Within One Year	60,000		60,000
Due Beyond One Year	860,326		860,326
Total Liabilities	<u>931,741</u>	<u>-</u>	<u>931,741</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	2,130,357		2,130,357
Restricted For:			
Other Purposes	234,475		234,475
Unrestricted	(97,721)	4,784	(92,937)
Total Net Assets	<u>\$ 2,267,111</u>	<u>4,784</u>	<u>2,271,895</u>

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

**ISLAND HEIGHTS SCHOOL DISTRICT**

Exhibit A-2  
Sheet 1 of 2

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b><u>Functions/Programs</u></b>						
Governmental Activities:						
Instruction:						
Regular	\$ 868,969			(868,969)		(868,969)
Special Education	65,586		22,847	(42,739)		(42,739)
Other Instruction	89,724			(89,724)		(89,724)
Support Services:						
Tuition	12,325			(12,325)		(12,325)
Student & Instruction Related Services	175,528		39,000	(136,528)		(136,528)
School Administrative Services	225,053			(225,053)		(225,053)
Plant Operations and Maintenance	296,306			(296,306)		(296,306)
Pupil Transportation	53,261			(53,261)		(53,261)
Depreciation	56,600			(56,600)		(56,600)
Unallocated Benefits	381,017			(381,017)		(381,017)
Interest and Other Charges	30,542			(30,542)		(30,542)
Total Government Activities	2,254,911	-	61,847	(2,193,064)	-	(2,193,064)
Business-Type Activities:						
Food Service	17,177	12,905	4,410	-	138	138
Total Business-Type Activities	17,177	12,905	4,410	-	138	138
Total Primary Government	2,272,088	12,905	66,257	(2,193,064)	138	(2,192,926)

**ISLAND HEIGHTS SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purpose, Net			1,594,705		1,594,705
Taxes Levied for Debt Service			90,901		90,901
Federal and State Aid Not Restricted			249,993		249,993
Miscellaneous Income			17,527		17,527
Transfers			(2,937)	2,937	-
Total General Revenues, Special Items, Extraordinary Items and Transfers			1,950,189	2,937	1,953,126
Change in Net Assets			(242,875)	3,075	(239,800)
Adj. Beginning Net Assets - Debt & Fixed Assets			30,745		30,745
Net Assets - Beginning			2,479,241	1,709	2,480,950
Net Assets - Ending	\$ -		2,267,111	4,784	2,271,895

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

**FUND FINANCIAL STATEMENTS – B**

BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2010

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 261,757		18	261,775
Cash Capital Reserve	33,305			33,305
Receivable - Net	259	156		415
Interfund Receivable	156			156
Total Assets	<u>\$ 295,477</u>	<u>156</u>	<u>18</u>	<u>295,651</u>
<b><u>Liabilities and Fund Balance</u></b>				
Liabilities:				
Accounts Payable	\$ 8,640			8,640
Other Liabilities	2,775			2,775
Interfund Payable		156		156
Total Liabilities	<u>11,415</u>	<u>156</u>	<u>-</u>	<u>11,571</u>
Fund Balance:				
Reserved for:				
Encumbrances	3,809			3,809
Designated for Subsequent Years Expenditures	134,038			134,038
Designated for Subsequent Years Expenditures				
Excess Surplus	40,962			40,962
Maintenance Reserve	22,343			22,343
Capital Reserve	33,305			33,305
Unreserved	49,605		18	49,623
Total Fund Balances	<u>284,062</u>	<u>-</u>	<u>18</u>	<u>284,080</u>
Total Liabilities and Fund Balance	<u>\$ 295,477</u>	<u>156</u>	<u>18</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,906,203 and the accumulated depreciation is \$1,002,846.

2,903,357

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 3)

(920,326)

Net assets of governmental activities

\$ 2,267,111

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

**ISLAND HEIGHTS SCHOOL DISTRICT**

Exhibit B-2  
Sheet 1 of 2

**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>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Local Sources:				
Local Tax Levy	\$ 1,594,705		90,901	1,685,606
Miscellaneous	17,514	781	13	18,308
Total Local Sources	<u>1,612,219</u>	<u>781</u>	<u>90,914</u>	<u>1,703,914</u>
State Sources	249,993			249,993
Federal Sources		61,066		61,066
Total Revenues	<u>1,862,212</u>	<u>61,847</u>	<u>90,914</u>	<u>2,014,973</u>
<b><u>Expenditures</u></b>				
Current:				
Regular Instruction	868,811			868,811
Special Education Instruction	42,739	22,847		65,586
Other Special Instruction	62,592			62,592
Other Instruction	27,132			27,132
Support Services and Undistributed Costs:				
Tuition	12,325			12,325
Students and Instruction Related Services	136,528	39,000		175,528
School Administrative Services	225,053			225,053
Plant Operations and Maintenance	296,306			296,306
Pupil Transportation	53,261			53,261
Unallocated Benefits	381,017			381,017
Debt Service:				
Principal			60,000	60,000
Interest and Other Charges			30,902	30,902
Total Expenditures	<u>2,105,764</u>	<u>61,847</u>	<u>90,902</u>	<u>2,258,513</u>

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

ISLAND HEIGHTS SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	(243,552)	-	12	(243,540)
Other Financing Sources (Uses):				
Transfers to Food Service Fund	(2,937)			(2,937)
Total Other Financing Sources (Uses)	(2,937)	-	-	(2,937)
Net Change in Fund Balances	(246,489)	-	12	(246,477)
Fund Balance - July 1	530,551		6	530,557
Fund Balance - June 30	\$ 284,062	-	18	284,080

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

ISLAND HEIGHTS SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES

Exhibit B-3

AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ (246,477)
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	(56,600)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	60,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.	360
In the statement of activities, certain operating expenses as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported when paid.	<u>(158)</u>
Change in Net Assets of Governmental Activities	<u>\$ (242,875)</u>

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

**ISLAND HEIGHTS SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

Exhibit B-4

**PROPRIETARY FUNDS**

**JUNE 30, 2010**

	<b><u>Enterprise Fund</u></b>
<b><u>Assets</u></b>	
Cash	\$ 3,779
Accounts Receivable	1,005
Total Current Assets	<u>4,784</u>
Noncurrent Assets:	
Furniture, Machinery & Equipment	4,437
Less: Accumulated Depreciation	<u>(4,437)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u><u>\$ 4,784</u></u>
<b><u>Net Assets</u></b>	
Unrestricted	<u>\$ 4,784</u>
Total Net Assets	<u><u>\$ 4,784</u></u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES

Exhibit B-5

IN FUND NET ASSETSPROPRIETARY FUNDSJUNE 30, 2010

	<u>Enterprise Fund</u>
Operating Revenues:	
Local Sources:	
Daily Sales Reimbursable Programs	\$ 12,905
Total Operating Revenue	<u>12,905</u>
Operating Expenses:	
Cost of Sales	13,977
Salaries	2,937
General Supplies\Miscellaneous Expense	263
Total Operating Expenses	<u>17,177</u>
Operating Income (Loss)	(4,272)
Non-Operating Revenues (Expenses):	
State Sources:	
State School Lunch Program	279
Federal Sources:	
National School Lunch Program	4,131
Board of Education Subsidy	2,937
Total Non-Operating Revenues	<u>7,347</u>
Net Change in Net Assets	3,075
Net Assets, Beginning	<u>1,709</u>
Net Assets, Ending	<u>\$ 4,784</u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2010

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 12,664
Payments to Employees	(2,937)
Payments to Suppliers	(14,240)
Net Cash Used by Operating Activities	<u>(4,513)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	279
Federal Sources	4,131
Non-Operating Subsidies	2,937
Net Cash Provided (Used by) Noncapital Financing Activities	<u>7,347</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	2,834
Balances Beginning of Year	<u>945</u>
Balances End of Year	<u>\$ 3,779</u>
Cash Flows from Operating Activities:	
Operating (Loss)/Profit	\$ (4,272)
Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities	
Change in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	<u>(241)</u>
Net Cash Used by Operating Activities	<u>\$ (4,513)</u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETS

Exhibit B-7

FIDUCIARY FUNDSJUNE 30, 2010

	<u>Unemployment Compensation Trust</u>
Assets:	
Cash and Cash Equivalents	\$ 78,068
Total Assets	<u>\$ 78,068</u>
Net Assets:	
Held in Trust for Unemployment Claims	\$ 78,068
Total Net Assets	<u>\$ 78,068</u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Exhibit B-8

FIDUCIARY FUNDSFOR THE YEAR ENDED JUNE 30, 2010

	<u>Unemployment Compensation Trust</u>
<b><u>Additions</u></b>	
Investment Earnings:	
Interest	\$ 210
Total Additions	<u>210</u>
Change in Net Assets	210
Net Assets - Beginning of Year	<u>77,858</u>
Net Assets - End of the Year	<u><u>\$ 78,068</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**BOARD OF EDUCATION**  
**ISLAND HEIGHTS SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1: Summary of Significant Accounting Policies**

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

**A. Reporting Entity:**

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

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

**B. Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the government as a whole. These financial statements are constructed around the concept of a primary government as defined by GASB-14 (The Financial Reporting Entity) and therefore encompass the primary government and its component units except for fiduciary funds of the primary government and component units that are fiduciary in nature. Financial statements of fiduciary funds are not presented in the government-wide financial statements but are included in the fund financial statements.

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

**B. Government-Wide Financial Statements (Continued)**

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

**Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

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

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

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

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

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

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

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

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

**D. Fund Accounting:**

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

**Governmental Fund Types**

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

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

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

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

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

**D. Fund Accounting (Continued):**

**Proprietary Fund Type**

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

**Fiduciary Fund Types**

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

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

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

**E. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2010 were insignificant.

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

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

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

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b><u>Sources/Inflows of Resources</u></b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$1,863,388	61,847
Difference -- budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized.		
State aid payment prior year	17,245	
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the state recognizes the related expense (GASB 33).	(18,421)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances -- governmental funds.	<u>\$ 1,862,212</u>	<u>61,847</u>

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b><u>Uses/Outflows of Resources</u></b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,105,764	61,847
Differences – budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	_____	_____
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	<u>\$ 2,105,764</u>	<u>61,847</u>

**F. Encumbrances:**

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

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

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

**G. Short-Term Interfund Receivables/Payables:**

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

**H. Inventories and Prepaid Expenses**

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

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

**H. Inventories and Prepaid Expenses (Continued)**

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. Capital Assets and Depreciation**

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

The District contracted with an outside service company during the 2003 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2002-2003 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2003, fiscal year 2003 depreciation expense, total accumulated depreciation and book values were also provided, and have been updated annually through 2009-2010. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

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

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

	<b><u>Balance</u></b> <b><u>July 1, 2009</u></b>	<b><u>Additions</u></b>	<b><u>Adjust.</u></b>	<b><u>Retirements</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2010</u></b>
Governmental Activities:					
Capital Assets That are Not Being Depreciated:					
Construction in Progress	\$ 17,210		(210)	(17,000)	
Land	<u>14,330</u>				<u>14,330</u>
	<u>31,540</u>		<u>(210)</u>	<u>(17,000)</u>	<u>14,330</u>
Depreciable Assets:					
Site Improvements	21,616				21,616
Buildings	3,597,128	17,000			3,614,128
Equipment	<u>241,409</u>	<u>16,083</u>		<u>(1,363)</u>	<u>256,129</u>
Total	<u>3,860,153</u>	<u>33,083</u>		<u>(1,363)</u>	<u>3,891,873</u>

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Adjust.</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
Less: Accumulated Depreciation:					
Site Improvements	(16,958)	(547)			(17,505)
Buildings	(731,824)	(48,301)	18,289		(761,836)
Equipment	<u>(209,401)</u>	<u>(7,752)</u>	<u>(6,352)</u>	_____	<u>(223,505)</u>
Total Accumulated Depreciation	<u>(958,183)</u>	<u>(56,600)</u>	<u>11,937</u>	_____	<u>(1,002,846)</u>
Net Depreciable Assets	<u>2,901,970</u>	<u>(23,517)</u>	<u>11,937</u>	<u>(1,363)</u>	<u>2,889,027</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 2,933,510</u>	<u>(23,517)</u>	<u>11,727</u>	<u>(18,363)</u>	<u>2,903,357</u>
Business-Type Activities:					
Equipment	\$ 4,637				4,637
Less: Accumulated Depreciation					
Equipment	<u>(4,637)</u>	_____	_____	_____	<u>(4,637)</u>
Business-Type Activities					
Capital Assets (Net)	<u>\$ _____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Depreciation expense was charged to governmental functions as follows:					
Unallocated					<u>\$ 56,600</u>

**J. Compensated Absences**

District employees are permitted, within certain limitations, to accrue vacation and sick leave in varying amounts under the Districts personnel policies and may be paid at a later date according to contractual agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the government-wide financial statements as a non-current liability. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable

**K. Deferred Revenue**

Deferred revenue in the general and special revenue funds represent cash which has been received but not yet earned. Deferred revenue in the general fund represents monies received for fiscal year 2010. See Note 1(F) regarding the special revenue fund.

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

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

**NOTE 2: Cash and Cash Equivalents and Investments**

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

Investments are stated at cost, which approximates market. The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

**Deposits**

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

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

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

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

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

**Investments**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

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

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

	<b>Cash and Cash Equivalents</b>
Checking, Money Market Accounts and Certificate of Deposit	<u>\$ 380,177</u>

During the period ended June 30, 2010, the District did not hold any investments. The carrying amount of the District’s cash and cash equivalents at June 30, 2010 was \$380,177 and the bank balance was \$484,903. Of the bank balance, \$100,000 was covered by federal depository insurance and \$384,903 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Credit Risk Categories**

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

FDIC	\$ 100,000
GUPDA	384,903

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

**NOTE 3: General Long-Term Debt**

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

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Long-Term Portion</u>	<u>2010-11 Payment</u>
Compensated						
Absences Payable	\$ 147,168	158		147,326	147,326	
Bonds Payable	<u>833,000</u>	<u>—</u>	<u>60,000</u>	<u>773,000</u>	<u>713,000</u>	<u>60,000</u>
	<u>\$ 980,168</u>	<u>158</u>	<u>60,000</u>	<u>920,326</u>	<u>860,326</u>	<u>60,000</u>

**A. Bonds Payable**

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are of general obligation bonds, and the interest rates vary from 3.00% to 4.250%.

**NOTE 3: General Long-Term Debt (Continued)****A. Bonds Payable (Continued)**

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 60,000	29,928	89,928
2012	60,000	28,973	88,973
2013	60,000	24,790	84,790
2014	60,000	22,548	82,548
2015	60,000	11,290	71,290
2016-2020	300,000	95,343	395,343
2021-2023	<u>173,000</u>	<u>10,596</u>	<u>183,596</u>
	<u>\$ 773,000</u>	<u>223,468</u>	<u>996,468</u>

**B. Bonds Authorized But Not Issued**

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

**C. Capital Leases Payable**

The District had no capital leases as of June 30, 2010.

**NOTE 4: Pension Plans**

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

**NOTE 4: Pension Plans (Continued)**

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

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

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

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

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

**NOTE 4: Pension Plans (Continued)**

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

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

During the year ended June 30, 2010, the State of New Jersey contributed \$57,714 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$73,487 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 34.

**Three-Year Trend Information for PERS**

<b>Year Funding</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/10	\$ 16,211	100%	\$ 0
6/30/09	13,736	100%	0
6/30/08	10,994	100%	0

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

<b>Year Funding</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/10	\$ 57,714	100%	\$ 0
6/30/09	58,878	100%	0
6/30/08	151,126	100%	0

**NOTE 5: Post-Retirement Benefits**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

**NOTE 6: Interfund Receivables and Payables**

	<u>To</u>	<u>From</u>
General	\$ 156	
Special Revenue		156

**NOTE 7: Compensated Absences**

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

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

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, no liability existed for compensated absences in the Food Service Fund.

**NOTE 8: Capital Reserve Account**

A capital Reserve account was established by the Borough of Island Heights Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Fund placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d) 7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2009	\$ 33,175
Budget Increase	100
Interest Earnings	<u>30</u>
Ending Balance, June 30, 2010	<u>\$ 33,305</u>

**NOTE 9: Risk Management**

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

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

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Disbursed</u>	<u>Balance</u>
2009-2010	\$ 310	-0-	-0-	78,068
2008-2009	5,568	-0-	-0-	77,858
2007-2008	1,372	-0-	-0-	72,290

**NOTE 10: Tuition Adjustments**

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

**NOTE 11: Economic Dependency**

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

**NOTE 12: Operating Leases**

The District had commitments to lease a digital copier under an operating lease that expires in 2012. Operating lease payments began in the 2004-2005 budget year. Future minimum lease payments are as follows:

Year Ending June 30,	
2011	\$ 7,800
2012	<u>2,600</u>
	<u>\$ 10,400</u>

**NOTE 13: Contingent Liabilities**

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

**NOTE 14: 2% Calculation of Excess Surplus**

2009-10 Total General Fund Expenditures Per the CAFR	\$ 2,105,764
Increased by:	
Transfer to Food Service	2,937
Decreased by:	
On Behalf TPAF Pension and Social Security	<u>(131,201)</u>
Adjusted 2009-10 General Fund Expenditures	<u>\$ 1,977,500</u>
2% of Adjusted 2009-10 General Fund Expenditures	<u>\$ 39,550</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>259</u>
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 250,259</u>

**NOTE 14:     2% Calculation of Excess Surplus****Section 2**

Total General Fund Fund Balance @ June 30, 2010	\$ 302,483
Decreased by:	
Reserve for Encumbrances	(3,809)
Designated for Subsequent Year's Expenditures	(134,038)
Designated for Subsequent Year's Expenditures Excess Surplus	(40,962)
Other Reserves	<u>(55,648)</u>
Total Unreserved/Undesignated Fund Balance	<u>\$ 68,026</u>
Reserved Fund Balance – Excess Surplus	<u>\$ -0-</u>

**Section 3**

Reserved Fund Balance – Excess Surplus Designated for Subsequent Expenditures	<u>\$ -0-</u>
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**Detail of Allowable Adjustment**

Non-Public Transportation	<u>\$ 259</u>
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**Detail of Other Reserved Fund Balance**

Maintenance Reserve	\$ 22,343
Capital Reserve	<u>33,305</u>
	<u>\$ 55,648</u>

**NOTE 15:     Fund Balance Appropriated**

**General Fund** – Of the \$302,483 General Fund fund balance at June 30, 2010, \$3,809 is reserved for encumbrances; \$33,305 has been reserved in the Capital Reserve Account; \$22,343 is maintenance reserve; \$134,038 is unreserved fund balance designated for subsequent year's expenditures for the fiscal year ending June 30, 2010; \$40,962 is excess surplus designated for subsequent years expenditures for the fiscal year ending June 30, 2010; and \$68,026 is unreserved and undesignated.

**Debt Service Fund** – The Debt Service Fund fund balance at June 30, 2010 was \$18.

**NOTE 16:     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. There is no excess fund balance at June 30, 2010.

**NOTE 17: Recent Accounting Pronouncements**

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

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after June 30, 2010 through November 3, 2010.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES – C**

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1  
Sheet 1 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local Sources:					
Local Tax Levy	\$ 1,594,703		1,594,703	1,594,705	2
Interest Earned on Capital Reserve	100		100	30	(70)
Unrestricted Miscellaneous Revenues	10,100		10,100	17,484	7,384
Total Local Sources	<u>1,604,903</u>	<u>-</u>	<u>1,604,903</u>	<u>1,612,219</u>	<u>7,316</u>
State Sources:					
Transportation Aid	4,758	(1,664)	3,094	3,094	-
Special Education Aid	56,604	(19,814)	36,790	36,790	-
Security Aid	8,730	(3,049)	5,681	5,681	-
Adjustment Aid	114,073	(39,929)	74,144	74,144	-
Non Public Transportation				259	259
TPAF Pension (On Behalf-Non-Budgeted)			-	57,714	57,714
TPAF Social Security (Reimbursed - Non-Budgeted)			-	73,487	73,487
Total State Sources	<u>184,165</u>	<u>(64,456)</u>	<u>119,709</u>	<u>251,169</u>	<u>131,460</u>
Total Revenues	<u>1,789,068</u>	<u>(64,456)</u>	<u>1,724,612</u>	<u>1,863,388</u>	<u>138,776</u>

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1  
Sheet 2 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<u>Expenditures:</u>					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	104,063	7,380	111,443	111,443	-
Grades 1-5 - Salaries of Teachers	476,706	(5,807)	470,899	470,899	-
Grades 6-8 - Salaries of Teachers	78,012	(3,629)	74,383	74,383	-
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	104,917	34,408	139,325	139,325	-
Purchased Professional Educational Services	2,900	(2,300)	600	600	-
Other Purchased Services (400-500 Series)	6,200	(428)	5,772	5,772	-
General Supplies	60,000	(25,469)	34,531	33,231	1,300
Textbooks	17,215	9,490	26,705	25,358	1,347
Other Objects	8,000	(200)	7,800	7,800	-
Total Regular Programs - Instruction	858,013	13,445	871,458	868,811	2,647
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	61,205	(18,466)	42,739	42,739	-
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	39,917	22,422	62,339	62,339	-
General Supplies	700	(447)	253	253	-
Total Basic Skills/Remedial - Instruction:	40,617	21,975	62,592	62,592	-

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1  
Sheet 3 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
School-Sponsored Co/Extra-Curricular Activities - Instruction:					
Salaries	5,922	(262)	5,660	5,483	177
Other Objects	3,000	(1,342)	1,658	1,522	136
Total School-Sponsored Co/Extra-Curricular Activities - Instruction	8,922	(1,604)	7,318	7,005	313
Other Instructional Programs - Instruction:					
Salaries	23,554	(3,400)	20,154	20,127	27
Total Other Instructional Programs - Instruction	23,554	(3,400)	20,154	20,127	27
Total Instruction	992,311	11,950	1,004,261	1,001,274	2,987
Undistributed Expenditures - Instruction:					
Tuition to Private Schools for the Handicapped - Within State	7,500	5,419	12,919	12,325	594
Undistributed Expenditures - Attendance & Social Work:					
Salaries	20,955	1,969	22,924	22,924	-
Undistributed Expenditures - Health Services:					
Salaries	16,678	(313)	16,365	15,901	464
Purchased Professional & Technical Services	500		500		500
Supplies and Materials	800		800	688	112
Total Undistributed Expenditures - Health Services	17,978	(313)	17,665	16,589	1,076

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1  
Sheet 4 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures-Other Support Svcs.-Students-Related Svcs.:					
Salaries	19,293	5,949	25,242	25,242	-
Purchased Professional/Educational Services	13,000	(1,225)	11,775	11,775	-
Total Undistributed Expenditures - Other Support Services - Students - Related Services	32,293	4,724	37,017	37,017	-
Undistributed Expenditures - Other Support Services - Students - Extra Services:					
Supplies and Materials	5,000	(4,150)	850	850	-
Total Undistributed Expenditures - Other Support Services - Students - Extra Services	5,000	(4,150)	850	850	-
Undistributed Expenditures - Other Support Services - Child Study Team:					
Salaries of Other Professional Staff		10,462	10,462	10,462	-
Salaries of Secretarial & Clerical Assistants	12,000	(2,339)	9,661	9,661	-
Purchased Professional/Educational Services	56,000	(19,504)	36,496	35,678	818
Total Undistributed Expenditures - Other Support Services - Child Study Team	68,000	(11,381)	56,619	55,801	818
Undistributed Expenditures - Educational Media Services/ School Library:					
Supplies and Materials	1,400	(857)	543	543	543

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instructional Staff Training Services:					
Purchased Professional/Educational Services	5,500	(128)	5,372	3,347	2,025
Undistributed Expenditures - Support Services - General Administration:					
Salaries	85,950	779	86,729	86,729	-
Legal Services	5,000	37,055	42,055	42,055	-
Audit Fee	4,000	2,000	6,000	6,000	-
Communications/Telephone	500		500	481	19
Miscellaneous Expense	3,200	2,140	5,340	5,250	90
General Supplies	250	90	340	340	-
In-House Training/Meeting Supplies	450	(308)	142	142	-
Membership Dues and Fees	5,100		5,100	4,873	227
Total Undistributed Expenditures - Support Services - General Administration	104,450	41,756	146,206	145,870	336
Undistributed Expenditures - Support Services School Administration:					
Supplies and Materials	250		250	247	3
Total Undistributed Expenditures - Support Services School Administration	250	-	250	247	3
Undistributed Expenditures - Central Services:					
Salaries	77,928	349	78,277	78,277	-
Supplies and Materials	1,000	(341)	659	659	-
Total Undistributed Expenditures - Central Services	78,928	8	78,936	78,936	-

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1  
Sheet 6 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Administration Info. Technology:					
Purchased Technical Services	2,400	(2,155)	245		245
Total Undistributed Expenditures - Administration Info. Technology	<u>2,400</u>	<u>(2,155)</u>	<u>245</u>	<u>-</u>	<u>245</u>
Undistributed Expenditures - Required Maintenance for School Facilities:					
Cleaning, Repairs and Maintenance Services	41,000	1,200	42,200	42,137	63
Total Undistributed Expenditures - Required Maintenance for School Facilities	<u>41,000</u>	<u>1,200</u>	<u>42,200</u>	<u>42,137</u>	<u>63</u>
Undistributed Expenditures - Other Operations and Maintenance of Plant:					
Salaries	89,312	624	89,936	89,936	-
Purchased Professional and Technical Services	7,182	1,276	8,458	8,458	-
Cleaning, Repair and Maintenance Services	50,000	(28,608)	21,392	20,192	1,200
Other Purchased Property Services	1,000		1,000	1,000	-
Insurance	35,000	2,786	37,786	37,786	-
Miscellaneous Purchased Services	250	(115)	135	135	-
General Supplies	10,000	9,693	19,693	19,693	-
Energy (Heat & Electricity)	80,655	(19,838)	60,817	60,817	-
Other Objects			-		-
Total Undistributed Expenditures - Other Operations and Maintenance of Plant	<u>273,399</u>	<u>(34,181)</u>	<u>239,218</u>	<u>238,018</u>	<u>1,200</u>

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1  
Sheet 7 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Care and Upkeep of Grounds:					
Salaries	6,000	(362)	5,638	5,638	-
Undistributed Expenditures - Security					
Salaries	7,000	3,513	10,513	10,513	-
Total Undistributed Expenditures Other Operations and Maintenance of Plant	327,399	(29,830)	297,569	296,306	1,263
Undistributed Expenditures - Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School) Special Education	8,882	(658)	8,224	8,224	-
Contracted Services (Other Than Between Home and School) Vendors	2,500	(1,509)	991	285	706
Contracted Services (Between Home and School) Joint Agreement	12,000	2,019	14,019	14,019	-
Contracted Services - Special Education Joint Agreement		15,290	15,290	15,290	-
Contracted Services - Special Education ESC's & CTSA's	14,000	(115)	13,885	13,855	30
Contracted Services Aid in Lieu of Payments Non-Public School	1,588		1,588	1,588	-
Total Undistributed Expenditures - Student Trans. Svcs.	38,970	15,027	53,997	53,261	736
Regular Programs - Instruction - Employee Benefits:					
Social Security Contributions	7,500	(79)	7,421	7,421	-
Health Benefits	191,091	(17,701)	173,390	173,146	244
Total Regular Programs - Instruction - Employee Benefits	198,591	(17,780)	180,811	180,567	244

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1  
Sheet 8 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction - Employee Benefits:					
Social Security Contributions	1,000		1,000	1,000	-
Health Benefits	3,234	27	3,261	3,261	-
Total Other Instructional Programs - Instruction - Employee Benefits	4,234	27	4,261	4,261	-
Attendance and Social Work Services - Employee Benefits:					
Social Security Contributions	1,500		1,500	1,500	-
Other Retirement Contributions - Regular	6,000	(5,000)	1,000	1,000	-
Health Benefits	6,121		6,121	6,121	-
Total Attendance and Social Work Services - Employee Benefits	13,621	(5,000)	8,621	8,621	-
Other Support Services - Students - Special - Employee Benefits:					
Social Security Contributions	950	(338)	612	612	-
Other Retirement Contributions - Regular	1,000		1,000	1,000	-
Total Other Support Services - Students - Special - Employee Benefits	1,950	(338)	1,612	1,612	-
Support Services - General Administration - Employee Benefits:					
Health Benefits	8,599	(7,425)	1,174	1,174	-
Support Services - Central Services - Employee Benefits:					
Social Security Contributions	3,100		3,100	3,100	-
Total Support Services - Central Services - Employee Benefits	3,100	-	3,100	3,100	-

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1  
Sheet 9 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services - Employee Benefits:					
Social Security Contributions	700		700	700	-
Tuition Reimbursement	6,044	54	6,098	6,098	-
Total Student Transportation Services - Employee Benefits	6,744	54	6,798	6,798	-
Operation and Maintenance of Plant Services - Employee Benefits:					
Social Security Contributions	8,000	(1,356)	6,644	6,644	-
Other Retirement Contributions	6,000	8,211	14,211	14,211	-
Health Benefits	22,627	201	22,828	22,828	-
Total Operation and Maintenance of Plant Services - Employee Benefits	36,627	7,056	43,683	43,683	-
On-Behalf TPAF Pension Contribution - Non-Budgeted			-	57,714	(57,714)
Reimbursed TPAF Social Security Contributions - Non-Budgeted			-	73,487	(73,487)
				131,201	(131,201)
Total Undistributed Expenditures	984,489	(3,317)	981,172	1,104,490	(123,318)
Total Current Expense	1,976,800	8,633	1,985,433	2,105,764	(120,331)
Capital Outlay:					
Interest to Capital Reserve	100		100		100
Total Expenditures	1,976,900	8,633	1,985,533	2,105,764	(120,231)

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1  
Sheet 10 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(187,832)</u>	<u>(73,089)</u>	<u>(260,921)</u>	<u>(242,377)</u>	<u>259,007</u>
Other Financing Sources (Uses):					
Transfer to Food Service Fund		<u>(2,937)</u>	<u>(2,937)</u>	<u>(2,937)</u>	
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,937)</u>	<u>(2,937)</u>	<u>(2,937)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>(187,832)</u>	<u>(76,026)</u>	<u>(263,858)</u>	<u>(245,314)</u>	<u>259,007</u>
Fund Balance July 1	<u>547,796</u>		<u>547,796</u>	<u>547,796</u>	
Fund Balance June 30	<u>\$ 359,964</u>	<u>(76,026)</u>	<u>283,938</u>	<u>302,483</u>	<u>259,007</u>
Recapitulation:					
Maintenance Reserve				\$ 22,343	
Capital Reserve				33,305	
Designated for Subsequent Years Expenditures - Excess Surplus				40,962	
Designated for Subsequent Years Expenditures				134,038	
Reserve for Encumbrances				3,809	
Unreserved				<u>68,026</u>	
				<u>302,483</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				<u>(18,421)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 284,062</u>	

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources		781	781	781	
Federal Sources	\$ 38,219	22,847	61,066	61,066	
Total Revenues	<u>\$ 38,219</u>	<u>23,628</u>	<u>61,847</u>	<u>61,847</u>	<u>-</u>
Expenditures:					
Instruction:					
Tuition		22,847	22,847	22,847	
General Supplies					
Total Instruction	<u>-</u>	<u>22,847</u>	<u>22,847</u>	<u>22,847</u>	<u>-</u>
Support Services:					
Purchased Professional & Technical Services	38,063		38,063	38,063	
General Supplies	156	781	937	937	
Total Support Services	<u>38,219</u>	<u>781</u>	<u>39,000</u>	<u>39,000</u>	<u>-</u>
Total Expenditures	<u>\$ 38,219</u>	<u>23,628</u>	<u>61,847</u>	<u>61,847</u>	<u>-</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**



**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL LEVEL SCHEDULES – D**

**N/A**

**SPECIAL REVENUE FUND – E**

ISLAND HEIGHTS SCHOOL DISTRICT

SPECIAL REVENUE FUND

Exhibit E-1

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES

BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Safety Grant</u>	<u>I.D.E.A. Basic</u>	<u>No Child Left Behind Title IIA</u>	<u>No Child Left Behind Title IV</u>	<u>A.R.R.A. I.D.E.A. Basic</u>	<u>Totals</u>
Revenues:						
Local Sources	\$ 781					781
Federal Sources		30,853	7,210	156	22,847	61,066
Total Revenues	<u>\$ 781</u>	<u>30,853</u>	<u>7,210</u>	<u>156</u>	<u>22,847</u>	<u>61,847</u>
Expenditures:						
Instruction:						
Tuition	\$ -				22,847	22,847
Support Services:						
Purchased Professional & Technical Services	-	30,853	7,210			38,063
General Supplies	781			156		937
Total Support Services	<u>781</u>	<u>30,853</u>	<u>7,210</u>	<u>156</u>	<u>-</u>	<u>39,000</u>
Total Expenditures	<u>\$ 781</u>	<u>30,853</u>	<u>7,210</u>	<u>156</u>	<u>22,847</u>	<u>61,847</u>

**CAPITAL PROJECTS FUND – F**

**N/A**

**PROPRIETARY FUNDS – G**

ISLAND HEIGHTS SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS

Exhibit G-1

PROPRIETARY FUNDS

JUNE 30, 2010

	<u>Enterprise Fund</u>
<u>Assets</u>	
Cash	\$ 3,779
Accounts Receivable	1,005
Total Current Assets	<u>4,784</u>
Noncurrent Assets:	
Furniture, Machinery & Equipment	4,437
Less: Accumulated Depreciation	<u>(4,437)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>\$ 4,784</u>
<u>Net Assets</u>	
Unrestricted	<u>\$ 4,784</u>
Total Net Assets	<u>\$ 4,784</u>

ISLAND HEIGHTS SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES

Exhibit G-2

AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2010

	<u>Enterprise Fund</u>
Operating Revenues:	
Local Sources:	
Daily Sales Reimbursable Programs	\$ 12,905
Total Operating Revenue	<u>12,905</u>
Operating Expenses:	
Cost of Sales	13,977
Salaries	2,937
General Supplies\Miscellaneous Expense	263
Total Operating Expenses	<u>17,177</u>
Operating Income (Loss)	(4,272)
Non-Operating Revenues (Expenses):	
State Sources:	
State School Lunch Program	279
Federal Sources:	
National School Lunch Program	4,131
Board of Education Subsidy	2,937
Total Non-Operating Revenues	<u>7,347</u>
Net Change in Net Assets	3,075
Net Assets, Beginning	<u>1,709</u>
Net Assets, Ending	<u>\$ 4,784</u>

ISLAND HEIGHTS SCHOOL DISTRICTCOMBINING SCHEDULE OF CASH FLOWS

Exhibit G-3

PROPRIETARY FUNDSJUNE 30, 2010

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 12,664
Payments to Employees	(2,937)
Payments to Suppliers	(14,240)
Net Cash Used by Operating Activities	<u>(4,513)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	279
Federal Sources	4,131
Non-Operating Subsidies	2,937
Net Cash Provided (Used by) Noncapital Financing Activities	<u>7,347</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	2,834
Balances Beginning of Year	<u>945</u>
Balances End of Year	<u>\$ 3,779</u>
Cash Flows from Operating Activities:	
Operating (Loss)/Profit	\$ (4,272)
Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities	
Change in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	<u>(241)</u>
Net Cash Used by Operating Activities	<u>\$ (4,513)</u>

**FIDUCIARY FUND – H**

**ISLAND HEIGHTS SCHOOL DISTRICT**

**TRUST AND AGENCY FUND**

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**

**JUNE 30, 2010**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Unemployment</u>	<u>Total 2010</u>
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 1,056	2,194	78,068	81,318
<b><u>Liabilities</u></b>				
Payroll Deductions and Withholding		2,194		2,194
Due to Student Groups	1,056			1,056
Total Liabilities	\$ 1,056	2,194	-	3,250
<b><u>Net Assets</u></b>				
Reserve for Unemployment			78,068	78,068

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit H-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETSJUNE 30, 2010

	<u>Unemployment Compensation Trust</u>	<u>Total</u>
Operating Income:		
Interest	\$ 210	210
Total Operating Income	210	210
Net Assets, June 30, 2009	<u>77,858</u>	<u>77,858</u>
Net Assets, June 30, 2010	<u><u>\$ 78,068</u></u>	<u><u>78,068</u></u>

ISLAND HEIGHTS SCHOOL DISTRICTSTUDENT ACTIVITY AGENCY FUND

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTSJUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
<b><u>Elementary School</u></b>				
6th Grade	\$ 449	11,618	11,477	590
Parent/Yearbook	159	1,571	1,630	100
Gabriel Donation		1,187	1,071	116
Leadership	250			250
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 858</u>	<u>14,376</u>	<u>14,178</u>	<u>1,056</u>

PAYROLL AGENCY FUND

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Assets</u>				
Cash and Cash Equivalents	<u>\$ 2,260</u>	<u>755,204</u>	<u>755,270</u>	<u>2,194</u>
<u>Liabilities</u>				
Payroll Deductions, Withholdings and Amount Due Employees	<u>\$ 2,260</u>	<u>755,204</u>	<u>755,270</u>	<u>2,194</u>

## **LONG-TERM DEBT – I**

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit I-1

GENERAL LONG-TERM DEBT ACCOUNT GROUP

SCHEDULE OF SERIAL BONDS

JUNE 30, 2010

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2009</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>
			<u>Date</u>	<u>Amount</u>				
School Addition	5/1/03	\$ 1,093,000	11/1/10	\$ 60,000	3.250%	\$ 833,000	60,000	773,000
			11/1/11	60,000	3.500%			
			11/1/12	60,000	3.625%			
			11/1/13	60,000	3.750%			
			11/1/14-15	60,000	3.875%			
			11/1/16-19	60,000	4.000%			
			11/1/20	60,000	4.100%			
			11/1/21	60,000	4.150%			
			11/1/22	53,000	4.260%			
						\$ 833,000	60,000	773,000

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit I-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 90,901	-	90,901	90,901	
Miscellaneous	-	-	-	13	13
Total Revenues	<u>90,901</u>	<u>-</u>	<u>90,901</u>	<u>90,914</u>	<u>13</u>
Expenditures:					
Regular Debt Service:					
Interest	30,902	-	30,902	30,902	-
Redemption of Principal	60,000	-	60,000	60,000	-
Total Expenditures	<u>90,902</u>	<u>-</u>	<u>90,902</u>	<u>90,902</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1)	-	(1)	12	13
Fund Balance July 1	<u>6</u>	<u>-</u>	<u>6</u>	<u>6</u>	<u>-</u>
Fund Balance June 30	<u>\$ 5</u>	<u>-</u>	<u>5</u>	<u>18</u>	<u>13</u>

**STATISTICAL SECTION**

**(Unaudited)**

EXHIBIT J-1

**ISLAND HEIGHTS SCHOOL DISTRICT**  
**NET ASSETS BY COMPONENT**  
**LAST SIX FISCAL YEARS**  
*(Accrual Basis of Accounting)*

	FISCAL YEAR ENDING JUNE 30,							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental Activities</b>								
Invested in Capital Assets, Net of								
Related Debt	\$ 2,130,357	2,095,852	2,067,583	684,352	664,594	1,470,530	134,433	1,956,348
Restricted	234,475	295,888	310,909	227,132	165,533	285,194	919,047	84,538
Unrestricted	(97,721)	87,501	106,262	104,268	180,461	(66,172)	91,747	2,899,002
<b>Total Governmental Activities</b>								
Net Assets	<u>\$ 2,267,111</u>	<u>2,479,241</u>	<u>2,484,754</u>	<u>1,015,752</u>	<u>1,010,588</u>	<u>1,689,552</u>	<u>1,145,227</u>	<u>4,939,888</u>
<b>Business-Type Activities</b>								
Invested in Capital Assets, Net of								
Related Debt					-	-	1,284	-
Restricted					-	-		-
Unrestricted	4,784	1,709	1,095	743	2,252	2,661	1,776	3,287
<b>Total Business-Type Activities</b>								
Net Assets	<u>\$ 4,784</u>	<u>1,709</u>	<u>1,095</u>	<u>743</u>	<u>2,252</u>	<u>2,661</u>	<u>3,060</u>	<u>3,287</u>
<b>District-Wide</b>								
Invested in Capital Assets, Net of								
Related Debt	\$ 2,130,357	2,095,852	2,067,583	684,352	664,594	1,470,530	135,717	1,956,348
Restricted	234,475	295,888	310,909	227,132	165,533	285,194	919,047	84,538
Unrestricted	(92,937)	89,210	107,357	105,011	182,713	(63,511)	93,523	2,902,289
<b>Total District Net Assets</b>	<u>\$ 2,271,895</u>	<u>2,480,950</u>	<u>2,485,849</u>	<u>1,016,495</u>	<u>1,012,840</u>	<u>1,692,213</u>	<u>1,148,287</u>	<u>4,943,175</u>

**ISLAND HEIGHTS SCHOOL DISTRICT  
CHANGES IN NET ASSETS - (ACCRUAL BASIS OF ACCOUNTING)  
LAST SIX FISCAL YEARS  
FISCAL YEAR ENDING JUNE 30,**

	2010	2009	2008	2007	2006	2005
<b>Expenses</b>						
Governmental Activities						
Instruction:						
Regular	868,969	980,988	783,130	800,143	709,879	753,862
Special Education	65,586	20,681	16,820	53,681	43,015	25,258
Other Instruction	89,724	91,947	48,411	35,960	25,882	72,306
Support Services:						
Tuition	12,325	3,450		517	8,792	10,864
Student & Instruction Related Services	175,528	172,069	99,846	161,767	131,240	145,560
School Administrative Services	225,053	196,057	189,044	162,871	154,806	157,065
Plant Operations & Maintenance	296,306	351,115	244,679	282,765	240,156	272,486
Pupil Transportation	53,261	32,500	20,357	28,668	24,119	26,896
Business & Other Support Services					-	82
Interest on Long-Term Debt	30,542	33,493	34,110	36,253	37,753	32,954
Allocated Benefits	381,017	126,808	426,859	434,597	362,796	290,500
Unallocated Depreciation	56,600	54,951	54,818	56,943	56,941	-
Total Governmental Activities Expenses	2,254,911	2,064,059	1,937,947	2,054,165	1,795,379	1,787,833
Business-Type Activities:						
Food Service	17,177	16,351	46,463	40,634	33,152	28,994
Total Business-Type Activities Expense	17,177	16,351	46,463	40,634	33,152	28,994
Total District Expenses	2,272,088	2,080,410	1,984,410	2,094,799	1,828,531	1,816,827
<b>Program Revenues</b>						
Governmental Activities:						
Operating Grants & Contributions	61,847	40,471	437,988	380,488	311,379	284,487
Capital Grants & Contributions					-	-
Total Governmental Activities Program Revenues	61,847	40,471	437,988	380,488	311,379	284,487
Business-Type Activities:						
Charges for Services:						
Food Service	12,905	10,596	14,783	15,299	13,663	12,040
Operating Grants & Contributions	4,410	4,369	5,180	6,000	3,782	16,954
Total Business Type Activities Program Revenues	17,315	14,965	19,963	21,299	17,445	28,994
Total District Program Revenues	79,162	55,436	457,951	401,787	328,824	313,481
<b>Net (Expense)/Revenue</b>						
Adjustment Beginning Net Fixed Assets	-	-	-	16,389	(811,555)	
Governmental Activities	(2,193,064)	(2,023,588)		(1,795,379)	(1,484,000)	(1,503,346)
Business-Type Activities	138	(1,386)	(46,463)	(15,707)	(15,707)	-
Total District-Wide Net Expense	(2,192,926)	(2,024,974)	(2,037,430)	(1,796,061)	(2,311,262)	(1,503,346)
<b>General Revenues &amp; Other Changes in Net Assets</b>						
Governmental Activities:						
Property Taxes Levied for General Purposes, Net	1,594,705	1,582,199	1,521,345	1,519,823	1,491,787	1,487,847
Taxes Levied for Debt Service	90,901	92,772	94,110	76,097	88,165	59,499
Federal and State Aid Not Restricted	249,993	298,368				
Miscellaneous Income	17,527	22,838	57,092	39,088	52,840	45,222
Transfers	(2,937)	(2,000)	(27,204)	(17,826)	(16,201)	(21,388)
Total Governmental Activities	1,950,189	1,994,177	1,645,343	1,617,182	1,616,591	1,571,180
Business-type Activities:						
Adjustment Beginning Fixed Assets					(903)	-
Transfers	2,937	2,000	27,204	17,826	16,201	13,259
Total Business-Type Activities	2,937	2,000	27,204	17,826	15,298	13,259
Total District-Wide	1,953,126	1,996,177	2,062,504	1,635,648	1,631,889	1,584,439
<b>Change in Net Assets</b>						
Governmental Activities	(242,875)	(29,411)	92,364	(11,225)	132,591	67,834
Business-Type Activities	3,075	614	352	(1,509)	(409)	13,259
Total District	(239,800)	(28,797)	92,716	(12,734)	132,182	81,093

EXHIBIT J-3

ISLAND HEIGHTS SCHOOL DISTRICT  
 FUND BALANCES AND GOVERNMENTAL FUNDS  
 LAST SEVEN FISCAL YEARS  
 (Modified Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,						
	2010	2009	2008	2007	2006	2005	2004
<b>General Fund</b>							
Reserved	\$ 234,457	295,882	223,040	226,552	384,833	281,602	219,437
Unreserved	49,605	234,669	339,766	235,654	92,749	91,492	91,747
Total General Fund	\$ 284,062	530,551	562,806	462,206	477,582	373,094	311,184
<b>All Other Governmental Funds</b>							
Reserved	\$ -	-	1,095	580	20,464	-	689,468
Unreserved, Reported in:							
Special Revenue Fund	-	-	(386)	(386)	(356)	(5)	-
Capital Projects Fund					-	11,918	-
Debt Service Fund	18	6	45	21	285	187	10,142
Permanent Fund					-	-	-
Total All Other Governmental Funds	\$ 18	6	754	215	20,393	12,100	699,610

**ISLAND HEIGHTS SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,**  
**LAST SEVEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

	2010	2009	2008	2007	2006	2005	2004
<b>Revenues</b>							
Tax Levy		1,674,971	1,521,345	1,595,920	1,579,952	1,547,346	1,509,631
Tuition Charges		-	-	-	-	-	-
Interest Earnings		22,838	57,092	40,088	52,840	63,238	4,347
Miscellaneous	18,308	298,368	389,957	388,213	321,758	295,108	292,702
State Sources	249,993	40,471	0	36,545	42,568	37,866	47,916
Federal Sources	61,066						
Total Revenue	2,014,973	2,036,648	1,582,337	2,060,766	1,997,118	1,943,558	1,854,596
<b>Expenditures</b>							
Instruction:							
Regular Instruction	868,811	970,536	783,130	821,103	724,070	733,246	683,473
Special Education Instruction	65,586	20,681	16,820	53,681	43,015	73,812	31,480
Other Special Instruction	62,592	60,580	48,411	35,960	52,034	72,306	63,077
Other Instruction	27,132	31,367	19,873				
Support Services:							
Tuition	12,325	3,450		517	8,792	10,864	38,514
Student & Instruction Related Services	175,528	172,069	99,846	161,767	157,644	163,509	134,243
School Administrative Services	225,053	196,057	189,044	162,871	154,806	157,065	190,977
General & Business Administration Services							
Plant Operations & Maintenance	296,306	351,115	244,679	282,765	240,156	272,486	200,747
Pupil Transportation	53,261	32,500	20,357	28,668	24,119	26,896	24,740
Other Support Services						82	61,826
Unallocated benefits	381,017	126,808	426,859	434,597	362,796	290,500	272,621
Charter Schools							
Capital outlay							
Debt service:							
Principal	60,000	60,000	60,000	60,000	50,000	30,000	60,000
Interest & Other Charges	30,902	32,815	34,110	36,565	38,253	39,454	41,104
Total Expenditures	2,258,513	2,057,978	1,943,129	2,078,494	1,867,750	2,547,770	1,802,802

**ISLAND HEIGHTS SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,**  
**LAST SEVEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*

	2010	2009	2008	2007	2006	2005	2004
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(243,540)	(21,330)	119,920	(17,728)	129,368	(604,212)	51,794
<b>Other Financing Sources/(Uses):</b>							
Proceeds from Borrowing	(2,937)	(2,000)	(27,204)	(17,826)	(16,592)	(21,388)	(6,971)
Proceeds from Refunding	(2,937)	(2,000)	(27,204)	(17,826)	(16,592)	(21,388)	(6,971)
Payments to Escrow Agent							
Transfers in							
Transfers Out							
Total Other Financing Sources/(Uses)	(2,937)	(2,000)	(27,204)	(17,826)	(16,592)	(21,388)	(6,971)
Net Change in Fund Balances	(246,477)	(23,330)	92,716	(35,554)	112,776	(625,600)	44,823
Debt Service as a Percentage of Noncapital Expenditures	4.8%	4.6%	5.0%	4.0%			%

**Source: District records**

Note: Noncapital expenditures are total expenditures less capital outlay.

EXHIBIT J-5

ISLAND HEIGHTS SCHOOL DISTRICT  
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
 LAST SEVEN FISCAL YEARS  
 (Modified Accrual Basis of Accounting)

FISCAL YEAR ENDING JUNE 30,	INTEREST ON	SALE OF EQUIPMENT	DONATIONS	RENTALS	PRIOR YEAR REFUNDS	TEXTBOOKS	MISCELLANEOUS	TOTAL
2004	\$						4,347	4,347
2005							63,238	63,238
2006							52,840	52,840
2007	23,844		1,000				13,527	38,371
2008	12,608						34,331	46,938
2009	2,778						18,291	21,069
2010							18,308	18,308
Total	\$ 36,452		1,000				204,882	245,111

Source: District records

ISLAND HEIGHTS SCHOOL DISTRICT  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
 LAST FIVE FISCAL YEARS

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	LESS: TAX EXEMPT PROPERTY	PUBLIC UTILITIES	NET VALUATION TAXABLE	TOTAL DIRECT SCHOOL TAX RATE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE
2010	13,762,500	315,343,500			23,101,200		489,300	352,696,500	22,460,600		375,157,100	n/a	
2009	14,791,600	313,526,200			23,101,200		489,300	351,908,300	22,460,600		374,368,900	0.479	
2008	15,209,600	310,714,800			22,721,800		489,300	349,135,500	24,740,600		373,876,100	0.479	
2007	14,163,100	309,770,900			22,721,800		489,300	347,145,100	25,339,700		372,484,800	0.466	
2006	\$14,113,600	304,746,000			22,721,800		489,300	342,070,700	25,339,700		316,731,000	0.461	
2005	10,949,600	308,750,600			22,642,200		489,300	342,831,700	27,718,300			1.197	
2004	2,671,300	115,922,900			10,319,400		193,200	129,106,800	10,139,900				
2003	3,298,700	112,977,800			10,318,400		193,200	126,788,100	9,931,200				1,188

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

EXHIBIT J-7

ISLAND HEIGHTS SCHOOL DISTRICT  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST TEN FISCAL YEARS  
*(Rate per \$100 of Assessed Value)*

FISCAL YEAR ENDED JUNE 30,	ISLAND HEIGHTS SCHOOL	ISLAND HEIGHTS BOROUGH	TOTAL DIRECT	OCEAN COUNTY	TOTAL DIRECT AND OVERLAPPING TAX RATE
2010	n/a	n/a	n/a	n/a	n/a
2009	0.479	0.424	0.903	0.322	1.595
2008	0.479	0.409	0.888	0.306	1.26
2007	0.47	0.38	0.85	0.35	1.29
2006	0.47	0.33	0.83	0.33	1.45
2005	0.46	0.32	0.78	0.28	1.06
2004	1.95	0.80	2.75	0.74	3.49
2003	1.19	0.79	1.98	0.71	2.69
2002	1.14	0.78	1.92	0.70	2.62
2001	1.15	0.75	1.90	0.57	2.47

Source: Municipal Tax Collector

**ISLAND HEIGHTS SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
Last Years Information**

**EXHIBIT J-8**

Taxpayer	2009		
	TAXABLE ASSESSED VALUE	RANK (Optional)	% OF TOTAL DISTRICT NET ASSESSED VALUE
FLM Marine	\$4,850,000	1	1.39%
Nelson Properties	\$2,534,600	2	0.80%
Conza Bldrs	2,378,600	3	0.69%
Tavares, Linda	2,307,800	4	0.66%
Percy, Alice & Eve	1,888,400	5	0.54%
Candor Inc	1,821,800	6	0.52%
Martin, Geraldine	1,761,400	7	0.50%
Hatami, N. Victor	1,716,500	8	0.49%
Laforgia, Sal & Gina	1,687,000	9	0.48%
Belcor Builders	1,670,400	10	0.48%
Total	<u>\$22,616,500</u>		<u>6.55%</u>

Source: Municipal Tax Assessor

## EXHIBIT J-9

**ISLAND HEIGHTS SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST EIGHT 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	PERCENTAGE OF LEVY	
2010	\$ 1,594,703	1,594,703	100.00%	
2009	1,582,199	1,582,199	100.00%	
2008	1,521,345	1,521,345	100.00%	
2007	1,595,924	1,595,924	100.00%	
2006	1,579,952	1,579,952	100.00%	
2005	1,547,346	1,547,346	100.00%	
2004	1,579,952	1,579,952	100.00%	
2003	1,579,952	1,579,952	100.00%	

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

**ISLAND HEIGHTS SCHOOL DISTRICT**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST EIGHT FISCAL YEARS**  
*(Dollars in Thousands, Except per Capita)*

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES			BOND ANTICIPATION NOTES (BANs)	BUSINESS-TYPE ACTIVITIES		TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CAPITAL LEASES		CAPITAL LEASES				
2010	\$ 773,000.00						\$ 773,000.00		
2009	\$ 833,000.00						\$ 833,000.00		
2008	\$ 893,000						\$ 893,000		
2007	\$ 953,000						\$ 953,000		
2006	\$ 1,013,000						\$ 1,013,000		
2005	\$ 1,063,000						\$ 1,063,000		1,063,000
2004	\$ 1,093,000						\$ 1,093,000		1,093,000
2003	\$ 60,000						\$ 60,000		60,000

EXHIBIT J-11

**ISLAND HEIGHTS SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
*(Dollars in Thousands, Except per Capita)***

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING		NET GENERAL BONDED DEBT OUTSTANDING	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	DEDUCTIONS			
2010			773,000	0.21%	
2009			833,000	0.22%	
2008			893,000	0.24%	
2007			953,000	0.26%	
2006			1,013,000	0.32%	
2005			1,063,000	0.30%	10,421.57
2004			1,093,000	0.01%	10,409.53
2003			60,000	0.80%	530.97
2002			120,000	0.10%	975.61
2001			180,000	0.15%	1,417.32

EXHIBIT J-12

ISLAND HEIGHTS SCHOOL DISTRICT  
 RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 AS OF JUNE 30, 2010

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Anytown Municipality			
ABC County General Obligation Debt			
Other Debt			
Northern Region Water Authority - Anytown District's Share			_____
Subtotal, Overlapping Debt			
Anytown District Direct Debt			_____
Total Direct & Overlapping Debt			=====

Sources: Assessed value data used to estimate applicable percentages provided by the ABC County Board of Tax

EXHIBIT J-13

ISLAND HEIGHTS SCHOOL DISTRICT  
 LEGAL DEBT MARGIN INFORMATION  
 LAST SEVEN FISCAL YEARS  
 (Dollars in *t*Thousands)

	FISCAL YEAR						
	2010	2009	2008	2007	2006	2005	2004
Debt Limit	14,055,022	13,983,491	13,857,802	13,760,633	\$10,853,456	7,983,021	5,090,404
Total Net Debt Applicable to Limit	773,000	833,000	893,000	953,000	1,013,000	1,063,000	1,093,000
Legal Debt Margin	13,282,022	13,150,491	12,964,802	\$12,807,633	\$9,840,456	6,920,021	3,997,404
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.50%	5.96%	6.44%	6.93%	9.33%	13.32%	21.47%

Legal Debt Margin Calculation for Fiscal Year 2010

	Equalized Valuation Basis		
	2010	2009	2008
Average Equalized Valuation of Taxable Property	\$352,696,500	\$352,109,493	349,320,681
Debt Limit (4 % of Average Equalization Value) Net Bonded School Debt	14,055,022	773,000	773,000
Legal Debt Margin	\$1,054,126,674	\$351,375,558	\$13,282,022

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

## EXHIBIT J-14

**ISLAND HEIGHTS SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

YEAR	POPULATION (a)	PERSONAL INCOME (Thousands of Dollars) (b)	PER CAPITA PERSONAL INCOME (c)	UNEMPLOYMENT RATE (d)
2010	n/a	n/a		n/a
2009	1891	n/a		9.2%
2008	1877	39,521		5.7%
2007	1878	37,228		4.4%
2006	1877	35,856		5.0%
2005	1858	33,910		4.4%
2004	1846	32,964		4.9%
2003	1832	32,350		1.9%
2002	1805	31,889		1.9%
2001	1771	31,381		1.7%

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income provided by NJ Department of Labor and Workforce Development

<sup>c</sup> Per Capita provided by NJ Department of Labor and Workforce Development

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

EXHIBIT J-15

ISLAND HEIGHTS SCHOOL DISTRICT  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO

	2009		2000	
	RANK EMPLOYEES (Optional)	PERCENTAGE OF TOTAL EMPLOYMENT	RANK EMPLOYMENT	PERCENTAGE OF TOTAL EMPLOYMENT
N/A	1		1	
	2		2	
	3		4	
D	4		3	
E	5			
F	6		6	
G	7			
H	8		7	
I	9			
J	10		5	
K			8	
L			9	
M			10	

Source:

ISLAND HEIGHTS SCHOOL DISTRICT  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST FIVE FISCAL YEARS

Function/Program	2010	2009	2008	2007	2006
Instruction:					
Regular	13	13	13	13	13
Special Education	2	2	2	2	2
Other Special Education	2				
Vocational					
Other Instruction					
Nonpublic School Programs					
Adult/Continuing Education Programs					
Support Services:					
Student & Instruction Related Services					
School Administrative Services	2	2	2	2	2
General & Business Administrative Services	2	2	2	2	2
Plant Operations & Maintenance	2	2	2	2	2
Pupil Transportation	1	1	1	1	1
Business & Other Support Services					
Special Schools					
Food Service	2	2	2	2	2
Child Care					
<b>Total</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>

Source: District Personnel Records

EXHIBIT J-17

ISLAND HEIGHTS SCHOOL DISTRICT  
 OPERATING STATISTICS  
 LAST SEVEN FISCAL YEARS

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES COST PER PUPIL (a)	PUPIL CHANGE	PERCENTAGE CHANGE	STAFF (b)	PUPIL/TEACHER RATIO		AVERAGE DAILY ENROLLMENT ATTENDANCE (ADA) (c)
						TEACHING	ELEMENTARY	
2010	115					115	110	110
2009	109					108.8	103.4	103.4
2008	110					110.7	105.3	105.3
2007	114					110.9	105.9	105.9
2006	103			%		105	101	101
2005	102			%		103	98	98
2004	105			%		102	98	98

Sources: District records

ISLAND HEIGHTS SCHOOL DISTRICT  
 SCHOOL BUILDING INFORMATION  
 LAST SEVEN FISCAL YEARS

DISTRICT BUILDINGS	2010	2009	2008	2007	2006	2005	2004	2003
Elementary Schools:								
Island Heights Grade School								
Square Feet	24,483	24,483	24,483	24,483	24,483	24,483	24,483	9,710
Capacity (Students)	160	160	160	160	160	160	160	140
Enrollment	119	109	110	114	103	102	105	113

Number of Schools at June 30, 2010:  
 Elementary = 1

Source: District Facilities Office

**ISLAND HEIGHTS SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST FOUR FISCAL YEARS**

**EXHIBIT J-19**

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

	*	2010	2009	2008	2007
Total School Facilities	\$	41,000	41,000	40,000	29,680

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

Source: District records

## EXHIBIT J-20

**ISLAND HEIGHTS SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2010**

	COVERAGE	DEDUCTIBLE
<b>School Package Policy (1):</b>		
Building & Contents (All Locations)	\$5,249,212	1,000
Boiler & Machinery	1,000,000	1,000
General Automobile Liability	1,000,000	
School Board Legal Liability	1,000,000	5,000
Employers Liability		
Workers' Compensation	2,000,000	
Excess Liability	6,000,000	10,000
Student Accident Insurance		
Surety Bonds (3)		
Treasurer	135,000	
Business Administrator	125,000	
Board Secretary	125,000	

1. New Jersey School Boards Association Insurance  
3. Selective Insurance Company of America

Source: District records

**SCHEDULES OF FEDERAL AND STATE AWARDS**

**ISLAND HEIGHTS SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title U.S. Department of Education	Federal C.F.D.A. Number	Grant or State Project Number	Program or Award Amount	Grant Period		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years Balances	Balance at June 30, 2010	
				From	To						(Accounts Receivable)	Deferred Revenue to Grantor
<b>Passed-Through State Department of Education</b>												
Special Revenue Fund:												
A.R.R.A. - I.D.E.A.:												
Basic	84.391	ARRA-10	\$ 22,847	9/1/09	8/31/10		22,847	(22,847)				
No Child Left Behind:												
Title II/A	84.281	NCLB-09	6,999	9/1/08	8/31/09	(6,999)	6,999					
Title II/A	84.281	NCLB-10	7,210	9/1/09	8/31/10		7,210	(7,210)				
Title IV	84.186A	NCLB-09	166	9/1/08	8/31/09	(166)	166					
Title IV	84.186A	NCLB-10	156	9/1/09	8/31/10			(156)				
I.D.E.A.:												
Basic	84.027	FT-10	30,853	9/1/09	8/31/10	(7,165)	30,853	(30,853)				
Total Special Revenue Fund							45,228	(38,219)			(156)	
<b>U.S. Department of Agriculture</b>												
<b>Passed-Through State Department of Education</b>												
Enterprise Fund:												
National School Lunch Program	10.555	N/A	4,131	7/1/09	6/30/10		3,189	(4,131)			(942)	
National School Lunch Program	10.555	N/A	4,071	7/1/00	6/30/09	(713)	713					
Total Enterprise Fund						(713)	3,902	(4,131)			(942)	
Total Federal Financial Awards							49,130	(42,350)			(1,098)	

See accompanying Notes to Schedules of Financial Assistance.

**ISLAND HEIGHTS SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES STATE FINANCIAL ASSISTANCE**

Schedule B  
K-4

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2009	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2010		MEMO	
			From	To						(Accounts Receivable)	Deferred Revenue	Budgetary Receivable	Total Cumulative Expenditures
<b>State Department of Education</b>													
General Fund													
Transportation Aid	10-495-0344-5120-014	\$ 3,094	7/1/09	6/30/10	\$ -	-	3,094	(3,094)	-	(475)	3,094		
Special Education Aid	10-495-0344-5120-089	36,790	7/1/09	6/30/10	-	-	36,790	(36,790)	-	(5,660)	36,790		
Security Aid	10-495-0344-5120-084	5,681	7/1/09	6/30/10	-	-	5,681	(5,681)	-	(875)	5,681		
Adjustment Aid	09-495-0344-5120-085	74,144	7/1/09	6/30/10	(1,914)	-	74,144	(74,144)	-	(11,411)	74,144		
Non-Public Transportation	10-495-0344-5120-014	1,914	7/1/08	6/30/09	-	-	1,914	-	(259)	-	259		
Non-Public Transportation	10-495-0344-5120-014	259	7/1/09	6/30/10	-	-	259	(259)	-	-	259		
On-Behalf TPAF Pension	10-100-0344-5095-006	57,714	7/1/09	6/30/10	-	-	57,714	(57,714)	-	-	57,714		
Reimbursed TPAF Social Security	10-100-0344-5095-002	73,487	7/1/09	6/30/10	(1,914)	-	73,487	(73,487)	-	(18,421)	73,487		
Total General Fund							252,824	(251,169)	(259)	(18,421)	251,169		
<b>State Department of Agriculture</b>													
Enterprise Fund													
National School Lunch Program	10-100-010-3350-023	279	7/1/09	6/30/10	-	-	216	(279)	(63)	-	279		
National School Lunch Program	09-100-010-3350-023	298	7/1/08	6/30/09	(51)	-	51	(279)	(63)	-	279		
Total Enterprise Fund							267	(279)	(63)	-	279		
Total State Financial Assistance							253,091	(251,448)	(322)	(18,421)	251,448		

See accompanying Notes to Schedules of Financial Assistance