

SCHOOL DISTRICT

OF

BAY HEAD



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

BAY HEAD BOARD OF EDUCATION

BAY HEAD, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

PREPARED BY

**BAY HEAD BOARD OF EDUCATION
FINANCE DEPARTMENT**

BAY HEAD SCHOOL DISTRICT

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*Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.

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INTRODUCTORY SECTION

Bay Head Board of Education

145 Grove Street • Bay Head • New Jersey • 08742
Phone: 732-892-4704 Fax: 732-892-4526 www.bayheadschoo.org

John Ravally, Ed.D
Superintendent

Walter C. Therien
Principal

James T. Mullins
Business Administrator

August 14, 2008

Robert A. Hulsart
Robert A. Hulsart and Company
P.O. Box 1409
Wall, NJ 07719

We are providing this letter in connection with your audit of the financial statements (“financial statements”) of the Bay Head Board of Education (the “Board”) as of June 30, 2008 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Board and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items in No. 15, if applicable, are considered material based on materiality criteria specified in OMB Circular A-133. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 14, 2008, the following representations made to you during your audit.

1. The financial statements referred to above are presented fairly in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

2. We have made available to you all -
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of the meetings of the Board, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal and/or state awards, if applicable.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities or equity.

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Robert A. Hulsart and Company

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10. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Board is contingently liable.
 - c. All accounting estimates (including fair value measurements), that could be material to the financial statements, including key factors and significant assumptions underlying those estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
12. There are no -
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of fund equity that not were properly authorized and approved.
13. As part of your audit, you prepared draft financial statements, related notes and, if applicable, schedule of expenditures of federal and/or state awards. We have designated a competent employee to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements, related notes and, if applicable, schedule of expenditures of federal awards.

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Robert A. Hulsart and Company

August 14, 2008
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14. The Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
15. The Board has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
16. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
17. The financial statements properly classify all funds and activities.
18. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
19. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
20. Provisions for uncollectible receivables have been properly identified and recorded.
21. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
22. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
24. Deposits and investment securities are properly classified as to risk.
25. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
26. Required supplementary information (RSI) is measured and presented within prescribed guidelines.

27. With respect to federal and/or state award programs, if applicable:
- a. We are responsible for complying and have complied with the requirements of OMB 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*.
 - b. We have, in accordance with OMB Circular A-133 and NJ OMB's Circular 04-04, identified in the schedule of expenditures of federal and/or state awards, expenditures made during the audit period for all awards provided by federal and/or state agencies in the form of grants, federal and/or state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and/or state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and/or state program.
 - d. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal and/or state programs that provide reasonable assurance that we are managing our federal and/or state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and/or state programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions reported in the schedule of findings and questioned costs.
 - e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and/or state agencies or pass-through entities relating to each major federal and/or state program.
 - f. We have received no requests from a federal and/or state agency to audit one or more specific programs as a major program.

Robert A. Hulsart
Robert A. Hulsart and Company

August 14, 2008
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27. g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the OMB Circular A-133 *Compliance Supplement* and/or any State compliance supplement, relating to federal and/or state awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal and/or state awards, including the results of other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal and/or state program financial reports and claims for advances and reimbursements.
- k. Federal and/or state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal and/or state awards.
- l. The copies of federal and/or state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and/or state agency or pass-through entity, as applicable.
- m. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal and/or state awarding agencies and pass-through entities, including all management decisions.
- n. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.

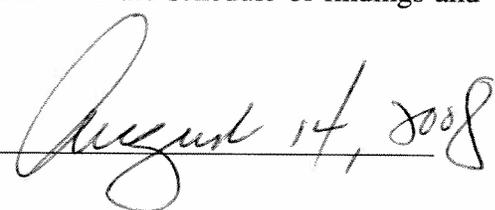
Robert A. Hulsart
Robert A. Hulsart and Company

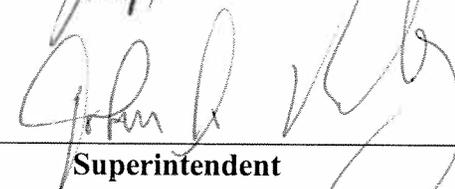
August 14, 2008
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To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs, if applicable.

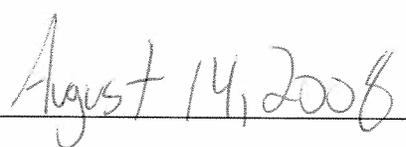
Signed: 

Board Secretary/Administrator

Dated: 

Signed: 

Superintendent

Dated: 

BAY HEAD BOARD OF EDUCATION

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

ROSTER OF OFFICIALS

June 30, 2008

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Robert W. Stockhoff, President	2009
Janice Hofferber, Vice President	2010
Joseph (Jay) Cornell, III	2009
Darren Erbe	2010
Benjamin Hinds	2011
<u>Other Officials</u>	
John A. Ravally, Ed.D, Superintendent	
Walter Therien, Principal	
James T. Mullins, School Business Administrator/Board Secretary	
Laurie M. Hazuka, Assistant Board Secretary	
Patricia A. Wojcik, Treasurer	
David M. Casadonte, Esq., Solicitor	

CONSULTANTS AND ADVISORS

JUNE 30, 2008

AUDIT FIRM

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

ATTORNEY

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

OFFICIAL DEPOSITORIES

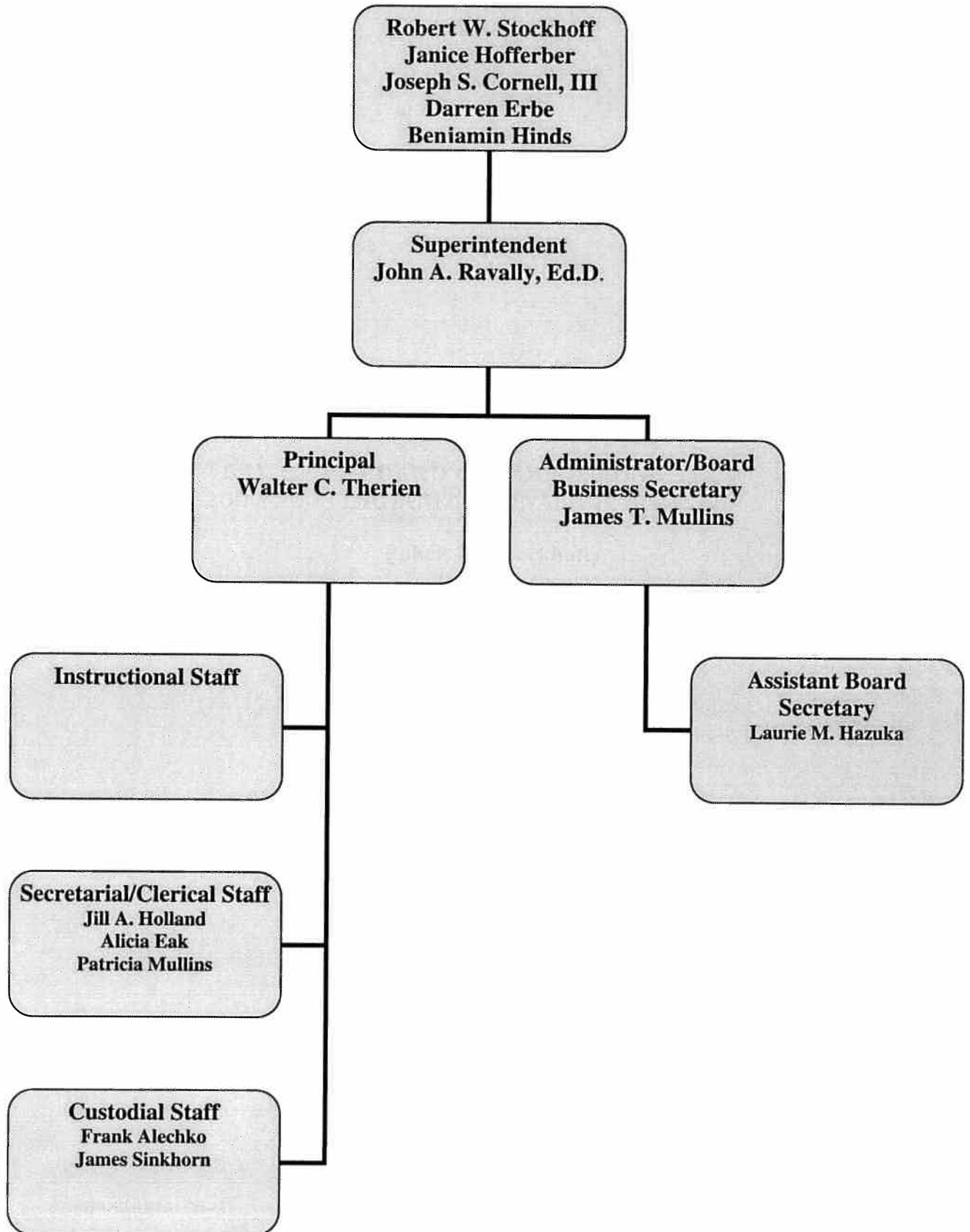
Bank of America
501 Arnold Avenue
Pt. Pleasant Beach, NJ 08742

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

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

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

**BAY HEAD BOARD OF EDUCATION
2007-2008 ORGANIZATIONAL CHART**



FINANCIAL SECTION

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the Bay Head School District, in the County of Ocean, State of New Jersey, as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bay Head Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Bay Head Board of Education, in the County of Ocean, State of New Jersey, as of June 30, 2008, 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 August 15, 2008, on our consideration of the Bay Head Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 12 through 18 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 Bay Head Board of Education's basic financial statements. The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

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

August 15, 2008

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.
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL

REPORTING AND ON COMPLIANCE AND OTHER MATTERS

BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED

IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

K-1

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

We have audited the general-purpose financial statements of the Board of Education of the Bay Head School District, in the County of Ocean, State of New Jersey, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated August 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

August 15, 2008

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

BAY HEAD BOARD OF EDUCATION

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

Date: October 14, 2008

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

Dear Board Members:

The comprehensive annual financial report of the Bay Head School District for the fiscal year ended June 30, 2008, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

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

Enrollment K-8

The Bay Head School (K-8) completed the 2007-2008 school year with an average daily enrollment of 91 students was approximately the same as the previous year. The average daily enrollment includes both resident and tuition paying students. The following details the changes in the elementary school enrollment over the last ten (10) years:

Average Daily Enrollment

Fiscal Year	Average Student Enrollment	Percent Change
2007-2008	91.0	-----
2006-2007	91.6	+3.6%
2005-2006	88.4	-12.4%
2004-2005	100.9	+17.9%
2003-2004	85.6	-13.9%
2002-2003	99.4	-2.5%
2001-2002	102.0	-4.0%
2000-2001	106.2	-2.6%
1999-2000	109.1	-5.2%
1998-1999	115.1	-2.5%

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2008.

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

6) DEBT ADMINISTRATION: Refer to exhibit

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

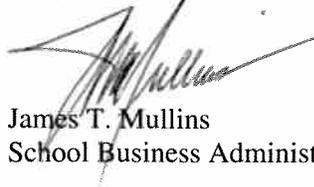
Also in 1970, through a donation of \$100, a scholarship trust fund was established which is governed by a board of trustees comprised of the membership of the board of education. In 1993, the trustees authorized the deposit of \$32,493.38 with Prudential Securities. The current value of the investment account now held by Wachovia Securities in trust is \$40,313.01.

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

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

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

Respectfully submitted,



James T. Mullins
School Business Administrator/Board Secretary

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

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

Exhibit A-1

JUNE 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 359,360		359,360
Accounts Receivables, Net	12,090		12,090
Restricted Cash	67,563		67,563
Capital Assets, Net	1,678,931		1,678,931
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,117,944</u>	<u>-</u>	<u>2,117,944</u>
<u>Liabilities</u>			
Accounts Payable & Accrued Interest	\$ 101,398		101,398
Long Term Debt:			
Due within one year	180,806		180,806
Long-Term	1,954,419		1,954,419
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,236,623</u>	<u>-</u>	<u>2,236,623</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	\$ (456,294)		(456,294)
Restricted For:			
Other Purposes	278,595		278,595
Capital Purposes			-
Unrestricted	59,020		59,020
	<hr/>	<hr/>	<hr/>
Total Net Assets	<u>\$ (118,679)</u>	<u>-</u>	<u>(118,679)</u>

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

BAY HEAD SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
Governmental Activities:						
Instruction:						
Regular	\$ 735,677			(735,677)		(735,677)
Special Education	48,865		7,795	(41,070)		(41,070)
Other Instruction	71,973			(71,973)		(71,973)
Support Services:						
Tuition	477,915			(477,915)		(477,915)
Student & Instruction Related Services	277,403		24,311	(253,092)		(253,092)
School Administration	90,712			(90,712)		(90,712)
Other Administration Services	33,107			(33,107)		(33,107)
Plant Operations and Maintenance	226,096			(226,096)		(226,096)
Pupil Transportation	63,897			(63,897)		(63,897)
Unallocated Benefits	522,688			(522,688)		(522,688)
Depreciation	35,793			(35,793)		(35,793)
Interest on debt	102,421			(102,421)		(102,421)
Total Government Activities	<u>2,686,547</u>	<u>-</u>	<u>32,106</u>	<u>(2,654,441)</u>	<u>-</u>	<u>(2,654,441)</u>
Total Primary Government	<u>2,686,547</u>	<u>-</u>	<u>32,106</u>	<u>(2,654,441)</u>	<u>-</u>	<u>(2,654,441)</u>

BAY HEAD SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

JUNE 30, 2008

Exhibit A-2
Sheet 2 of 2

	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			2,294,500		2,294,500
Federal and State Aid Not Restricted			356,150		356,150
Miscellaneous Revenue			5,606		5,606
Tuition Received			89,955		89,955
Property Taxes Levied for Debt Service			208,048		208,048
Transfer from Capital			14,783		14,783
Cancel Special Revenue			(3,678)		(3,678)
Total General Revenues, Special Items, Extraordinary Items and Transfers			2,965,364	-	2,965,364
Change in Net Assets			310,923	-	310,923
Prior Year Adjustment - Fixed Assets & Depreciation			(238,601)		
Net Assets - Beginning			(191,001)		(191,001)
Net Assets - Ending			(118,679)	-	119,922

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 359,360	67,563	426,923
Interfund Receivable	14,783		14,783
Receivables, Net	12,090		12,090
 Total Assets	<u>\$ 386,233</u>	<u>67,563</u>	<u>453,796</u>
 <u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Interfund Payable	\$ -	14,783	14,783
Accounts payable		52,780	52,780
 Total Accounts Payable	<u>-</u>	<u>67,563</u>	<u>67,563</u>
 <u>Fund Balance</u>			
Fund Balance:			
Reserve for Maintenance Reserve	6,309		6,309
Reserved for Subsequent Years' Expenditures	200,000		200,000
Reserved for Subsequent Years' Expenditures - Emer. Res.	48,153		48,153
Reserved for Current Expense Emergency Reserve	24,133		24,133
Unreserved, Reported In:			-
General Fund	107,638		107,638
Total Fund Balance	<u>386,233</u>	<u>-</u>	<u>386,233</u>
 Total Liabilities and Fund Balance	<u>\$ 386,233</u>	<u>67,563</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,264,941 and the accumulated depreciation is \$586,010.

1,678,931

Accrued Interest

(48,618)

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

(2,135,225)

Net assets of governmental activities

\$ (118,679)

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

BAY HEAD SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 2,294,500			208,048	2,502,548
Tuition	89,955				89,955
Miscellaneous	5,606				5,606
Total Local Sources	<u>2,390,061</u>			<u>208,048</u>	<u>2,598,109</u>
State Sources	275,846			80,304	356,150
Federal Sources		32,106			32,106
Total Revenues	<u>2,665,907</u>	<u>32,106</u>	<u>-</u>	<u>288,352</u>	<u>2,986,365</u>
Expenditures:					
Current:					
Regular Instruction	735,677				735,677
Special Education Instruction	41,070	7,795			48,865
Other Instruction	71,973				71,973
Support Services and Undistributed Costs:					
Tuition	477,915				477,915
Student and Instruction Related Services	253,092	24,311			277,403
School Administration	90,712				90,712
Other Administration Services	33,107				33,107
Plant Operations and Maintenance	226,096				226,096
Pupil Transportation	63,897				63,897
Unallocated Benefits	522,688				522,688
Capital Outlay			1,312,180		1,312,180
Debt Service:					
Bond Principal				150,000	150,000
Interest and Other Charges				138,352	138,352
Total Expenditures	<u>2,516,227</u>	<u>32,106</u>	<u>1,312,180</u>	<u>288,352</u>	<u>4,148,865</u>

BAY HEAD SCHOOL DISTRICT

Exhibit B-2
Sheet 2 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	149,680	-	(1,312,180)	-	(1,162,500)
Other Financing Sources (Uses):					
Transfer from Capital	14,783				14,783
Transfer charges from Special Revenue	(3,678)				(3,678)
Total Other Financing Sources (Uses)	11,105	-	-	-	11,105
Net Change in Fund Balances	160,785	-	(1,312,180)	-	(1,151,395)
Fund Balance - July 1	225,448	-	1,312,180		1,537,628
Fund Balance - June 30	\$ 386,233	-	-	-	386,233

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2008

Total Net Change in Fund Balances - Governmental Funds (From B-2)		\$ (1,151,395)
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	(35,793)	
Capital Outlay	<u>1,312,180</u>	1,276,387
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.		150,000
Accrued Interest		35,931
Change in Net Assets of Governmental Activities		<u><u>\$ 310,923</u></u>

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

BAY HEAD SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETS

Exhibit B-7

FIDUCIARY FUNDSJUNE 30, 2008

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Scholarship Funds</u>
Assets:		
Cash and Cash Equivalents	\$ 35,333	41,773
Total Assets	<u>\$ 35,333</u>	<u>41,773</u>
Net Assets:		
Reserved Unemployment Benefits	\$ 35,333	
Reserved Scholarships		41,773
Total Net Assets	<u>\$ 35,333</u>	<u>41,773</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Exhibit B-8

FIDUCIARY FUNDS

JUNE 30, 2008

	Private Purpose Trust Scholarship Fund	Unemployment Compensation Trust
Additions:		
Securities Increase	\$ 1,698	
Interest Earned	12	1,482
Donations	100	
Total Additions	<u>1,810</u>	<u>1,482</u>
Deductions:		
Claims		6,161
Scholarship Awarded	1,000	
Total Deductions	<u>1,000</u>	<u>6,161</u>
Change in Net Assets	810	(4,679)
Net Assets - Beginning of Year	<u>40,963</u>	<u>40,012</u>
Net Assets - End of the Year	<u>\$ 41,773</u>	<u>35,333</u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
BAY HEAD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity:

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

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

B. Government-Wide Financial Statements

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

NOTE 1: Summary of Significant Accounting Policies (Continued)**B. Government-Wide Financial Statements (Continued)**

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

Fund Financial Statements

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

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

D. Fund Accounting:

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

Governmental Fund Types

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

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

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

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

Fiduciary Fund Types

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Types (Continued)

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

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

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g). All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2008 were insignificant.

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Budgets/Budgetary Control (Continued):

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 2,667,951	32,106
Difference – budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Delayed Payment	1,301	
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).	(3,345)	
Prior Year Encumbrances	_____	_____
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds.	<u>\$ 2,665,907</u>	<u>32,106</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,516,227	32,106
Prior Year Encumbrances		
Differences – budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	_____	_____
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	<u>\$ 2,516,227</u>	<u>32,106</u>

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Encumbrances:

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

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

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

G. Short-Term Interfund Receivables/Payables:

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

H. Inventories and Prepaid Expenses

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

I. Capital Assets and Depreciation

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Capital Assets and Depreciation (Continued)

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

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental Activities:				
Capital Assets that are Not being Depreciated:				
Land	\$ 256,549	_____	_____	256,549
Total Capital Assets Not Being Depreciated	<u>256,549</u>	_____	_____	<u>256,549</u>
Depreciable Assets:				
Buildings	562,463	1,124,207	_____	1,686,670
Equipment	<u>309,125</u>	<u>12,597</u>	_____	<u>321,722</u>
Totals at Historical Cost	<u>871,588</u>	<u>1,136,804</u>	_____	<u>2,008,392</u>
Less: Accumulated Depreciation:				
Buildings & Improvements	(294,618)	(26,683)	_____	(321,301)
Equipment	<u>(255,599)</u>	<u>(9,110)</u>	_____	<u>(264,709)</u>
Total Accumulated Depreciation	<u>(550,217)</u>	<u>(35,793)</u>	_____	<u>(586,010)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>321,371</u>	<u>1,101,011</u>	_____	<u>1,422,382</u>
Governmental Activities Capital Assets, Net	<u>\$ 577,920</u>	<u>1,101,011</u>	_____	<u>1,678,931</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	<u>\$ 35,793</u>
-------------	------------------

J. Compensated Absences

The Board has no policy for payment of accumulated sickness upon retirement.

K. Deferred Revenue

Deferred revenue in the special revenue funds represent cash which has been received but not yet earned. 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 maintenance reserve (See Note 9).

NOTE 2: Cash and Cash Equivalents and Investments

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

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

Deposits

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

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

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

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

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

Investments

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

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

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

Investments (Continued)

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

As of June 30, 2008, cash and cash equivalents and investments of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>
Checking, Money Market Accounts	\$ 506,796

During the period ended June 30, 2008, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2008 was \$506,796 and the bank balance was \$520,923. Of the bank balance, \$179,884 was covered by federal depository insurance and \$341,039 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Credit Risk Categories

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

As of June 30, 2008, the District did not hold any long-term investments.

Insured:	
FDIC	\$ 179,884
GUDPA	<u>341,039</u>
	<u>\$ 520,923</u>

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2008, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance June 30, 2007</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2008</u>	<u>Amount Due Within One Year</u>	<u>Long-Term Portion</u>
Bonds Payable	\$ 2,222,000		150,000	2,072,000	165,000	1,907,000
Capital Leases Payable	_____	63,225	_____	63,225	15,806	47,419
	<u>\$ 2,222,000</u>	<u>63,225</u>	<u>150,000</u>	<u>2,135,225</u>	<u>180,806</u>	<u>1,954,419</u>

NOTE 3: General Long-Term Debt (Continued)

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

A. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are of general obligation bonds, and the interest rates vary from 4.00% to 4.25%.

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 165,000	86,235	251,235
2010	175,000	79,635	254,635
2011	190,000	72,635	262,635
2012	200,000	65,035	265,035
2013	225,000	57,035	282,035
2014	250,000	47,473	297,473
2015	275,000	36,847	311,847
2016	300,000	25,160	325,160
2017	<u>292,000</u>	<u>12,410</u>	<u>304,410</u>
	<u>\$ 2,072,000</u>	<u>482,465</u>	<u>2,554,465</u>

B. Bonds Authorized But Not Issued

As of June 30, 2008, the Board had no authorized but not issued bonds.

C. Capital Leases Payable:

Capital Leases Payable:

	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance June 30, 2008</u>
Apple Computers	2011-2012	0.00%	\$ 63,225	<u>\$ 63,225</u>

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

2009	\$ 15,806
2010	15,806
2011	15,806
2012	<u>15,807</u>
	63,225
Less: Amount Representing Interest	<u>-0-</u>
Present Value of Net Minimum Lease Payments	<u>\$ 63,225</u>

NOTE 4: Pension Plans

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

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

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

NOTE 4: Pension Plans (Continued)

Vesting and Benefit Provisions – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the System.

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

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

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

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

NOTE 4: Pension Plans (Continued)

During the year ended June 30, 2008, the State of New Jersey contributed \$117,847 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 \$61,235 during the year ended June 30, 2008 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/08	\$ 117,847	100%	0
6/30/07	137,263	100%	0
6/30/06	91,340	100%	0

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/08	\$ None	100%	0
6/30/07	None	100%	0
6/30/06	None	100%	0

NOTE 5: Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 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. As of June 30, 2007, there were 75,860 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 with an additional contribution beginning in Fiscal Year 1996 to maintain a medical reserve of one half of one percent of the active State payroll.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2007.

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 \$110.3 million toward Chapter 126 benefits for 11,747 eligible retired members in Fiscal Year 2007.

NOTE 6: Interfund Receivables and Payables

	<u>To</u>	<u>From</u>
General Projects	\$ 14,783	
Capital Projects		14,783

Capital has an interfund payable to the General Fund for interest earned on capital projects funds of \$14,783.

NOTE 7: Compensated Absences

The Board has no policy for the payment of accumulated sick days upon retirement or termination of employees.

NOTE 8: Risk Management

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Balance</u>
2007-2008	\$ 0	1,482	6,161	35,333
2006-2007	0	2,262	10,547	40,012
2005-2006	0	1,920	-0-	48,297

NOTE 9: 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, 2008 financial statements.

NOTE 10: Economic Dependency

The District receives approximately 13% 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 11: 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 12: Fund Balance Appropriated

General Fund – Of the \$389,578 General Fund fund balance at June 30, 2008, \$6,309 is reserved for maintenance reserve; \$48,153 is reserved for emergency reserve – designated for subsequent year's expenditures; \$24,133 is reserved for emergency reserve; \$200,000 is designated for subsequent year's expenditures; and \$110,983 is undesignated.

NOTE 13: 2% Calculation of Excess Surplus

2007-08 Total General Fund Expenditures Per the CAFR	\$ 2,516,227
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(179,082)</u>
Adjusted 07-08 General Fund Expenditures	<u>\$ 2,337,145</u>
2% of Adjusted 2007-08 General Fund Expenditures	<u>\$ 46,743</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>10,964</u>
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 260,964</u>

Section 2

Total General Fund – Fund Balance @ 6-30-08	\$ 389,578
Decreased by:	
Designated for Subsequent Years Expenditures	(200,000)
Other Reserves	<u>(78,595)</u>
Total Unreserved/Undesignated Fund Balance	<u>\$ 110,983</u>

Section 3

Reserved Fund Balance – Emergency Reserve Designated for Subsequent Years Expenditures	<u>\$ 48,153</u>
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Detail of Allowable Adjustment

Extraordinary Aid	\$ 10,070
Non-Public Transportation	<u>894</u>
	<u>\$ 10,964</u>

NOTE 13: 2% Calculation of Excess Surplus (Continued)**Detail of Other Reserved Fund Balance**

Maintenance Reserve	\$ 6,309
Emergency Reserve	<u>72,286</u>
Total Other Reserved Fund Balance	<u>\$ 78,595</u>

NOTE 14: Operating Leases

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

Year ending June 30,	
2009	\$ 4,224
2010	4,223
2011	<u>4,223</u>
	<u>\$ 12,670</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 1 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 2,294,500		2,294,500	2,294,500	-
Tuition	87,861		87,861	89,955	2,094
Miscellaneous	312		312	5,606	5,294
Total Local Sources	<u>2,382,673</u>	<u>-</u>	<u>2,382,673</u>	<u>2,390,061</u>	<u>7,388</u>
State Sources:					
Special Education Aid	31,440		31,440	31,440	-
Transportation Aid	3,812		3,812	3,812	-
Bilingual Education Aid	16,226		16,226	16,226	-
Stabilization Aid	25,150		25,150	25,150	-
Consolidated Aid	6,173		6,173	6,173	-
Additional Formula Aid	5,043		5,043	5,043	-
Extraordinary Aid				10,070	10,070
Additional Non-Public Transportation Aid				894	894
On-Behalf TPAF Pension Contributions (Non-Budgeted)				117,847	117,847
Reimbursed TPAF Social Security Contributions (Non-Budgeted)					
Total State Sources	<u>87,844</u>	<u>-</u>	<u>87,844</u>	<u>277,890</u>	<u>61,235</u>
Total Revenues	<u>2,470,517</u>	<u>-</u>	<u>2,470,517</u>	<u>2,667,951</u>	<u>197,434</u>

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 2 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Current Expenditures:					
Regular Programs - Instruction:					
Preschool/Kindergarten - Salaries of Teachers	55,266		55,266	55,266	-
Grades 1-5 - Salaries of Teachers	341,627		341,627	341,627	-
Grades 6-8 - Salaries of Teachers	245,587		245,587	245,587	-
Regular Program - Undistributed Instruction:					
Other Salaries for Instruction	55,000		55,000	55,000	-
Purchased Professional Educational Services	500		500	474	26
Purchased Technical Services	9,000		9,000	6,076	2,924
Other Purchased Services	11,000		11,000	7,682	3,318
General Supplies	13,500		13,500	10,289	3,211
Textbooks	9,000		9,000	7,253	1,747
Other Objects	10,000		10,000	6,423	3,577
Total Regular Programs - Instruction	<u>750,480</u>	<u>-</u>	<u>750,480</u>	<u>735,677</u>	<u>14,803</u>
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	40,070		40,070	40,070	-
General Supplies	1,000		1,000	1,000	-
Total Resource Room/Resource Center	<u>41,070</u>	<u>-</u>	<u>41,070</u>	<u>41,070</u>	<u>-</u>
Total Special Education - Instruction	<u>41,070</u>	<u>-</u>	<u>41,070</u>	<u>41,070</u>	<u>-</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	39,652		39,652	39,652	-
General Supplies	900		900	834	66
Total Basic Skills/Remedial - Instruction	<u>40,552</u>	<u>-</u>	<u>40,552</u>	<u>40,486</u>	<u>66</u>

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
School-Sponsored Co-Curricular Activities - Instruction: Salaries	6,000		6,000	6,000	-
School Sponsored Athletics - Instruction: Salaries	22,727		22,727	22,727	-
Purchased Services	6,000		6,000	2,760	3,240
Total School Sponsored Athletics - Instruction	<u>28,727</u>	<u>-</u>	<u>28,727</u>	<u>25,487</u>	<u>3,240</u>
Total Instruction	866,829	-	866,829	848,720	18,109
Undistributed Expenditures - Instruction:					
Tuition to Other LEA's Within the State - Regular	402,179		402,179	402,179	-
Tuition to Other LEA's Within the State - Special	21,265		21,265	21,265	-
Tuition to Private Schools for the Disabled Within State	57,106		57,106	54,471	2,635
Total Undistributed Expenditures - Instruction	<u>480,550</u>	<u>-</u>	<u>480,550</u>	<u>477,915</u>	<u>2,635</u>
Undistributed Expenditures - Attendance and Social Work: Salaries	31,448		31,448	31,448	-
Undistributed Expenditures - Health Services: Salaries	18,762		18,762	18,762	-
Purchased Professional and Technical Services	600		600	600	-
Supplies and Materials	600		600	600	-
Total Undistributed Expenditures - Health Services	<u>19,962</u>	<u>-</u>	<u>19,962</u>	<u>19,962</u>	<u>-</u>

BAY HEAD SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Other Support Services - Students - Related Services:					
Salaries	17,448		17,448	17,448	-
Purchased Professional Educational Materials	5,000		5,000	5,000	-
Supplies and Materials	2,500		2,500	2,455	45
Other Objects	11,000		11,000	11,000	-
Total Undistributed Expenditures - Other Support Services					
Students - Related Services	<u>35,948</u>	<u>-</u>	<u>35,948</u>	<u>35,903</u>	<u>45</u>
Undistributed Expenditures - Other Support Services - Students - Special:					
Salaries of Other Professional Staff	36,776		36,776	34,618	2,158
Salaries of Secretarial and Clerical Assistants	6,000		6,000	6,000	
Other Salaries for Instruction	23,000		23,000	23,000	
Total Undistributed Expenditures - Other Support Services - Students - Special					
Students - Special	<u>65,776</u>	<u>-</u>	<u>65,776</u>	<u>63,618</u>	<u>2,158</u>
Undistributed Expenditures - Other Support Services - Students - Extra Services:					
Salaries	15,000		15,000	15,000	-
Purchased Professional Educational Services	45,975		45,975	45,975	-
Total Undistributed Expenditures - Other Support Services - Students - Extra Services					
Students - Extra Services	<u>60,975</u>		<u>60,975</u>	<u>60,975</u>	

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 5 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Educational Media Services/ School Library:					
Other Purchased Services	18,000		18,000	15,944	2,056
Supplies and Materials	21,730		21,730	21,390	340
Total Undistributed Expenditures - Educational Media Services/School Library	<u>39,730</u>	<u>-</u>	<u>39,730</u>	<u>37,334</u>	<u>2,396</u>
Undistributed Expenditures - Instructional Staff Training Services:					
Purchased Professional Educational Services	1,000		1,000	840	160
Other Purchased Services	5,000		5,000	3,012	1,988
Total Undistributed Expenditures - Instructional Staff Training Services	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>3,852</u>	<u>2,148</u>
Undistributed Expenditures - Support Services - General Administration:					
Legal Services	6,300		6,300	4,462	1,838
Audit Fees	6,750		6,750	5,500	1,250
Other Purchased Professional Services	3,000		3,000	2,317	683
Communications/Telephone	6,000		6,000	6,000	-
Other Purchased Services (400-500 Series)	4,000		4,000	3,985	15
General Supplies	3,600		3,600	1,763	1,837
Miscellaneous Expenditures	7,200		7,200	7,067	133
BOE Membership Dues and Fees	5,000		5,000	5,000	-
Total Undistributed Expenditures - Support Services - General Administration	<u>41,850</u>	<u>-</u>	<u>41,850</u>	<u>36,094</u>	<u>5,756</u>

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 6 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	40,000		40,000	40,000	-
Salaries of Secretarial and Clerical Assistants	8,724		8,724	8,724	-
Other Salaries	2,000		2,000	2,000	-
Supplies and Materials	5,000		5,000	3,894	1,106
Total Undistributed Expenditures - Support Services - School Administration	55,724	-	55,724	54,618	1,106
Undistributed Expenditures - Central Services:					
Salaries	25,000		25,000	25,000	-
Purchased Services (400-500 Series)	8,000		8,000	7,852	148
Miscellaneous Expenditures	1,000		1,000	345	655
Total Undistributed Expenditures - Central Services	34,000	-	34,000	33,197	803
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	64,785		64,785	64,785	-
Cleaning, Repair and Maintenance Services	27,000		27,000	26,995	5
General Supplies	6,700		6,700	6,700	-
Other Objects	3,000		3,000	2,982	18
Total Undistributed Expenditures - Required Maintenance - School Facilities	101,485	-	101,485	101,462	23

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 7 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Other Operations and Maintenance of Plant Services:					
Salaries	37,000		37,000	37,000	-
Other Purchased Professional and Technical Services	4,000		4,000	3,961	39
Other Purchased Property Services	8,000		8,000	8,000	-
Insurance	22,906		22,906	22,906	-
Miscellaneous Purchased Services	5,094		5,094	5,094	-
Energy (Heat and Electricity)	47,583		47,583	47,583	-
Total Undistributed Expenditures - Other Operations and Maintenance of Plant Services	124,583	-	124,583	124,544	39
Total Undistributed Expenditures - Operations and Maintenance of School Facilities	226,068	-	226,068	226,006	62
Undistributed Expenditures - Student Transportation Services:					
Salaries for Pupil Transportation - (Between Home and School) Reg.	13,780		13,780	13,780	-
Contracted Services (Between Home & School) Vendors	6,000		6,000	3,000	3,000
Contracted Services (Other Than Between Home & School) Vendors	12,000		12,000	11,451	549
Contracted Services (Between Home & School) Jointures	1,000		1,000	353	647
Contracted Services - (Special Education Students) - Vendor	15,000		15,000	8,884	6,116
Contracted Services - (Special Education Students) - Jointures	18,000		18,000	18,000	-
Miscellaneous Expenditures	9,000		9,000	8,429	571
Total Undistributed Expenditures - Student Transportation Services	74,780	-	74,780	63,897	10,883

BAY HEAD SCHOOL DISTRICT

Exhibit C-1
Sheet 8 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits:					
Social Security Contributions	30,000		30,000	25,890	4,110
Other Retirement Contributions - Reg.	8,000		8,000	8,000	-
Workers Compensation	13,000		13,000	13,000	-
Health Benefits	278,591		278,591	269,716	8,875
Tuition Reimbursement	7,000		7,000	7,000	-
Other Employee Benefits	22,000		22,000	20,000	2,000
Total Unallocated Benefits	<u>358,591</u>	<u>-</u>	<u>358,591</u>	<u>343,606</u>	<u>14,985</u>
On-Behalf TPAF Pension Contributions - Non-Budgeted				117,847	(117,847)
Reimbursed TPAF Social Security Contributions				61,235	(61,235)
Non-Budgeted				<u>179,082</u>	<u>(179,082)</u>
Total On-Behalf Contributions					
Total Undistributed Expenditures	<u>1,531,402</u>	<u>-</u>	<u>1,531,402</u>	<u>1,667,507</u>	<u>(136,105)</u>
Total General Fund Expenditures	<u>2,398,231</u>	<u>-</u>	<u>2,398,231</u>	<u>2,516,227</u>	<u>(117,996)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	72,286		72,286	151,724	79,438
Other Financing Sources (Uses)					
State Aid Reduction - 2007/2008				(3,678)	(3,678)
Interest - Capital Projects				14,783	14,783
Total Other Financing Sources (Uses)				<u>11,105</u>	<u>11,105</u>
Excess (Deficiency) of Revenues Over (Under) and Other Financing Sources (Uses)	72,286	-	72,286	162,829	90,543

BAY HEAD SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
 Sheet 9 of 9

GENERAL FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Fund Balance July 1	226,749		226,749	226,749	
Fund Balance June 30	\$ 299,035	-	299,035	389,578	90,543

BAY HEAD SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

JUNE 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Federal Sources	\$ 32,106		32,106	32,106	-
Total Revenues	<u>\$ 32,106</u>	<u>-</u>	<u>32,106</u>	<u>32,106</u>	<u>-</u>
Expenditures:					
Instruction:					
Other Purchased Services	\$ 7,795		7,795	7,795	-
Total Instruction	<u>7,795</u>	<u>-</u>	<u>7,795</u>	<u>7,795</u>	<u>-</u>
Support Services:					
Purchased Professional and Technical Services	24,311		24,311	24,311	-
Total Support Services	<u>24,311</u>	<u>-</u>	<u>24,311</u>	<u>24,311</u>	<u>-</u>
Total Expenditures	<u>\$ 32,106</u>	<u>-</u>	<u>32,106</u>	<u>32,106</u>	<u>-</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BAY HEAD SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET-TO-GAAP-RECONCILIATION

NOTE TO RSI

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual Amounts (budgetary) "revenues" from the budgetary comparison schedule	\$ 2,667,951	32,106
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Delayed Payment	1,301	
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).	<u>(3,345)</u>	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	<u>\$ 2,665,907</u>	<u>32,106</u>
<u>Uses/Outflows of Resources</u>		
Actual Amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,516,227	32,106
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>\$ 2,516,227</u>	<u>32,106</u>

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

BAY HEAD SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND

SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

JUNE 30, 2008

	No Child Left Behind					I.D.E.A.	I.D.E.A.	Total
	Title II Part A	Title IV	Title V			Part B Basic	Preschool	June 30, 2008
Revenues:								
Federal Sources	\$ 7,503	183	109			23,699	612	32,106
Total Revenues	\$ 7,503	183	109			23,699	612	32,106
Expenditures:								
Instruction:								
Other Purchased Services	\$ 7,503	183	109					7,795
Total Instruction	7,503	183	109			-	-	7,795
Support Services:								
Purchased Professional and Technical Services						23,699	612	24,311
Total Support Services	-	-	-			23,699	612	24,311
Total Expenditures	\$ 7,503	183	109			23,699	612	32,106

CAPITAL PROJECTS FUND – F

BAY HEAD SCHOOL DISTRICT

CAPITAL PROJECTS FUND

Exhibit F-1

SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2008

Expenditures and Other Financing Uses

Purchased Professional and Technical Services	\$ 20,309
Construction Services	1,281,663
Other Objects	10,208
	<u>1,312,180</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Uses	(1,312,180)
Fund Balance - Beginning	<u>1,312,180</u>
Fund Balance - Ending	<u><u>\$ -</u></u>

BAY HEAD SCHOOL DISTRICT

CAPITAL PROJECTS FUND

SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT

BALANCE, AND PROJECT STATUS - BUDGETARY BASIS

HAVC AND ELECTRICAL UPGRADE - ELEMENTARY SCHOOL

FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<u>Revenues and Other Financing Sources</u>				
Bond Proceeds and Transfers	\$ 2,222,000		2,222,000	
Total Revenues	<u>2,222,000</u>	<u>-</u>	<u>2,222,000</u>	<u>-</u>
<u>Expenditures and Other Financing Uses</u>				
Construction Services	909,820	1,312,180	2,222,000	
Total Expenditures	<u>909,820</u>	<u>1,312,180</u>	<u>2,222,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,312,180</u>	<u>(1,312,180)</u>	<u>-</u>	<u>-</u>

Additional Project Information

Project Number	06K023
Grant Date	N/A
Bond Authorization Date	6/13/2006
Bonds Authorized	\$ 2,222,000
Bonds Issued	2,222,000
Original Authorized Cost	2,222,000
Additional Authorized Cost	-
Revised Authorized Cost	2,222,000
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	9/1/2007
Revised Target Completion Date	9/1/2007

FIDUCIARY FUND – H

BAY HEAD SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	<u>Unemployment Compensation</u>	<u>Private Purpose Trust Scholarship Fund</u>	<u>Student Activities</u>	<u>Payroll & Agency</u>	<u>Balance June 30, 2008</u>
Assets:					
Cash and Cash Equivalents	\$ 35,333	41,773	2,756	11	79,873
Total Assets	<u>\$ 35,333</u>	<u>41,773</u>	<u>2,756</u>	<u>11</u>	<u>79,873</u>
Liabilities:					
Payroll Deductions and Withholdings Accounts Payable Due to Student Groups				11	11
Total Liabilities			<u>2,756</u>		<u>2,756</u>
Net Assets:			<u>2,756</u>	<u>11</u>	<u>2,767</u>
Reserve for Unemployment Benefits Reserve for Scholarships	\$ 35,333	41,773			35,333
Total Net Assets	<u>\$ 35,333</u>	<u>41,773</u>			<u>41,773</u>
					<u>77,106</u>

TRUST AND AGENCY FUNDS

Exhibit H-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

JUNE 30, 2008

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Unemployment Compensation Trust</u>	<u>Balance June 30, 2008</u>
Additions:			
Securities Increase	\$ 1,698		1,698
Interest Earned	12	1,482	1,494
Donations	100		100
Total Additions	<u>1,810</u>	<u>1,482</u>	<u>3,292</u>
Deductions:			
Claims		6,161	6,161
Scholarships Awarded	1,000		1,000
Total Deductions	<u>1,000</u>	<u>6,161</u>	<u>7,161</u>
Changes in Net Assets	810	(4,679)	(3,869)
Net Assets Beginning of Year	<u>40,963</u>	<u>40,012</u>	<u>80,975</u>
Net Assets End of Year	<u>\$ 41,773</u>	<u>35,333</u>	<u>77,106</u>

BAY HEAD SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-3

STUDENT ACTIVITY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

JUNE 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Student Council	1,342	400		1,742
Athletic Fund	894	3		897
School Fund	208	1,208	1,299	117
Total Student Activities	<u>\$ 2,444</u>	<u>1,611</u>	<u>1,299</u>	<u>2,756</u>

LONG-TERM DEBT – I

BAY HEAD SCHOOL DISTRICT

LONG-TERM LIABILITIES

Exhibit I-2

OBLIGATIONS UNDER CAPITAL LEASES

JUNE 30, 2008

<u>Series</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Issued Current Year</u>	<u>Amount Outstanding June 30, 2008</u>
Computer Equipment	0%	\$ 63,225	\$ 63,225	63,225

BAY HEAD SCHOOL DISTRICT

Exhibit I-3

LONG-TERM DEBT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<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	\$ 208,048		208,048	208,048	
State Sources:					
Debt Service Aid Type II	80,304		80,304	80,304	
Total Revenues	<u>288,352</u>	<u>-</u>	<u>288,352</u>	<u>288,352</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	138,352		138,352	138,352	
Redemption of Principal	150,000		150,000	150,000	
Total Regular Debt Service	<u>288,352</u>	<u>-</u>	<u>288,352</u>	<u>288,352</u>	<u>-</u>
Total Expenditures	<u>288,352</u>	<u>-</u>	<u>288,352</u>	<u>288,352</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATISTICAL SECTION

(Unaudited)

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

	2006	2007	2008
Governmental activities			
Invested in capital assets, net of related debt	\$ 593,162.00	\$ (1,644,080.00)	\$ (456,294.00)
Restricted = Capital Purposes	-	\$ 1,312,180.00	-
Restricted = Other	\$ 6,309.00	\$ 6,309.00	\$ 278,595.00
Unrestricted	\$ 86,504.00	\$ 134,590.00	\$ 59,020.00
Total governmental activities net assets	<u>\$ 685,975.00</u>	<u>\$ (191,001.00)</u>	<u>\$ (118,679.00)</u>
Business-type activities			
Invested in capital assets, net of related debt	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total business-type activities net assets	<u>-</u>	<u>-</u>	<u>-</u>
District-wide			
Invested in capital assets, net of related debt	-	-	-
Restricted	-	-	-
Unrestricted	-	-	-
Total district net assets	<u>-</u>	<u>-</u>	<u>-</u>

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

	2006	2007	2008
Expenses			
Governmental Activities			
Instruction			
Regular	654,319.00	637,206.00	735,677.00
Special Education	145,723.00	61,266.00	41,070.00
Other special education	-	-	-
Vocational	-	-	-
Other instruction	15,985.00	84,423.00	71,973.00
Nonpublic school programs	-	-	-
Support Services			
Tuition	447,567.00	599,207.00	477,915.00
Student & instruction related services	225,630.00	254,924.00	253,092.00
School Administrative services	73,898.00	11,269.00	33,107.00
General Administration	67,858.00	100,175.00	90,712.00
Plant operations and maintenance	151,548.00	192,816.00	226,096.00
Administrative information technology	-	-	-
Pupil transportation	53,565.00	66,980.00	63,897.00
Other support services	-	-	35,793.00
Depreciation	-	-	-
Interest on long-term debt	-	-	102,421.00
Unallocated benefits	-	-	522,688.00
Total governmental activities expenses	437,089.00	469,713.00	522,688.00
	2,273,182.00	2,562,528.00	2,654,441.00
Business-type activities	-	-	-
Food service	-	-	-
Child care	-	-	-
Total business-type activities	-	-	-
Total district expenses	-	-	-
Program revenues			
Governmental activities			
Charges for services			
Instruction	-	23,034.00	24,311.00
Pupil transportation	-	-	-
Central and other support services	-	7,846.00	7,795.00
Operating grants and contributions	-	-	-
Capital grants and contributions	-	30,880.00	32,106.00
Total governmental activities program revenues	-	30,880.00	32,106.00

Business-type activities					
Charges for services					
Food service	\$ -	\$ -	\$ -	\$ -	\$ -
Child care	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Capital grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Total business-type activities program revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Total district program revenues	\$ -	\$ 30,880.00	\$ -	\$ -	\$ 32,106.00
Net (expense) Revenue					
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	\$ -	\$ -	\$ -	\$ -	\$ -
Total district-wide net expense	\$ -	\$ -	\$ -	\$ -	\$ -
General Revenues and Other Changes in Net Assets					
Governmental activities					
Property taxes levied for general purpose, net	\$ 1,796,560.00	\$ 2,121,394.00	\$ 2,294,500.00	\$ 2,294,500.00	\$ 2,294,500.00
Taxes levied for debt service	\$ -	\$ -	\$ 208,048.00	\$ 208,048.00	\$ 208,048.00
Unrestricted grants and contributions	\$ 242,706.00	\$ 288,460.00	\$ 356,150.00	\$ 356,150.00	\$ 356,150.00
Payments in lieu of taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tuition Received	\$ 90,065.00	\$ 101,593.00	\$ 89,955.00	\$ 89,955.00	\$ 89,955.00
Investment Earnings	\$ 2,945.00	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	\$ 97,005.00	\$ 83,107.00	\$ 5,606.00	\$ 5,606.00	\$ 5,606.00
Transfers	\$ (19,919.00)	\$ (14,820.00)	\$ 14,783.00	\$ 14,783.00	\$ 14,783.00
Inventory Retirements/Adjustment	\$ (270,313.00)	\$ (15,242.00)	\$ (3,678.00)	\$ (3,678.00)	\$ (3,678.00)
Total governmental activities	\$ 1,939,049.00	\$ 2,564,492.00	\$ 2,965,364.00	\$ 2,965,364.00	\$ 2,965,364.00
Business-type activities					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Asset Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -
Total business-type activities	\$ -	\$ -	\$ -	\$ -	\$ -
Total district-wide	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets					
Governmental activities - Beginning	\$ 976,207.00	\$ 685,975.00	\$ (191,001.00)	\$ (191,001.00)	\$ (191,001.00)
Ending	\$ 685,975.00	\$ (191,001.00)	\$ 119,922.00	\$ 119,922.00	\$ 119,922.00
Total district	\$ -	\$ -	\$ -	\$ -	\$ -

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

	2006	2007	2008
Fund Balance			
Reserve for Maintenance Reserve	\$ 6,309.00	\$ 6,309.00	\$ 6,309.00
Reserved for Subsequent Years' Expenditures	\$ -	\$ -	\$ 200,000.00
Reserved for Subsequent Years' Expenditures-Emer. Reserve	\$ -	\$ -	\$ 48,153.00
Reserved for Current Expense Emergency Reserve	\$ -	\$ -	\$ 24,133.00
Unreserved, reported in:			
General Fund	\$ 87,264.00	\$ 219,139.00	\$ 107,638.00
Total all other governmental funds	\$ 93,573.00	\$ 225,448.00	\$ 386,233.00

BAY HEAD SCHOOL DISTRICT

GENERAL FUND OTHER LOCAL REVENUE BY SOURCE

LAST TEN FISCAL YEARS

UNAUDITED

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Interest	15,133									
Tuition	83,381	11,112	11,116	8,449	1,166	747	1,688	2,945		
Transportation Fees	-	77,185	63,025	65,530	66,499	79,335	85,555	90,065		
Admissions	-	-	-	-	-	-	-	-	101,593	89,955
Contributions	-	-	-	-	-	-	-	-	-	-
Refund Prior Year's Expenditures	-	-	-	-	-	-	-	-	-	-
Polling Place Rentals	-	-	-	-	-	-	-	-	-	-
Book Fines	-	-	-	-	-	-	-	-	-	-
Miscellaneous	30,561	876	444	-	-	-	-	97,005	-	5,606
	<u>129,075</u>	<u>89,173</u>	<u>74,585</u>	<u>73,979</u>	<u>67,665</u>	<u>80,082</u>	<u>87,243</u>	<u>190,015</u>	<u>101,593</u>	<u>95,561</u>

Source: District records

Exhibit J-6
BAY HEAD SCHOOL DISTRICT

LAST TEN FISCAL YEARS

UNAUDITED

<u>Year</u>	<u>Net Taxable Value</u>	<u>Net Valuation for Apportionment</u>	<u>Percentage of Net Assessed to Estimated Full Cash Valuations (Ratio)</u>
1998	398,608,131	420,073,960	95.05%
1999	404,501,524	435,256,843	93.08%
2000	409,186,367	513,059,437	79.85%
2001	412,263,598	616,185,291	66.97%
2002	915,723,278	809,131,085	113.29%
2003	921,628,330	928,542,761	99.35%
2004	930,174,831	1,076,380,233	86.49%
2005	932,904,536	1,185,025,680	78.79%
2006	938,335,675	1,365,123,044	68.79%
2007	947,926,300	1,589,596,873	57.69%

2008 NO DATA TO REPORT

Source: Abstract of Ratables
County Board of Taxation

BAY HEAD SCHOOL DISTRICT Exhibit J-7
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30,	Bay Head School District	Borough of Bay Head	Ocean County	Total
1999	0.333	0.372	0.596	1.301
2000	0.339	0.391	0.693	1.423
2001	0.387	0.399	0.827	1.613
2002	0.174	0.193	0.467	0.834
2003	0.182	0.200	0.489	0.871
2004	0.187	0.217	0.496	0.900
2005	0.192	0.219	0.487	0.898
2006	0.226	0.236	0.491	0.953
2007	0.264	0.253	0.522	1.039
2008	0.268	0.272	0.547	1.087

Source: Ocean County Tax Board

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

Exhibit J-8

<u>Taxpayer</u>	<u>2006 (Last Year Reported)</u>			<u>1998</u>		
	<u>Assessed Valuation 2006</u>	<u>Rank Optional</u>	<u>As a Percentage of District's Net Assessed Valuation</u>	<u>Assessed Valuation 1998</u>	<u>Rank Optional</u>	<u>As a Percentage of District's Net Assessed Valuation</u>
Bay Head Yacht Club	\$ 18,383,400	=	0.0194	8,300,800	=	0.1578
Individual	5,777,800	=	0.0061	4,181,300	=	0.7949
Individual	5,674,600	=	0.0060	2,831,100	=	0.5384
Individual	5,226,500	=	0.0055	2,254,000	=	0.4285
Individual	4,856,600	=	0.0051	1,982,100	=	0.3768
Individual	4,746,300	=	0.0050	1,936,100	=	0.3681
Individual	4,639,200	=	0.0049	1,817,400	=	0.3455
Individual	4,601,800	=	0.0048	1,795,900	=	0.3414
Individual	4,517,000	=	0.0048	1,736,500	=	0.3301
Individual	4,491,600	=	0.0047	1,703,400	=	0.3238
Total Net Taxable Value			0.0663			4.0053

Taxpayer

Source: Tax Collector

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

Fiscal Year Ended <u>June 30,</u>	School <u>Levy</u>	Taxes Levied for <u>the Fiscal Year</u>	Current Tax <u>Collections</u>	Percentage <u>of Levy</u>
1997	1,303,155	4,761,418	4,655,364	97.80%
1998	1,243,155	4,995,025	4,919,612	98.30%
1999	1,307,155	5,314,925	5,188,550	97.63%
2000	1,350,155	5,868,626	5,784,389	98.00%
2001	1,389,600	6,692,735	6,623,573	99.00%
2002	1,597,881	7,681,745	7,615,065	99.05%
2003	1,597,881	8,066,085	7,990,237	98.91%
2004	1,682,406	8,368,447	8,360,707	99.41%
2005	1,739,246	8,421,298	8,330,718	98.84%
2006	1,796,560	9,021,664	8,915,660	98.83%
2007	2,121,394	N/A	N/A	N/A

Source: Municipal Tax Collector

BAY HEAD SCHOOL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS*
UNAUDITED

Fiscal Year Ended June 30	<u>Governmental Activities</u>		Certificates of Participation	Capital Leases	<u>Bonded Debt Anticipation Notes (BANs)</u>		<u>Business - Type Activities</u>		Per Capita
	General Obligation Bonds				Capital Leases	Total District	Percentage of Personal Income		
2007	\$2,222,000		NONE	NONE	NONE	NONE			NO DATA TO REPORT
2008	\$2,222,000		NONE	\$63,225	NONE	NONE			NO DATA TO REPORT

Source:

BAY HEAD SCHOOL DISTRICT

RATIO OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS*

UNAUDITED

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

BAY HEAD SCHOOL DISTRICT

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

UNAUDITED

Net Direct Debt of School District as of June 30, 2006	\$ NONE
Net Overlapping Debt of School District:	
Borough of Bay Head (100%)*	814,080.00
County of Ocean - Bay Head share (1.59%)	5,231,465.00
Total Direct and Overlapping Bonded Debt as of June 30, 2006	<u>\$ 6,045,545.00</u>

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

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

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

UNAUDITED

Legal Debt Margin For Fiscal Year 2006

Equalized valuation basis	
2006	1,571,835,250
2005	1,355,671,028
2004	1,180,087,194
	<u>4,107,593,472</u>

Average equalized valuation of taxable property

1,367,197,824

Debt limit (3% of average equalization value)

41,075,935

Total Net Debt Applicable to Limit

Legal debt margin

41,075,935

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	12,493,745	12,578,523	13,542,342	15,443,941	19,138,190	23,289,370	27,834,402	31,663,817	36,008,054	41,075,935
Total net debt applicable to limit	104,500	499,025	799,567	1,002,402	827,196	1,274,693	1,064,693	903,713	814,080	2,952,652
Legal debt margin	12,389,245	12,079,498	12,742,775	14,441,539	18,310,994	22,014,677	26,769,709	30,760,104	35,193,974	38,123,283
Total net debt applicable to the limit as a percentage of debt limit	0.84%	3.97%	5.90%	6.49%	4.32%	5.47%	3.83%	2.85%	2.26%	7.19%

Source: Tax Collector
 Fiscal Years 2007/2008 Not Available

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

<u>Year</u>	<u>Population</u>	<u>Household</u>	<u>Unemployment Rate</u>	<u>Annual Births</u>
1997	1,247	N/A	3.3%	7
1998	1,289	N/A	3.0%	2
1999	N/A	N/A	N/A	6
2000	1,239	\$77,790	2.4%	8
2001	1,242	N/A	2.0%	4
2002	1,256	N/A	3.3%	6
2003	1,267	N/A	3.5%	3
2004	1,264	N/A	N/A	5
2005	1,259	87,200	4.5%	3
2006	1260	-	4.8%	4
2007	1265	-	-	4

Source: Municipal Clerk, County of Ocean, U.S. Bureau of the Census, Population Division
 U.S. Department of Labor, Statistics Division

2007

DATA NOT AVAILABLE

1998

DATA NOT AVAILABLE

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

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Instruction										
Regular	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	9.0
Special Education	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Other Special Education	-	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-	-
Other Instruction	3.2	3.5	3.5	3.2	3.2	3.2	2.7	2.7	2.7	1.9
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services										
Student & instruction related services	3.6	3.6	3.3	3.3	3.3	1.3	1.0	1.0	1.0	1.0
General administration	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.5
School administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other administrative services	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.4	1.2
Central Services	-	-	-	-	-	-	-	-	-	-
Administrative Information Technology	-	-	-	-	-	-	-	-	-	-
Plant operations & maintenance	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	0.2
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Other support services	-	-	-	-	-	-	-	-	-	-
Special Schools										
Food Service	-	-	-	-	-	-	-	-	-	-
Child Care	-	-	-	-	-	-	-	-	-	-
Total	20.6	20.9	20.6	20.3	20.3	18.3	18.0	17.5	17.9	17.5

Source: District Personnel Records

Bay Head Board of Education
 Operating Statistics
 Last Ten Fiscal Years

Pupil/Teacher Ratio

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u> ^a	<u>Cost Per Pupil</u>	<u>Percentile Change</u>	<u>Teaching Staff</u> ^b	<u>Elementary</u>	<u>Average Daily Enrollment (ADE)</u> ^c	<u>Average Daily Attendance (ADA)</u> ^c	<u>% Change in ADE</u>	<u>Student Attendance Percentage</u>
1997	118	1,500,216		N/A	11	10.7	118.4			
1998	118	1,339,102	\$12,714		11	10.7	118.1	112.5	3.70%	95.0%
1999	115	1,568,999	\$11,348	-10.70%	11	10.7	118.1	112.7	1.00%	95.4%
2000	109	1,595,587	\$13,643	20.20%	13	8.8	115.1	110.8	1.00%	96.3%
2001	106	1,624,638	\$14,638	7.30%	13	8.4	109.1	105.2	-5.05%	96.4%
2002	102	1,669,968	\$15,327	4.70%	12.9	8.2	106.2	101.9	-3.10%	96.0%
2003	99	1,865,054	\$16,372	6.80%	12.9	7.9	102	98.3	-4.00%	96.4%
2004	86	1,967,380	\$18,839	15.10%	12.9	7.7	99.4	94.2	-4.20%	94.8%
2005	101	2,093,429	\$22,877	21.40%	12.9	6.7	85.6	82.4	-12.50%	96.3%
2006	88	2,273,182	\$20,727	-9.40%	12.5	8.1	100.9	96.1	16.60%	95.2%
2007	92	2,562,528	\$25,832	24.60%	12.5	7	88.4	84.5	-12.10%	95.6%
2008	91	2,686,547	\$27,854	7.80%	11.9	9	91.6	86.8	2.70%	94.8%
			\$29,522	5.99%	12.1	9	91	85.3	-	93.8%

Note: Enrollment based on annual October district count.

^a Operating expenditures equal total expenditures less debt service and capital outlay.

^b Teaching staff includes only full-time equivalents of certificated staff.

^c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

^d Based on estimated cost from 2007-08 Budget.

BAY HEAD ELEMENTARY SCHOOL

BUILDING INFORMATION

LAST TEN FISCAL YEARS ENDING JUNE 30

UNAUDITED

District Building	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Elementary School and Offices</u>	18,809	18,809	18,809	18,809	18,809	18,809	18,809	18,809	18,809	19,834
Bay Head School Square Feet	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348	2,348
Bay Head School Library Square Feet	124	124	124	124	124	124	124	124	124	124
Capacity (students)	115	109	106	102	99	86	101	88	92	91
Enrollment										

Source: District records
LRFP

BAY HEAD SCHOOL DISTRICT Exhibit J-19
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008
 UNAUDITED

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

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

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

Source: District records (Form M1)

**BAY HEAD SCHOOL DISTRICT
INSURANCE SCHEDULE**

EXHIBIT J-20

JUNE 30, 2008

BOARD OF EDUCATION PROGRAM-
NEW JERSEY SCHOOL BOARDS ASSOCIATION
INSURANCE GROUP

COVERAGE

DEDUCTIBLE

I. COMMERCIAL PACKAGE

A. Property

Building and Contents (Blanket)	4,840,946	1,000
Valuable Papers & Records	10,000,000	1,000
Extra Expense	25,000,000	1,000
Increased Cost of Construction/Building Ordinance	10,000,000	1,000
Crime/Employee Dishonesty	100,000	500

B. Comprehensive General Liability

General Liability	16,000,000	N/A
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C. School Leaders Wrongful Acts Coverage A

	16,000,000	5,000
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D. Inland Marine

Electronic Data Processing	200,000	1,000
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E. AUTO LIABILITY (Hired/Non-Owned)

	16,000,000	N/A
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II. WORKER'S COMPENSATION

Professional Payroll	877,801	
Non-Professional Payroll	65,285	

III. EMPLOYERS LIABILITY COVERAGE B

Bodily Injury Each Accident	2,000,000	
Bodily Injury Each Employee	2,000,000	
Policy Limit Bodily Injury by Disease	2,000,000	

IV. EQUIPMENT BREAKDOWN COVERAGE

Comprehensive Coverage (Boiler & Machinery)	100,000,000	1,000
---	-------------	-------

V. PUBLIC OFFICIAL BONDS (Selective Insurance Co.)

Patricia A. Wojcik, Limit of Coverage	128,000	-0-
James T. Mullins, Limit of Coverage	3,500	-0-

Source: District Records

BAY HEAD SCHOOL DISTRICT

Schedule A
K-3

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Grant or State Project Number	Award Amount	Grant Period		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2008	
				From	To				(Accounts Receivable)	Deferred Revenue
U.S. Department of Education: Passed Through State Department of Education:										
Special Revenue:										
I.D.E.A. - Part B	84,027	FT-08	23,699	9/1/07	8/31/08	\$	23,699	(23,699)		
I.D.E.A. - Preschool	84,127	FT-08	612				612	(612)		
Title II Part A	84,367A	NCLB-08	7,503	9/1/07	8/31/08		7,503	(7,503)		
Title IV	84,186A	NCLB-08	183	9/1/07	8/31/08		183	(183)		
Title V	84,298	NCLB-08	109	9/1/07	8/31/08		109	(109)		
Total Federal Financial Assistance						\$	32,106	(32,106)		

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

BAY HEAD SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Schedule B
K-4

State Grantor/Program State Department of Education:	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2007	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adj.	Balance at June 30, 2008		MEMO	
			From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable
General Fund:													
Special Education Aid	08-495-034-5120-011	31,440	7/1/07	6/30/08	\$ -		31,440	(31,440)		(10,070)	-	(1,194)	31,440
Transportation Aid	08-495-034-5120-014	3,812	7/1/07	6/30/08			3,812	(3,812)		(894)	-	(154)	3,812
Bilingual Education Aid	08-495-034-5120-008	16,226	7/1/07	6/30/08			16,226	(16,226)				(615)	16,226
Stabilization Aid	08-495-034-5120-030	25,150	7/1/07	6/30/08			25,150	(25,150)				(957)	25,150
Consolidated Aid	08-495-034-5120-057	6,173	7/1/07	6/30/08			6,173	(6,173)				(234)	6,173
Additional Formula Aid	08-495-034-5120-058	5,043	7/1/07	6/30/08			5,043	(5,043)		(10,070)	-	(191)	5,043
Extraordinary Aid	08-495-034-5120-473	10,070	7/1/07	6/30/08									10,070
Extraordinary Aid	07-495-034-5120-473	9,529	7/1/06	6/30/07	(9,529)		9,529						
Additional Non-Public Transportation Aid	08-495-034-5120-014	894	7/1/07	6/30/08	(696)		696						894
Additional Non-Public Transportation Aid	07-495-034-5120-014	696	7/1/06	6/30/07									
On-Behalf TPAF Pension Contr.													
- Nonbudgeted													
Reimbursed TPAF Social	08-495-034-5095-050	117,847	7/1/07	6/30/08			117,847	(117,847)					117,847
Security Contr. (Nonbudgeted)	08-495-034-5095-052	61,235	7/1/07	6/30/08			60,109	(61,235)		1,126			61,235
Reimbursed TPAF Social													
Security Contr. (Nonbudgeted)	07-495-034-5095-052		7/1/06	6/30/07	(4,901)		2,812		2,089	(9,838)	-	(3,345)	277,890
Total General					(15,126)	-	278,837	(277,890)	2,089		-		
Debt Service:													
Debt Service Aid Type II	08-495-034-5120-017	80,304	7/1/07	6/30/08			80,304	(80,304)					80,304
Total State Financial Assistance					\$ (15,126)	-	359,141	(358,194)	2,089	(9,838)	-	(3,345)	358,194

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

BAY HEAD BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT
COUNTY OF OCEAN
JUNE 30, 2008

Robert A. Hulsart & Company
Certified Public Accountants
2807 Hurley Pond Road, Suite 100
Wall, New Jersey 07719

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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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.
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1.

REPORT OF INDEPENDENT AUDITORS

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

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards, issued by the comptroller General of the United States, the general-purpose financial statements of the Board of Education of the Bay Head School District in the County of Ocean, for the year ended June 30, 2008, and have issued our report thereon dated August 15, 2008.

As part of our audit, we performed procedures required by the New Jersey Department of Education and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Bay Head Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Licensed Public School Accountant
No. 322

ROBERT A. HULSART AND COMPANY

August 15, 2008

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-13; Insurance Schedule contained in the district's CAFR.

Officials Bond

<u>Name</u>	<u>Position</u>	<u>Amount</u>
James Mullins	Business Administrator	\$ 3,500
Patricia A. Wojcik	Treasurer	128,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Selective Insurance Company covering all other employees with multiple coverage of \$100,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made the necessary adjustments in regards to these changes.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Account. (Net salary and agency are held in one account).

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed no reportable conditions.

Treasurer's Records

The Treasurer's records were in agreement with the records of the Board Secretary.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

The N.C.L.B. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title IIA, Title IV and V of the N.C.L.B.

The study of compliance for N.C.L.B. indicated no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects. The study of compliance for special projects indicated no areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A-3 states:

“a. Any purchase, contract or agreement for the performance of any work or the furnishing or hiring of materials or supplies, the cost or price of which, together with any other sums expended or foreseeably to be expended for the performance of any work or services in connection with the same project or the furnishing of similar materials or supplies during the same fiscal year paid with or out of school funds, does not exceed the total sum of \$7,500.00 or the amount determined pursuant to subsection b. of this section, in the fiscal year or, in the case of purchases that are not annually recurring, in a period of one year may be made, negotiated and awarded by a contracting agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefor.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

b. Commencing January 1, 1983 and every two years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount set forth in subsection a. of this section in direct proportion to the rise or fall of the consumer price index for all urban consumers in the New York City and the Philadelphia areas as reported by the United States Department of Labor. The Governor shall notify all local school districts of the adjustment. The adjustment shall become effective on July 1 of the year in which it is reported.”

N.J.S.A. 18A:18A-4 states, “Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefor, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3, except by contract or agreement.”

Effective July 1, 2005 the bid thresholds in accordance with N.J.S.A. 18A:18A-3 are \$21,000.00 and \$15,000.00 respectively.

The board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor’s opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed; however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts or agreements were made “for the performance of any work or the furnishing or hiring of any materials or supplies”, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for “Professional Services” per N.J.S.A. 18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and property pursuant to Chapter 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

Student Body Activities

Our review of the student activity funds found no exceptions.

Application for State School Aid

Our audit procedures included a test of the information reported in the October 15, 2007 Application for State School Aid (A.S.S.A.) Data Listing for on-roll, private schools for the handicapped, and transportation. We also performed a review of the districts procedures related to its completion. The information on the data listing was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollment.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our procedures included a review of transportation related contracts. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related contracted services.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification. The results of our procedures are summarized in the Summary of Expenditure Coding Testing.

Follow-up on Prior Years' Findings

There were no findings for 2006-2007.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit staff.

2% Calculation of Excess Surplus

2007-08 Total General Fund Expenditures Per the CAFR	\$ 2,516,227
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(179,082)</u>
Adjusted 07-08 General Fund Expenditures	<u>\$ 2,337,145</u>
2% of Adjusted 2007-08 General Fund Expenditures	<u>\$ 46,743</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>10,964</u>
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 260,964</u>

Section 2

Total General Fund – Fund Balance @ 6-30-08	\$ 389,578
Decreased by:	
Designated for Subsequent Years Expenditures	(200,000)
Other Reserves	<u>(78,595)</u>
Total Unreserved/Undesignated Fund Balance	<u>\$ 110,983</u>

Section 3

Reserved Fund Balance – Emergency Reserve Designated for Subsequent Years Expenditures	<u>\$ 48,153</u>
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Detail of Allowable Adjustment

Extraordinary Aid	\$ 10,070
Non-Public Transportation	<u>894</u>
	<u>\$ 10,964</u>

Detail of Other Reserved Fund Balance

Maintenance Reserve	\$ 6,309
Emergency Reserve	<u>72,286</u>
Total Other Reserved Fund Balance	<u>\$ 78,595</u>

SCHEDULE OF MEAL COUNT ACTIVITY

BAY HEAD SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

N/A

BAY HEAD SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2007

	2008-2009 Application for State School Aid						Sample for Verification						On Roll - Related Services			Private Schools for Disabled			Private Schools - Related Services						
	Reported On A.S.S.A. on Roll		Reported on Workpapers on Roll		Errors		Registers on Roll		Verified Per		Errors Per		Sample for		Private Schools		Sample		Private Schools		Sample				
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared			
Full Day Kindergarten	16	0	16	0	0	0	16	0	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
One	9	0	9	0	0	0	9	0	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Two	7	0	7	0	0	0	7	0	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Three	9	0	9	0	0	0	9	0	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Four	8	0	8	0	0	0	8	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Five	7	0	7	0	0	0	7	0	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Six	8	0	8	0	0	0	8	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Seven	8	0	8	0	0	0	8	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Eight	12	0	12	0	0	0	12	0	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Subtotal	84	0	84	0	0	0	84	0	84	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tier I - Elementary	2	0	2	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tier II - Middle School	3	0	3	0	0	0	3	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tier III - High School	2	0	2	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tier III - Elementary	2	0	2	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tier III - Middle School	2	0	2	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tier III - High School	1	0	1	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tier IV - Elementary	8	0	8	0	0	0	8	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Tier IV - Middle	1	0	1	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Subtotal	92	0	92	0	0	0	92	0	92	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Totals	92	0	92	0	0	0	92	0	92	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Percentage Error					0%						0%				0%						0%			0%	

BAY HEAD SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2007

	Low Income			Sample for Verification			N/A	Bilingual Education			
	Reported on A.S.S.A. as Low Income	Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors		Reported on A.S.S.A. as Bilingual Education	Workpapers as Bilingual Education	Errors	
N/A											
Half Day Kindergarten											
One											
Two											
Three											
Four											
Five											
Six											
Seven											
Eight											
Nine											
Ten											
Eleven											
Twelve											
Subtotal	0	0	0	0	0	0					0%
Tier II - Elementary											
Tier II - Middle School											
Tier III - High School											
Subtotal	0	0	0	0	0	0					0%
Totals	0	0	0	0	0	0					0%
Percentage Error											0%

Bilingual Students
Percentage Error

	Transportation		
	Reported on DRTS by DOE/County	Reported on DRTS by District	Errors
Reg. - Public Schools - Col. 1			
Reg. Special Ed. - Col. 4			
Transported - Non-Public - Col. 3			
Special E. Spec., col. 6	2	2	2
Totals	2	2	2
Percentage Error			0%

	Reported	Recalculated
Avg. Mileage - Regular Including Grade PK Students Part A	11.2	11.2
Special Average - Special Education With Special Needs	13.0	13.0