

**ALPHA BOROUGH
SCHOOL DISTRICT**

**Alpha Borough School District
Board of Education
Alpha, Warren County
New Jersey**

**Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011**

Comprehensive Annual

Financial Report

of the

Alpha Borough School District

Board of Education

Alpha, New Jersey

For the Fiscal Year Ending June 30, 2011

Prepared by

Alpha Borough School District

Board of Education

Finance Department

OUTLINE OF CAFR

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

FINANCIAL SECTION

Independent Auditor's Report	5-6
Required Supplementary Information – Part I Management's Discussion and Analysis	7
Basic Financial Statements	
A. District-Wide Financial Statements:	
A-1 Statement of Net Assets	8
A-2 Statement of Activities	9
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	10
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	11
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Proprietary Funds:	
B-4 Statement of Net Assets	13
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	14
B-6 Statement of Cash Flows	15
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	16
B-8 Statement of Changes in Fiduciary Net Assets	N/A
Notes to the Financial Statements	17-34
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	35-43
C1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b Education Jobs Fund Program – Budget and Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	44
Notes to Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	45

OUTLINE OF CAFR

Other Supplementary Information		<u>Page</u>
D.	School Level Schedules:	
	D-1 Combining Balance Sheet	N/A
	D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
	D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E.	Special Revenue Fund:	
	E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	46
	E-2 Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F.	Capital Projects Fund:	
	F-1 Summary Schedule of Project Expenditures	N/A
	F-2 Summary Schedule of Revenues and Expenditures	N/A
	F-2a Schedule of Project Revenues and Expenditures	N/A
G.	Proprietary Funds	
	Enterprise Fund:	
	G-1 Combining Statement of Net Assets	See B-4
	G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	See B-5
	G-3 Combining Statement of Cash Flows	See B-6
	Internal Service Fund:	
	G-4 Combining Statement of Net Assets	N/A
	G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
	G-6 Combining Statement of Cash Flows	N/A
H.	Fiduciary Funds:	
	H-1 Combining Statement of Fiduciary Net Assets	47
	H-2 Combining Statement of Changes in Fiduciary Net Assets	N/A
	H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	48
	H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	49
I.	Long-Term Debt:	
	I-1 Schedule of Serial Bonds	N/A
	I-2 Schedule of Obligations Under Capital Leases	N/A
	I-3 Budgetary Comparison Schedule Debt Service Fund	N/A

OUTLINE OF CAFR

STATISTICAL SECTION (Unaudited)

	<u>Page</u>
Introduction to the Statistical Section	
Financial Trends	
J-1 Net Assets by Component	50
J-2 Changes in Net Assets	51-52
J-3 Fund Balances - Governmental Funds	53
J-4 Changes in Fund Balances - Governmental Funds	54
J-5 General Fund Other Local Revenue by Source	55
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	56
J-7 Direct and Overlapping Property Tax Rates	57
J-8 Principal Property Taxpayers	58
J-9 Property Tax Levies and Collections	59
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	60
J-11 Ratios of General Bonded Debt Outstanding	61
J-12 Direct and Overlapping Governmental Activities Debt	62
J-13 Legal Debt Margin Information	63
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	64
J-15 Principal Employers	65
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	66
J-17 Operating Statistics	67
J-18 School Building Information	68
J-19 Schedule of Required Maintenance Expenditures by School Facility	69
J-20 Insurance Schedule	70

SINGLE AUDIT SECTION

K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	71-72
K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with New Jersey OMB Circular 04-04	73-74
K-3 Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	75
K-5 Notes to the Schedules of Awards and Financial Assistance	76-77
K-6 Schedule of Findings and Questioned Costs	78-80
K-7 Summary Schedule of Prior Audit Findings	81

Introductory Section

Alpha Board of Education

817 North Boulevard

Alpha, NJ 08864

(908) 454-3388 Tel.

(908) 454-4685 Fax

Honorable President and
Members of the Board of Education
Alpha School District
County of Warren, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Township of Alpha School District (District) for the fiscal year ended June 30, 2011, 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 (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non Profit Organizations", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". 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.

REPORTING ENTITY AND ITS SERVICES: The Alpha School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report.

The Alpha Board of Education and all its schools constitute the District's reporting entity.

The district provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped youngsters. The district completed the 2009-10 fiscal year with an enrollment of 262 students. The following details the changes in the student enrollment over the last five years.

Fiscal Year	<u>Average Daily Enrollment</u>	
	Student Enrollment	Percentage Change
2010-11	257	-1.9
2009-10	262	-0.76
2008-09	264	0.0
2007-08	264	-4.7
2006-07	277	6.5
2005-06	260	

TUITION PUPILS: Alpha School District sends our grade 9 to12 students to Phillipsburg High School on a tuition basis. Approximately 93 students attended Phillipsburg High School.

From the township, 11 children attended non-public schools including Saints Phillip and James, Phillipsburg Christian Academy, St. John the Baptist, Bethlehem Catholic, Notre Dame High School, Moravian Academy, and Crossroads Christian Academy. Currently the district sends approximately 10 children, ages three through twenty-one, for special educational instruction outside the Alpha School District as per the individual student's educational placement requirements.

PRESENT CONDITION AND OUTLOOK

The Alpha School embarked on Phase II of a building renovation project during 2010-11 which primarily included the addition of HVAC units. Our enrollment has remained relatively stable for the last several years and we are pressed for space, with some special area teachers without classrooms, support teachers sharing space in general ed. classrooms, and occupational and physical therapy taking place in hallways and the library. Budget constraints forced us to combine sections of primary grades for next year, which will free up a few classrooms and address some of the issues mentioned earlier.

The Alpha School receives regular cleaning and maintenance of all building systems. Community groups and sports teams hold many activities and events on nights and weekends inside and outside of the building. Student activities and events at night cause heavy use of the facilities.

MAJOR INITIATIVES/PLANNING:

Over the last few years, a balanced literacy program was introduced and implemented with the support of a literacy coach. In 2010-11 a Response to Intervention program was introduced to support struggling readers. Students are identified for the program through the Developmental Reading Assessment. The district plans to continue this initiative in 2011-12 and anticipates continued growth in students' reading ability.

The district partnered with Standards Solution, a consulting firm, to provide ongoing professional development designed to increase test scores. Teachers attended training sessions which addressed the essential requirements of the NJASK. Consultants then visited classrooms to provide demonstration lessons and to coach teachers as they implemented suggested lessons. This program has proven successful and test scores have increased. The district plans to continue with this program and looks forward to continued growth.

In addition, several other areas have been the focus of our attention. The library has been upgraded to include a bank of computers, an Interactive White Board, and a sound system. The Librarian and the Computer teacher collaborate with classroom teachers to facilitate the integration of technology and research skills across the curriculum. Besides the library, several other classrooms have interactive white boards and the district plans to continue adding these boards to additional classrooms each year. Three mobile computer carts have also been added to be used in classrooms and facilitate the integration of technology across the curriculum.

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, the special revenue fund and the debt service fund. The final budget amount is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2011.

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.

ECONOMIC CONDITION: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

BUDGET INFORMATION SHEET - OVERALL COMMENTS:

The Alpha School District's 2010-11 School Budget encompassed the educational programs for students from grades kindergarten through twelfth grade in regular education, and preschool through age twenty-one in special education. In addition, the district's budget included the operational expenses for the township school.

The 2010-11 budget was developed to stay within the "Maximum Permitted Net Budget" as defined by the State of New Jersey Department of Education. The 2010-11 budget needed to support the

educational and operational costs of delivering a thorough and efficient education was developed using the allowable spending growth limitation adjustments in the area of non-remote transportation.

The district Long Range Facility Plan primarily included building renovations at the Alpha School including the HVAC project current being worked on. To support this project, Alpha maintains an approved capital reserve account.

Revenues to support the 2010-11 budget were principally derived from local tax levy. State aid revenue remained the same for the third year running. The district used all the income from summer and fall classroom rentals at the Alpha School building to offset the local tax increase.

DEBT ADMINISTRATION: The district has no debt.

CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government 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. Cash, not immediately required for district payments, is invested in a Municipal Sweep account with PNC.

RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability and hazard and theft insurance on property and contents. During 2009-10, the district participated in the School Alliance Insurance Fund. This is a joint insurance fund specializing in insurance for public education entities.

OTHER INFORMATION: State statutes require an annual audit by independent certified public accountants or registered municipal accounts. The Board selected the accounting firm of Ardito & Co. 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.

ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Alpha 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 diligent auditing services of the firm of Ardito & Co.

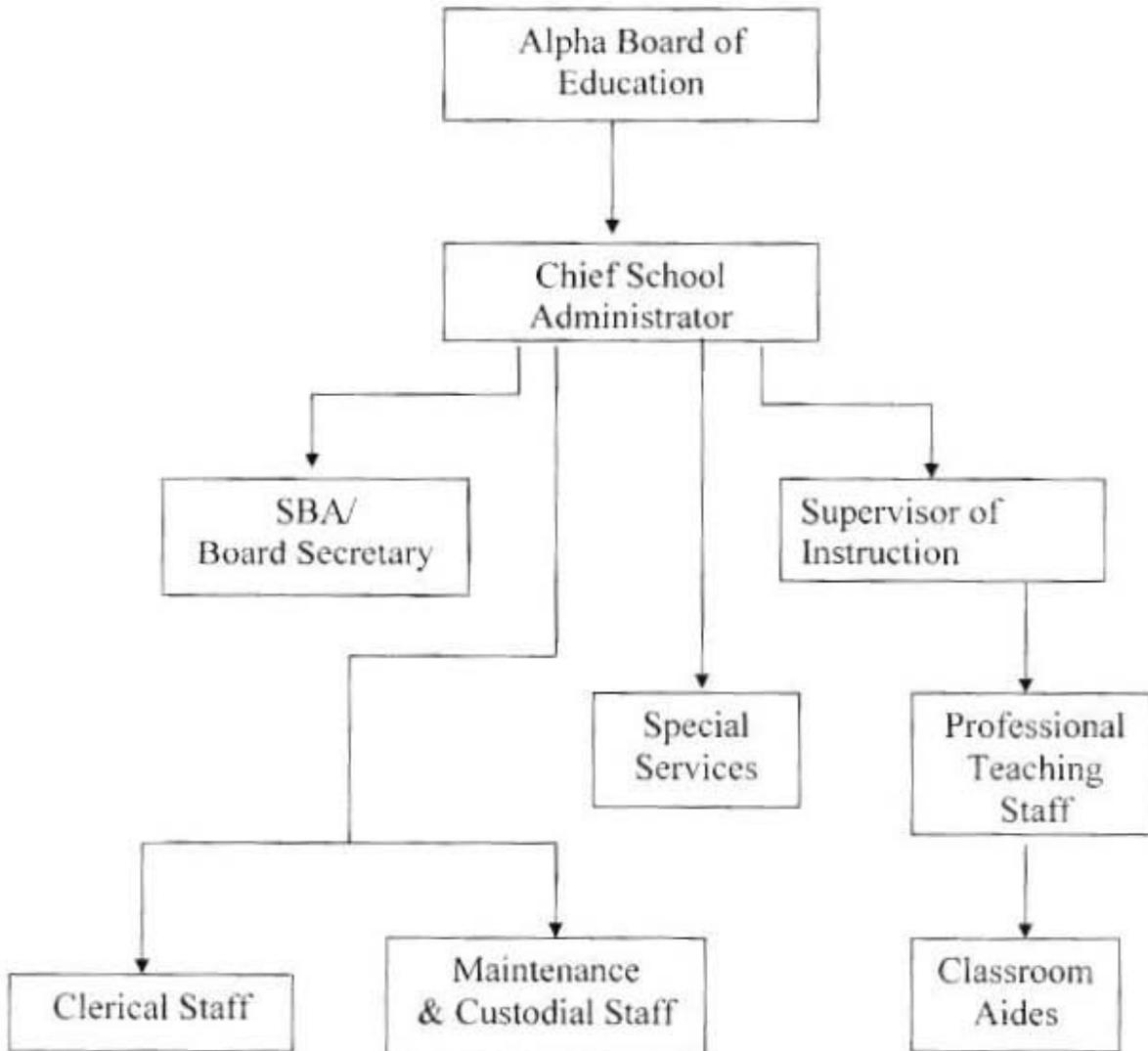
Respectfully submitted,

Greg McGann
Chief School Administrator

Tim Mantz
Business Administrator/Board Secretary

Alpha Board of Education

Organization Chart



**ALPHA BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2011

Members of the Board of Education

Term Expires

Brian Korbobo, President	April 30, 2012
Jacqueline Szekers, Vice-President	April 30, 2013
Elyse Fahey	April 30, 2014
Lisa LaCaruba	April 30, 2012
Bernadette Preiss	April 30, 2014
Peter Pettinelli	April 30, 2013
Loretta Zrinski-Reed	April 30, 2014
Robert Melick	April 30, 2013
Colleen Wyble	April 30, 2012

Other Officials

Donna Medea, Chief School Administrator
Tim Mantz, Board Secretary/School Business Administrator
Lorraine Rossetti, Treasurer

**ALPHA BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ATTORNEY

Appruzzese, McDermott, Mastro, & Murphy
P.O. Box 112
Liberty Corner, NJ 07938

AUDIT FIRM

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

ARCHITECT

USA Architects
1 South Third Street - 7th Floor
Easton, PA 18042

OFFICIAL DEPOSITORIES

PNC Bank
331 3rd Avenue
Alpha, NJ 08865

Financial Section

Independent Auditor's Report

ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com



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

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

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Alpha Borough School District
County of Warren
Alpha, New Jersey 08865

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Alpha Borough School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Alpha Borough School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Alpha Borough School District Board of Education in the County of Warren, State of New Jersey, as of June 30, 2011, 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 October 15, 2011, on our consideration of the Alpha Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 35 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alpha Borough School District Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, 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 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 schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and is 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.



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

Date: October 15, 2011

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

ALPHA BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

The discussion and analysis of Alpha Borough School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- ◆ In total, net assets increased \$146,538, which represents a 9.0 percent increase from 2010.
- ◆ General revenues accounted for \$2,813,747 in revenue or 55.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,271,828 or 44.7 percent of total revenues of \$5,085,575.
- ◆ Total assets of governmental activities increased by \$60,044 as cash and cash equivalents increased by \$37,683, receivables increased by \$35,768 and capital assets decreased by \$12,201.
- ◆ The School District had \$4,939,037 in expenses; only \$2,271,828 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,813,747 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$4,813,546 in revenues and \$4,694,144 in expenditures. The General Fund's surplus balance increased \$119,402 over 2010. This increase compares to the planned use/decrease of surplus of \$187,765.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

ALPHA BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

ALPHA BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

	<u>2011</u>	<u>2010</u>
Table 1		
Net Assets		
Assets		
Current and Other Assets	\$ 871,995	\$ 974,750
Capital Assets	<u>821,834</u>	<u>834,035</u>
Total Assets	<u>1,693,829</u>	<u>1,808,785</u>
Liabilities		
Long-Term Liabilities	75,032	116,130
Other Liabilities	<u>25,756</u>	<u>71,152</u>
Total Liabilities	<u>100,788</u>	<u>187,282</u>
Net Assets		
Invested in Capital Assets, Net of Debt	821,834	834,035
Restricted	768,203	710,417
Unrestricted	<u>178,004</u>	<u>77,051</u>
Total Net Assets	<u>\$ 1,768,041</u>	<u>\$ 1,621,503</u>

ALPHA BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Total assets increased \$60,044. Cash and cash equivalents increased by \$37,683, receivables increased by \$35,768 and capital assets decreased by \$12,201. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District increased by \$100,953 due to budget efficiencies in the current fund.

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

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 52,754	\$ 70,603
Operating Grants and Contributions	2,219,074	2,133,909
General Revenues:		
Property Taxes	2,812,073	2,756,804
Federal and State Aid for Capital Asset Projects		154,055
Other	1,674	8,499
Total Revenues	<u>5,085,575</u>	<u>5,123,870</u>
Program Expenses		
Instruction	2,519,300	2,729,428
Support Services:		
Pupils and Instructional Staff	1,363,225	1,399,004
General Administration, School Administration, Business	394,992	390,198
Operations and Maintenance of Facilities	442,350	396,815
Pupil Transportation	125,405	134,309
Business-Type Activities	93,765	90,503
Total Expenses	<u>4,939,037</u>	<u>5,140,257</u>
Increase/(Decrease) in Net Assets	<u>\$ 146,538</u>	<u>\$ (16,387)</u>

ALPHA BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 55.3 percent of revenues for governmental activities for the Alpha Borough School District for the fiscal year 2011.

Instruction comprises 51.0 percent of district expenses. Support services expenses make up 47.1 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Instruction	\$2,519,300	\$1,370,414	2,729,428	\$1,549,221
Support Services:				
Pupils and Instructional Staff	1,363,225	728,053	1,399,004	822,273
General Admin., School Admin., Business	394,992	231,965	390,198	240,606
Operation and Maintenance of Facilities	442,350	259,777	396,815	244,686
Pupil Transportation	125,405	73,646	134,309	82,818
Business-Type Activities	<u>93,765</u>	<u>3,354</u>	<u>90,503</u>	<u>(3,859)</u>
Total Expenses	<u>\$4,939,037</u>	<u>\$2,667,209</u>	<u>\$5,140,257</u>	<u>\$2,935,745</u>

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

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

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

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

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

ALPHA BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

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

The dependence upon tax revenues is apparent. Over 54.4 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 55.6 percent. The community, as a whole, is the primary support for the Alpha Borough School District.

The School District's Funds

Information about the School District's major funds starts on page 10. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,995,159 and expenditures of \$4,875,757. The change in fund balance for the year was significant in the General Fund, an increase of \$119,402, which compares favorably to a budgeted decrease of \$187,765. This was achieved by spending decreases in plant maintenance and instruction programs.

General Fund Budgeting Highlights

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

During the course of the fiscal 2011 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$4,505,611, \$3,419 under original budgeted estimates of \$4,509,030. This difference was due primarily to the underachievement of miscellaneous revenue compared to budgeted estimate.

The general fund revenues and other financing sources of the School District exceeded expenditures by \$89,870 again due to spending decreases in plant maintenance and instruction programs.

ALPHA BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Capital Assets

At the end of the fiscal year 2011, the School District had \$812,165 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2011 balances compared to 2010.

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

	<u>2011</u>	<u>2010</u>
Land	\$ 291,300	\$ 291,300
Land Improvements	20,188	22,563
Buildings and Improvements	433,237	435,638
Machinery and Equipment	<u>67,440</u>	<u>73,277</u>
 Totals	 <u>\$ 812,165</u>	 <u>\$ 822,778</u>

Overall capital assets decreased \$10,613 from fiscal year 2010 to fiscal year 2011, due to depreciation.

Debt Administration

At June 30, 2011, the School District had no outstanding debt. At June 30, 2011, the School District's overall legal debt margin allowable by statute was \$6,919,702.

ALPHA BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

For the Future

The Alpha Borough School District is in very good financial condition presently. A major concern is the continued state aid reductions with the increased reliance on local property taxes.

Alpha Borough School District successfully passed the 2011-2012 school budget. The preceding school year had not been successfully passed by the voters. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. In the past, the District garnered local support of its budget for over 10 years. This problem seems to be statewide and is not exclusive to the Alpha Borough School District. Alpha Borough School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Tim Mantz, School Business Administrator/Board Secretary at Alpha Borough School District, 817 North Blvd., Alpha, NJ 08865.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2011

	GOVERNMENTAL		BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES		
ASSETS				
Cash and Cash Equivalents	\$ 352,070	\$ 6,207	\$	358,277
Receivables, Net	278,621	1,315		279,936
Interfund Receivable		9,699		9,699
Inventory		3,096		3,096
Restricted Assets:				
Capital Reserve Account - Cash	220,987			220,987
Maintenance Reserve Account - Cash	175,000			175,000
Capital Assets, Net (Note 5):	812,165	9,669		821,834
Total Assets	1,838,843	29,986		1,868,829
LIABILITIES				
Accounts Payable				
Interfund Payable	9,699			9,699
Deferred Revenue	14,939	1,118		16,057
Noncurrent Liabilities (Note 6):				
Due Within One Year	-			
Due Beyond One Year	75,032			75,032
Total Liabilities	99,670	1,118		100,788
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	812,165	9,669		821,834
Restricted for:				
Capital Reserve Account	220,987			220,987
Other Purposes	547,216			547,216
Unrestricted	158,805	19,199		178,004
Total Net Assets	\$ 1,739,173	\$ 28,868	\$	1,768,041

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

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:						
Instruction:						
Regular	\$ 1,900,236		\$ 893,378		\$ (1,006,858)	\$ (1,006,858)
Special Education	534,303		220,524		(313,779)	(313,779)
Other Special Instruction	84,761		34,984		(49,777)	(49,777)
Support Services:						
Tuition	721,694		297,867		(423,827)	(423,827)
Student & Instruction Related Services	641,531		337,305		(304,226)	(304,226)
School Administrative Services	99,722		41,159		(58,563)	(58,563)
General and Business Admin. Services	295,270		121,868		(173,402)	(173,402)
Plant Operations and Maintenance	442,350		182,573		(259,777)	(259,777)
Pupil Transportation	125,405		51,759		(73,646)	(73,646)
Total Governmental Activities	4,845,272	-	2,181,417		(2,663,855)	(2,663,855)
Business-Type Activities:						
Food Service	93,765	\$ 52,754	37,657		\$ (3,354)	(3,354)
Total Business-Type Activities	93,765	52,754	37,657	-	-	(3,354)
Total Primary Government	\$ 4,939,037	\$ 52,754	\$ 2,219,074		\$ (2,663,855)	\$ (3,354)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 2,812,073		\$ 2,812,073
Investment Earnings				1,543	5	1,548
Miscellaneous Income				126		126
Total General Revenues, Special Items, Extraordinary Items and Transfers				2,813,742	5	2,813,747
Change in Net Assets				149,887	(3,349)	146,538
Net Assets—Beginning				1,589,286	32,217	1,621,503
Net Assets—Ending				\$ 1,739,173	\$ 28,868	\$ 1,768,041

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

FUND FINANCIAL STATEMENTS

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

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$748,057			\$748,057
Interfund Receivables	248,396			248,396
Receivables from Other Governments	15,561	\$109,005	\$154,055	278,621
TOTAL ASSETS	<u>\$1,012,014</u>	<u>\$109,005</u>	<u>\$154,055</u>	<u>\$1,275,074</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable				
Interfund Payable	\$9,699	94,341	154,055	258,095
Reserve for Payment of Debt Service				
Deferred Revenue	275	14,664		14,939
Total Liabilities	<u>9,974</u>	<u>109,005</u>	<u>154,055</u>	<u>273,034</u>
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	220,987			220,987
Emergency Reserve	175,000			175,000
Excess Surplus - Designated for				
Subseq. Year's Expenditures	95,013			95,013
Excess Surplus	272,587			272,587
<u>Assigned to:</u>				
Year-End Encumbrances	144,757			144,757
General Fund - Designated for				
Subsequent Year's Expenditures	4,616			4,616
<u>Unassigned:</u>				
General Fund - Undesignated	89,080			89,080
Total Fund Balances	<u>1,002,040</u>	<u>-</u>	<u>-</u>	<u>1,002,040</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$1,012,014</u>	<u>\$109,005</u>	<u>\$154,055</u>	<u>\$1,275,074</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 \$1,615,894 and the accumulated depreciation is \$803,729 (see Note 5). \$812,165

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 6). (75,032)

Net assets of governmental activities \$1,739,173

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

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit B-2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources:			
Local Tax Levy	\$ 2,812,073		\$ 2,812,073
Tuition	75		75
Interest on Capital Reserve	212		212
Miscellaneous	1,382		1,382
Total - Local Sources	<u>2,813,742</u>		<u>2,813,742</u>
State Sources	1,999,804		1,999,804
Federal Sources		181,613	181,613
Total Revenues	<u>4,813,546</u>	<u>181,613</u>	<u>4,995,159</u>
EXPENDITURES			
Current:			
Regular Instruction	1,630,798	109,089	1,739,887
Special Education Instruction	480,406		480,406
Other Special Instruction	76,211		76,211
Support services and undistributed costs:			
Tuition	721,694		721,694
Student and Instruction Related Services	503,339	72,524	575,863
School Administrative Services	89,345		89,345
Other Administrative Services	264,742		264,742
Plant Operations and Maintenance	396,349		396,349
Pupil Transportation	125,405		125,405
Unallocated Benefits	403,307		403,307
Capital Outlay	2,548		2,548
Total Expenditures	<u>4,694,144</u>	<u>181,613</u>	<u>4,875,757</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>119,402</u>	<u>-</u>	<u>119,402</u>
Net Change in Fund Balances	119,402	-	119,402
Fund Balance—July 1	882,638	-	882,638
Fund Balance—June 30	<u>\$ 1,002,040</u>	<u>-</u>	<u>\$ 1,002,040</u>

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

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 119,402

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

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

Depreciation Expense	\$ (10,613)	
Capital Outlays	<u>-</u>	(10,613)

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This amount is the amount by which the current year's compensated absence payments exceed the current year's amount earned.

41,098

Change in Net Assets of Governmental Activities \$ 149,887

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

**STATEMENT OF PROPRIETARY NET ASSETS
PROPRIETARY FUNDS**

June 30, 2011

		Business-Type Activities - Enterprise Funds	
		<u>Food</u>	
		<u>Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$	6,207	\$ 6,207
Accounts Receivable		1,315	1,315
Interfund Receivables		9,699	9,699
Inventories		3,096	3,096
Total Current Assets		20,317	20,317
Noncurrent Assets:			
Furniture, Machinery and Equipment		46,812	46,812
Less Accumulated Depreciation		(37,143)	(37,143)
Total Noncurrent Assets		9,669	9,669
Total Assets		29,986	29,986
LIABILITIES			
Current liabilities:			
Deferred Revenue		1,118	1,118
Total Current Liabilities		1,118	1,118
Total Liabilities		1,118	1,118
NET ASSETS			
Invested in Capital Assets Net of Related Debt		9,669	9,669
Unrestricted		19,199	19,199
Total Net Assets	\$	28,868	\$ 28,868

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 37,533	\$ 37,533
Daily Sales - Non-Reimbursable Programs	15,221	15,221
Interest Income	5	5
Total Operating Revenues	<u>52,759</u>	<u>52,759</u>
Operating Expenses:		
Cost of Sales	44,493	44,493
Salaries	31,642	31,642
Employee Benefits	7,473	7,473
Other Purchased Professional Services	7,057	7,057
Miscellaneous	1,512	1,512
Depreciation	1,588	1,588
Total Operating Expenses	<u>93,765</u>	<u>93,765</u>
Operating Income (Loss)	<u>(41,006)</u>	<u>(41,006)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,102	1,102
Federal Sources:		
National School Lunch Program	31,343	31,343
Food Distribution Program	5,212	5,212
Total Nonoperating Revenues (Expenses)	<u>37,657</u>	<u>37,657</u>
Income (Loss)	(3,349)	(3,349)
Change in Net Assets	<u>(3,349)</u>	<u>(3,349)</u>
Total Net Assets—Beginning (As Restated)	32,217	32,217
Total Net Assets—Ending	<u>\$ 28,868</u>	<u>\$ 28,868</u>

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

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds	
	<u>Food Service</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 52,759	\$ 52,759
Payments to Employees	(31,642)	(31,642)
Payments for Employee Benefits	(7,473)	(7,473)
Payments to Suppliers	(52,132)	(52,132)
Net Cash Provided by (used for) Operating Activities	(38,488)	(38,488)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local Sources	633	633
State Sources	1,153	1,153
Federal Sources	31,864	31,864
Net Cash Provided by (used for) Non-Capital Financing Activities	33,650	33,650
Net Increase (Decrease) in Cash and Cash Equivalents	(4,838)	(4,838)
Balances—Beginning of Year	11,045	11,045
Balances—End of Year	\$ 6,207	\$ 6,207
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (41,006)	\$ (41,006)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Net Amortization	1,588	1,588
Federal Commodities	5,212	5,212
(Increase) Decrease in Accounts Receivable, Net		
(Increase) Decrease in Inventories	128	128
Increase (Decrease) in Accounts Payable	(4,410)	(4,410)
Total Adjustments	<u>2,518</u>	<u>2,518</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (38,488)</u>	<u>\$ (38,488)</u>

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

ALPHA BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

Exhibit B-7

June 30, 2011

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 44,356
Total Assets	<u>44,356</u>
LIABILITIES	
Payroll Deductions and Withholding	3,369
Payable to Student Groups	40,987
Total Liabilities	<u>\$ 44,356</u>
NET ASSETS	

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

Notes to Financial Statements

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, and GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2010.

A. Reporting Entity:

The Alpha Borough School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Alpha Borough School District had an approximate enrollment at June 30, 2011, of 261 students.

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

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

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

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

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

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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.

The Board has no policy regarding custodial risk for deposits.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2011, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2011, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	\$533,277	\$44,356	\$577,633
Checking Accounts-Capital Reserve	220,987		220,987
	\$754,264	\$44,356	\$798,620

The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$798,620 and the bank balance was \$922,900. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$672,900 was covered by collateral pool.

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3: RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental grants and aid. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$161,616	\$161,665
Federal Aid	109,005	110,271
Tuition Receivable	8,000	8,000
Gross Receivable	\$278,621	\$279,936
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$278,621	279,936

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2011, consisted of the following:

Food	\$3,096
------	---------

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
Land	\$ 291,300			\$ 291,300
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	47,500			47,500
Buildings and Building Improvements	1,174,625			1,174,625
Machinery and Equipment	102,469			102,469
Total at Historical Cost	1,615,894	-	-	1,615,894
Less Accumulated Depreciation for:				
Land Improvements	(24,937)	\$ (2,375)		(27,312)
Building and Improvements	(738,987)	(2,401)		(741,388)
Equipment	(29,192)	(5,837)		(35,029)
Total Accumulated Depreciation	(793,116)	(10,613)		(803,729)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	822,778	(10,613)	-	812,165
Government Activity Capital Assets, Net	\$ 822,778	\$ (10,613)	\$ -	\$ 812,165

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 7,217
Support - Students	955
General Administration	531
School Administration	318
Business Administration	212
Plant and Operations	1,380
Total	\$ 10,613

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6: LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2011, are as follows:

	Balance <u>7/1/10</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/11</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences Payable	\$116,130		(41,098)	\$75,032	
Total	\$116,130	\$0	(\$41,098)	\$75,032	\$0

Compensated absences have been liquidated in the General Fund.

As of June 30, 2011, the District had no authorized but not issued bonds.

NOTE 7: PENSION PLANS

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

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

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.

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7: 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:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

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

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

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

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2011	\$28,632	100%	-0-
6/30/2010	\$26,260	100%	-0-
6/30/2009	\$22,279	100%	-0-

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7: PENSION PLANS (Continued)

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$141,994	100%	-0-
6/30/2010	\$131,414	100%	-0-
6/30/2009	\$115,484	100%	-0-

During the fiscal year ended June 30, 2011, the State of New Jersey did contribute \$141,994 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$136,409 during the year ended June 30, 2011, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 8: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

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

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9: DEFERRED COMPENSATION

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

Equitable
Lincoln Financial Group

NOTE 10: COMPENSATED ABSENCES

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of retirement within the state pension plan, an employee is reimbursed for accumulated vacation and/or unused sick days. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial employment. The balance at June 30, 2011 is \$116,130.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, no liability existed for compensated absences in the proprietary fund types.

NOTE 11: 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.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit the entire employee deduction of unemployment compensation to the State of New Jersey. Any claim for unemployment are paid for by the State of New Jersey.

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.

Joint Insurance Fund - The District participates in the School Alliance Insurance Fund (SAIF) comprised of state-wide boards of education. It was formed July 1, 1996 under the provisions of NJSA 18A:18B-1 et. seq. The group offers its member districts worker's compensation and employer's liability, automobile and equipment liability, general liability and property damage, school board legal liability, and boiler and machinery coverage.

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11: RISK MANAGEMENT - (Continued)

The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies. No contingency or provision has been made in these financial statements, as no deficiencies occurred as of June 30, 2011 for the joint insurance pool. The coverage in this program is shown on exhibit J-20.

NOTE 12: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

NOTE 13: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$1,002,040 General Fund fund balance at June 30, 2011, \$367,600 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$95,013 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2012); \$220,987 is reserved in the Capital Reserve Account; \$175,000 is reserved in the Maintenance Reserve Account; \$144,757 is reserved for encumbrances; \$4,616 is reserved and has been appropriated and included as anticipated revenue for the year ended June 30, 2012; and \$89,080 is unreserved and undesignated.

NOTE 14: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2011 is \$272,587.

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was initially established in a prior year by the Alpha Borough School District Board of Education by inclusion of \$1, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

ALPHA BOROUGH
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15: CAPITAL RESERVE ACCOUNT(Continued)

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

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ 427,539
Interest Earnings	212
Deposits (PL 2007 c.62 (A1)): Board Resolution	-
Total Withdrawals (Budgeted)	<u>(206,764)</u>
Ending Balance, June 30, 2011	<u><u>\$ 220,987</u></u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,812,073		\$ 2,812,073	\$ 2,812,073	
Tuition			-	75	\$ 75
Interest on Capital Reserve	100		100	212	112
Miscellaneous	6,000		6,000	1,382	(4,618)
Total - Local Sources	<u>2,818,173</u>		<u>2,818,173</u>	<u>2,813,742</u>	<u>(4,431)</u>
State Sources:					
Equalization Aid	1,634,840	(128,786)	1,506,054	1,506,054	
Special Education Aid	56,017	128,786	184,803	184,803	
Other State Aid				1,012	1,012
TPAF Pension (On-Behalf - Non-Budgeted)				141,994	141,994
TPAF Social Security (Reimbursed - Non-Budgeted)				136,409	136,409
Total State Sources	<u>1,690,857</u>		<u>1,690,857</u>	<u>1,970,272</u>	<u>279,415</u>
TOTAL REVENUES	<u>4,509,030</u>		<u>4,509,030</u>	<u>4,784,014</u>	<u>274,984</u>

ALPHA BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Fiscal Year Ended June 30, 2011

Exhibit C-1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	150,010	2,129	152,139	152,139	
Grades 1-5 - Salaries of Teachers	702,593	(84,347)	618,246	618,246	
Grades 6-8 - Salaries of Teachers	440,396	2,088	442,484	442,484	
Regular Programs - Home Instruction:					
Salaries of Teachers	5,000	3,890	8,890	8,312	578
Regular Programs - Undistributed Instruction					
Purchased Professional-Educational Services	500		500		500
Purchased Technical Services	17,800		17,800	10,674	7,126
Other Purchased Services (400-500 series)	51,002	11,309	62,311	61,823	488
General Supplies	60,000	128	60,128	46,877	13,251
Textbooks	5,000		5,000	905	4,095
Other Objects	1,000		1,000	813	187
Employee Benefits	377,813	(76,110)	301,703	268,304	33,399
Tuition Reimbursement	12,500	7,721	20,221	20,221	
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,823,614	(133,192)	1,690,422	1,630,798	59,624
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	261,235	35,805	297,040	294,598	2,442
Other Salaries for Instruction	78,075	195	78,270	78,270	
General Supplies	1,600		1,600	542	1,058
Textbooks	500		500		500
Other Objects	500		500		500
Employee Benefits	108,179		108,179	106,996	1,183
Total Resource Room/Resource Center	450,089	36,000	486,089	480,406	5,683
TOTAL SPECIAL EDUCATION - INSTRUCTION	450,089	36,000	486,089	480,406	5,683

ALPHA BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
 Fiscal Year Ended June 30, 2011

Exhibit C-1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction					
Salaries of Teachers	49,065		49,065	48,965	100
Other Purchased Services (400-500 series)	500		500		500
General Supplies	800		800	457	343
Textbooks	250		250		250
Other Objects	100		100		100
Employee Benefits	20,109		20,109	19,889	220
Total Basic Skills/Remedial - Instruction	70,824		70,824	69,311	1,513
School Sponsored Co/Extra Curricular Activities-Instruction:					
Salaries	11,000		11,000	6,900	4,100
Other Purchased Services (400-500 series)	1,000		1,000		1,000
Total School Sponsored Co/Extra Curricular Activities-Instr.	12,000		12,000	6,900	5,100
TOTAL INSTRUCTION	2,356,527	(97,192)	2,259,335	2,187,415	71,920
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	499,122	441	499,563	499,563	
Tuition to Other LEAs Within the State-Special	106,213	17,643	123,856	117,326	6,530
Tuition to County Voc. School Dist. - Regular	4,950	11,730	16,680	16,680	
Tuition to County Voc. School Dist. - Special	13,000	(13,000)			
Tuition to CSSD & Regional Day Schools	67,600	20,525	88,125	88,125	
Total Instruction	690,885	37,339	728,224	721,694	6,530

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	47,770		47,770	46,675	1,095
Employee Benefits	20,109		20,109	19,888	221
Purchased Professional and Technical Services	2,500		2,500	923	1,577
Supplies and Materials	1,200		1,200	1,041	159
Other Objects	370		370	301	69
Total Health Services	71,949		71,949	68,828	3,121
Other Supp. Services Students-Related Services:					
Salaries	85,700		85,700	83,135	2,565
Employee Benefits	18,160		18,160	9,526	8,634
Purchased Professional - Educational Services	65,000	(23,338)	41,662	26,278	15,384
Supplies and Materials	300		300	96	204
Total Other Supp. Services Students-Related Services	169,160	(23,338)	145,822	119,035	26,787
Other Supp. Services Students-Extra Services:					
Salaries	17,000		17,000	3,671	13,329
Employee Benefits	18,160		18,160	18,160	
Purchased Professional - Educational Services	10,670		10,670		10,670
Total Other Supp. Services Students-Extra Services	45,830		45,830	21,831	23,999
Health Services:					
Salaries of Other Professional Staff	66,340		66,340	66,340	
Employee Benefits	11,532		11,532	11,408	124
Other Purchased Services (400-500 series)	500		500		500
Supplies and Materials	750		750	370	380
Other Objects	100		100		100
Total Health Services	79,222		79,222	78,118	1,104

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	162,160	(36,000)	126,160	69,633	56,527
Salaries of Secretarial and Clerical Assistants	16,982		16,982	12,782	4,200
Employee Benefits	26,574		26,574	26,287	287
Purchased Professional - Educational Services	2,500	1,500	4,000	3,679	321
Supplies and Materials	3,500		3,500	3,234	266
Other Objects	300		300	263	37
Total Other Supp. Services Students-Special	212,016	(34,500)	177,516	115,878	61,638
Improvement of Instruction Services:					
Sal of Supervisor of Instruction	31,500		31,500	20,454	11,046
Purchased Professional - Educational Services		1,500	1,500		1,500
Other Purchased Services (400-500 series)		1,000	1,000	1,000	
Supplies and Materials	600		600	60	540
Total Improvement of Instruction Services	32,100	2,500	34,600	21,514	13,086
Educational Media Services/School Library:					
Salaries	53,430		53,430	52,930	500
Employee Benefits	20,109		20,109	19,889	220
Purchased Professional - Educational Services		1,727	1,727	1,727	
Other Purchased Services (400-500 series)	1,600		1,600	1,180	420
Supplies and Materials	2,000		2,000	1,812	188
Total Educational Media Services/School Library	77,139	1,727	78,866	77,538	1,328
Instructional Staff Training Services:					
Purchased Professional - Educational Services		7,242	7,242		7,242
Other Purchased Services (400-500 series)	5,000		5,000	597	4,403
Supplies and Materials	500		500		500
Total Instructional Staff Training Services	5,500	7,242	12,742	597	12,145

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Supp. Services - General Administration:					
Salaries	99,970	(2,966)	97,004	91,004	6,000
Employee Benefits	18,160		18,160	17,961	199
Legal Services	15,000	3,566	18,566	18,566	
Audit Fees	8,000	(200)	7,800	7,800	
Other Purchased Professional Services	16,000	10,265	26,265	19,375	6,890
Communications/Telephone	17,850	(2,886)	14,964	14,964	
BOE Other Purchased Services	4,700	(2,956)	1,744	1,744	
Other Purchased Services (400-500)	10,698	(1,764)	8,934	8,934	
General Supplies	3,500	(3,253)	247	247	
BOE General Supplies	1,000	(900)	100	100	
BOE Membership Dues and Fees	6,275	18	6,293	6,293	
Total Supp. Services - General Administration	201,153	(1,076)	200,077	186,988	13,089
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	64,514	10,045	74,559	74,559	
Salaries of Secretarial and Clerical Assistants	1,000	(986)	14		14
Other Salaries	2,500	(2,500)			
Employee Benefits	11,532		11,532	11,409	123
Purchased Prof. and Tech. Services	2,500	(1,700)	800	800	
Supplies and Materials	3,000	(415)	2,585	2,577	8
Total Support Services - School Administration	85,046	4,444	89,490	89,345	145
Central Services:					
Purchased Professional Services	73,821		73,821	73,821	
Purchased Technical Services	3,325		3,325	3,325	
Supplies and Materials	750	(142)	608	608	
Total Central Services	77,896	(142)	77,754	77,754	
Required Maintenance for School Facilities:					
Salaries	43,885	(412)	43,473	43,213	260
Cleaning, Repair and Maintenance Services	20,000	190,878	210,878	106,849	104,029
General Supplies	3,500	387	3,887	3,887	
Total Required Maintenance for School Facilities	67,385	190,853	258,238	153,949	104,289

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Operations and Maintenance of Plant:					
Salaries	90,608	(4,809)	85,799	81,310	4,489
Employee Benefits	38,269	(419)	37,850	37,850	
Purchased Prof. and Tech. Services	4,000	(56)	3,944	3,931	13
Cleaning, Repair and Maintenance Services	19,500	(94)	19,406	15,389	4,017
Other Purchased Property Services	3,000	(91)	2,909	1,228	1,681
Insurance	6,321		6,321	5,874	447
Miscellaneous Purchased Services	1,000		1,000	814	186
General Supplies	14,000	10,046	24,046	12,463	11,583
Energy (Natural Gas)	2,000		2,000	234	1,766
Energy (Electricity)	65,000	17,971	82,971	82,971	
Gasoline	1,449		1,449	170	1,279
Other Objects	500		500	166	334
Total Other Operations and Maintenance of Plant	245,647	22,548	268,195	242,400	25,795
Student Transportation Services					
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	13,680	(10,000)	3,680	2,814	866
Contracted Services (Other than Bet.Home & School)-Vendors	7,500		7,500	4,889	2,611
Contracted Services (Between Home and School)-Joint Agrmts.	42,000		42,000	41,007	993
Contracted Services (Special Education Students)-Vendors	99,118	(3,416)	95,702	73,945	21,757
Contracted Services (Special Education Students)-Joint Agrmnts		1,085	1,085	1,085	
Contracted Services (Regular Students)-ESC's & CTSA's	3,500		3,500	1,665	1,835
Total Student Transportation Services	165,798	(12,331)	153,467	125,405	28,062
UNALLOCATED BENEFITS					
Social Security Contributions	41,500	2,042	43,542	43,542	
Other Retirement Contributions-Regular	26,000	2,632	28,632	28,632	
Unemployment Compensation	7,500	1,860	9,360	9,360	
Workmen's Compensation	32,342	(1,722)	30,620	30,620	
Other Employee Benefits	6,200	6,758	12,958	12,750	208
TOTAL UNALLOCATED BENEFITS	113,542	11,570	125,112	124,904	208

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension Contrib. (non-budgeted)				141,994	(141,994)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				136,409	(136,409)
TOTAL ON-BEHALF CONTRIBUTIONS				278,403	(278,403)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	113,542	11,570	125,112	403,307	(278,195)
TOTAL UNDISTRIBUTED EXPENDITURES	2,340,268	206,836	2,547,104	2,504,181	42,923
TOTAL GENERAL CURRENT EXPENSE	4,696,795	109,644	4,806,439	4,691,596	114,843
CAPITAL OUTLAY					
Equipment:					
Undistributed Expend-Support Serv. - Inst. Staff		2,273	2,273	2,101	172
Total Equipment		2,273	2,273	2,101	172
Facilities Acquisition and Construction:					
Other Objects		447	447	447	
Total Facilities Acquisition and Construction		447	447	447	
TOTAL CAPITAL OUTLAY		2,720	2,720	2,548	172
TOTAL EXPENDITURES	4,696,795	112,364	4,809,159	4,694,144	115,015

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(187,765)	(112,364)	(300,129)	89,870	389,999
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(187,765)	(112,364)	(300,129)	89,870	389,999
Fund Balance, July 1	1,074,102		1,074,102	1,074,102	
Fund Balance, June 30	\$ 886,337	\$ (112,364)	\$ 773,973	\$ 1,163,972	\$ 389,999
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 220,987	
Emergency Reserve				175,000	
Excess Surplus				272,587	
Excess Surplus - Designated for Subseq. Year's Expenditures				95,013	
Assigned to:					
Year-End Encumbrances				144,757	
Designated for Subseq. Year's Expenditures				4,616	
Unassigned:					
Unrestricted Fund Balance				<u>251,012</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				\$ 1,163,972	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>(161,932)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 1,002,040</u>	

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
Federal Sources	\$ 125,924	\$ 68,748	\$ 194,672	\$ 182,918	\$ (11,754)
Total Revenues	125,924	68,748	194,672	182,918	(11,754)
EXPENDITURES:					
Instruction					
Salary of Teachers	23,000	(23,000)			
Purchased Profess. & Tech. Serv.	16,000	(8,325)	7,675	7,417	258
Tuition	80,000	10,771	90,771	90,771	
General Supplies		12,217	12,217	12,206	11
Total Instruction	119,000	(8,337)	110,663	110,394	269
Support Services					
Salary of Supervisors of Instruction		13,760	13,760	13,760	
Employee Benefits		7,600	7,600	7,600	
Purchased Educ. Serv.		30,279	30,279	21,252	9,027
Other Purchased Serv.	6,924	23,946	30,870	28,924	1,946
Supplies and Materials		1,500	1,500	988	512
Total Support Services	6,924	77,085	84,009	72,524	11,485
Total Expenditures	125,924	68,748	194,672	182,918	11,754
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)					None
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Current Year Last State Aid Payment not recognized on GAAP basis until received					<u>None</u>
Fund Balance per Governmental Funds(GAAP Basis)					<u>None</u>

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

For the Fiscal Year Ended June 30, 2011

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 4,784,014	\$ 182,918
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	N/A	-
Current Year	N/A	(1,305)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	191,464	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(161,932)</u>	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 4,813,546</u>	<u>\$ 181,613</u>
 Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 4,694,144	\$ 182,918
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	-
Current Year	N/A	(1,305)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>N/A</u>	<u>N/A</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 4,694,144</u>	<u>\$ 181,613</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2011

	Title I	Title I I Part A	Title I I Part D	IDEA Basic	IDEA Preschool	Title I ARRA	IDEA ARRA	Totals
REVENUES								
Federal Sources	\$ 34,446	\$ 12,426	\$ 93	\$ 88,772	\$ 1,999	\$ 6,924	\$ 38,258	\$ 182,918
TOTAL REVENUES	34,446	12,426	93	88,772	1,999	6,924	38,258	182,918
EXPENDITURES:								
Instruction:								
Purchased Profess. & Tech. Serv.	6,650						767	7,417
Tuition				88,772	1,999			90,771
General Supplies	9,489	2,717						12,206
Total Instruction	16,139	2,717	-	88,772	1,999		767	110,394
Support Services:								
Salary of Supervisors of Instruction							13,760	13,760
Employee Benefits							7,600	7,600
Purchased Educ. Serv.	18,307	2,945						21,252
Other Purchased Serv.		5,776	93			\$ 6,924	16,131	28,924
Supplies and Materials		988						988
Total Support Services	18,307	9,709	93	-	-	6,924	37,491	72,524
TOTAL EXPENDITURES	\$ 34,446	\$ 12,426	\$ 93	\$ 88,772	\$ 1,999	\$ 6,924	\$ 38,258	\$ 182,918
Total Outflows	\$ 34,446	\$ 12,426	\$ 93	\$ 88,772	\$ 1,999	\$ 6,924	\$ 38,258	\$ 182,918
Excess (Deficiency) of Revenues Over (Under) Expenditures								

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

N/A

**PROPRIETARY FUND
DETAIL STATEMENTS**

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

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

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

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

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

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

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

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

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
ASSETS:			
Cash and Cash Equivalents	<u>\$40,987</u>	<u>\$3,369</u>	<u>\$44,356</u>
TOTAL ASSETS	<u>\$40,987</u>	<u>\$3,369</u>	<u>\$44,356</u>
LIABILITIES:			
Liabilities:			
Payroll Deductions & Withholdings		\$3,369	\$3,369
Payable to Student Groups	<u>\$40,987</u>		<u>40,987</u>
Total Liabilities	<u>\$40,987</u>	<u>\$3,369</u>	<u>\$44,356</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$40,987</u>	<u>\$3,369</u>	<u>\$44,356</u>

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>ACTIVITY</u>	<u>BALANCE</u> <u>July 1, 2010</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>June 30, 2011</u>
Alpha Elementary School	\$ 48,681	36,174	43,868	40,987
TOTALS	\$ 48,681	\$ 36,174	\$ 43,868	\$ 40,987

ALPHA BOROUGH SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>BALANCE</u> July 1, 2010	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> June 30, 2011
ASSETS:				
Cash and Cash Equivalents	\$ 2,897	\$ 2,542,778	\$ 2,542,306	\$ 3,369
Total Assets	<u>\$ 2,897</u>	<u>\$ 2,542,778</u>	<u>\$ 2,542,306</u>	<u>\$ 3,369</u>
LIABILITIES:				
Payroll Deductions & Withholdings		\$ 895,526	\$ 895,526	-
Accrued Salaries & Wages		1,646,780	1,646,780	-
Imprest Balance	2,897	472		\$ 3,369
Total Liabilities	<u>\$ 2,897</u>	<u>\$ 2,542,778</u>	<u>\$ 2,542,306</u>	<u>\$ 3,369</u>

LONG-TERM DEBT SCHEDULES

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

Not Applicable; The District has no long-term debt

Alpha Borough School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	50-55
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	56-59
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	60-63
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	64-65
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	66-70

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.

**Alpha Borough School District
Net Assets by Component,
Last Ten Fiscal Years ***

(accrual basis of accounting)

Exhibit J-1

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 11,493	\$ 361,691	\$ 406,770	\$ 408,546	\$ 452,533	\$ 541,296	\$ 822,778	\$ 812,165
Restricted	83,752	23,672	24,540	25,725	126,812	426,963	710,417	768,203
Unrestricted	422,088	350,850	209,823	306,692	537,787	716,580	56,091	158,805
Total governmental activities net assets	<u>\$ 517,333</u>	<u>\$ 736,213</u>	<u>\$ 641,133</u>	<u>\$ 740,963</u>	<u>\$ 1,117,132</u>	<u>\$ 1,684,839</u>	<u>\$ 1,589,286</u>	<u>\$ 1,739,173</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 1,381	\$ 1,159	\$ 5,610	\$ 16,020	\$ 14,433	\$ 12,845	\$ 11,257	\$ 9,669
Restricted	-	-	-	-	-	-	-	-
Unrestricted	1,436	7,978	13,249	8,637	12,695	15,499	20,960	19,199
Total business-type activities net assets	<u>\$ 2,817</u>	<u>\$ 9,137</u>	<u>\$ 18,859</u>	<u>\$ 24,657</u>	<u>\$ 27,128</u>	<u>\$ 28,344</u>	<u>\$ 32,217</u>	<u>\$ 28,868</u>
District-wide								
Invested in capital assets, net of related debt	\$ 12,874	\$ 362,850	\$ 412,380	\$ 424,566	\$ 466,966	\$ 554,141	\$ 834,035	\$ 821,834
Restricted	83,752	23,672	24,540	25,725	126,812	426,963	710,417	768,203
Unrestricted	423,524	358,828	223,072	315,329	550,482	732,079	77,051	178,004
Total district net assets	<u>\$ 520,150</u>	<u>\$ 745,350</u>	<u>\$ 659,992</u>	<u>\$ 765,620</u>	<u>\$ 1,144,260</u>	<u>\$ 1,713,183</u>	<u>\$ 1,621,503</u>	<u>\$ 1,768,041</u>

Source: CAFR Schedule A-1

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

Alpha Borough School District
Changes in Net Assets, Last Ten Fiscal Years *
(accrual basis of accounting)

Exhibit J-2

	2004		2005		2006		Fiscal Year Ending June 30, 2007		2008		2009		2010		2011	
Expenses																
Governmental activities																
Instruction																
Regular	\$	1,597,655	\$	1,609,060	\$	1,704,297	\$	1,859,921	\$	1,990,607	\$	1,904,330	\$	2,165,143	\$	1,900,236
Special education		447,452		300,392		312,308		358,770		456,035		479,764		479,580		534,303
Other special education		138,955		226,793		186,657		156,057		134,437		118,708		84,705		84,761
Other Instruction		2,255		4,203		4,027		4,903		6,059		5,628		-		
Support Services:																
Tuition		1,047,736		1,182,897		1,172,290		978,831		719,298		460,974		666,661		721,694
Student & instruction related services		463,880		456,286		528,379		572,202		616,975		709,918		732,343		641,531
General administrative services		412,165		405,695		259,031		262,760		272,308		236,922		250,480		295,270
School administrative services		11,587		7,980		164,849		181,099		181,946		196,036		139,718		99,722
Plant operations and maintenance		254,985		221,149		232,293		309,311		299,071		285,538		396,815		442,350
Pupil transportation		58,365		82,151		63,599		97,347		120,641		107,227		134,309		125,405
Total governmental activities expenses		<u>4,435,035</u>		<u>4,496,606</u>		<u>4,627,730</u>		<u>4,781,201</u>		<u>4,797,377</u>		<u>4,505,045</u>		<u>5,049,754</u>		<u>4,845,272</u>
Business-type activities:																
Food service		79,516		76,709		79,618		88,809		96,596		85,536		90,503		93,765
Total business-type activities expense		<u>79,516</u>		<u>76,709</u>		<u>79,618</u>		<u>88,809</u>		<u>96,596</u>		<u>85,536</u>		<u>90,503</u>		<u>93,765</u>
Total district expenses	\$	<u>4,514,551</u>	\$	<u>4,573,315</u>	\$	<u>4,707,348</u>	\$	<u>4,870,010</u>	\$	<u>4,893,973</u>	\$	<u>4,590,581</u>	\$	<u>5,140,257</u>	\$	<u>4,939,037</u>
Program Revenues																
Governmental activities:																
Charges for services:																
Regular Instruction				3,294		5,513		5,040		1,287		8,830		15,300		-
Special Education				1,087												
Other Special Education						452										
Other Instruction								70								
Student & instruction related services						4,000						440				
General administrative services				18		7						293				
Plant operations and maintenance				200		150										
Pupil transportation								60								
Operating grants and contributions		128,782		147,689		155,784		139,095		173,293		147,380		2,094,850		2,181,417
Capital grants and contributions				23,076										154,055		
Total governmental activities program revenues		<u>128,782</u>		<u>175,364</u>		<u>165,906</u>		<u>144,265</u>		<u>174,580</u>		<u>156,943</u>		<u>2,264,205</u>		<u>2,181,417</u>

Alpha Borough School District
Changes in Net Assets, Last Ten Fiscal Years *
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:								
Charges for services								
Food service	58,901	59,484	59,296	66,134	65,280	57,335	55,303	52,754
Operating grants and contributions	20,735	23,316	25,098	28,463	24,377	29,403	39,059	37,657
Total business type activities program revenues	<u>79,636</u>	<u>82,800</u>	<u>84,394</u>	<u>94,597</u>	<u>89,657</u>	<u>86,738</u>	<u>94,362</u>	<u>90,411</u>
Total district program revenues	<u>\$ 208,418</u>	<u>\$ 258,164</u>	<u>\$ 250,300</u>	<u>\$ 238,862</u>	<u>\$ 264,237</u>	<u>\$ 243,681</u>	<u>\$ 2,358,567</u>	<u>\$ 2,271,828</u>
Net (Expense)/Revenue								
Governmental activities	\$ (4,306,253)	\$ (4,321,242)	\$ (4,461,824)	\$ (4,636,936)	\$ (4,622,797)	\$ (4,348,102)	\$ (2,785,549)	\$ (2,663,855)
Business-type activities	120	6,091	4,776	5,788	(6,939)	1,202	3,859	(3,354)
Total district-wide net expense	<u>\$ (4,306,133)</u>	<u>\$ (4,315,151)</u>	<u>\$ (4,457,048)</u>	<u>\$ (4,631,148)</u>	<u>\$ (4,629,736)</u>	<u>\$ (4,346,900)</u>	<u>\$ (2,781,690)</u>	<u>\$ (2,667,209)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net	\$ 2,522,936	\$ 2,336,980	\$ 2,416,979	\$ 2,630,152	\$ 2,765,358	\$ 2,748,105	\$ 2,756,804	\$ 2,812,073
Unrestricted grants and contributions	1,821,336	1,881,831	1,915,136	2,070,960	2,183,883	2,146,742	-	-
Investment earnings	7,260	13,833	27,284	34,872	34,751	21,513	6,612	1,543
Miscellaneous income	1,966	259	12,095	500	24,815	658	1,873	126
Transfers	(850)		(4,875)		(9,098)			
Special Items	(895)	357	125	282	(743)	(1,209)	-	-
Total governmental activities	<u>4,351,753</u>	<u>4,233,260</u>	<u>4,366,744</u>	<u>4,736,766</u>	<u>4,998,966</u>	<u>4,915,809</u>	<u>2,765,289</u>	<u>2,813,742</u>
Business-type activities:								
Investment earnings	9	13	13	10	9	14	14	5
Miscellaneous Income		216	58		303			
Transfers	850		4,875		9,098			
Total business-type activities	<u>859</u>	<u>229</u>	<u>4,946</u>	<u>10</u>	<u>9,410</u>	<u>14</u>	<u>14</u>	<u>5</u>
Total district-wide	<u>\$ 4,352,612</u>	<u>\$ 4,233,489</u>	<u>\$ 4,371,690</u>	<u>\$ 4,736,776</u>	<u>\$ 5,008,376</u>	<u>\$ 4,915,823</u>	<u>\$ 2,765,303</u>	<u>\$ 2,813,747</u>
Change in Net Assets								
Governmental activities	\$ 45,500	\$ (87,982)	\$ (95,080)	\$ 99,830	\$ 376,169	\$ 567,707	\$ (20,260)	\$ 149,887
Business-type activities	979	6,320	9,722	5,798	2,471	1,216	3,873	(3,349)
Total district	<u>\$ 46,479</u>	<u>\$ (81,662)</u>	<u>\$ (85,358)</u>	<u>\$ 105,628</u>	<u>\$ 378,640</u>	<u>\$ 568,923</u>	<u>\$ (16,387)</u>	<u>\$ 146,538</u>

Source: CAFR Schedule A-2

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

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

Exhibit J-3

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
General Fund								
Reserved	\$ 134,070	\$ 245,104	\$ 289,269	\$ 243,077	\$ 585,965	\$ 1,169,581	\$ 822,781	\$ 912,960
Unreserved	436,427	192,005	20,286	174,032	167,862	68,997	59,857	89,080
Total general fund	<u>\$ 570,497</u>	<u>\$ 437,109</u>	<u>\$ 309,555</u>	<u>\$ 417,109</u>	<u>\$ 753,827</u>	<u>\$ 1,238,578</u>	<u>\$ 882,638</u>	<u>\$ 1,002,040</u>
All Other Governmental Funds								
Reserved								-
Unreserved, reported in:								
Special revenue fund	(902)	(902)	(902)	(902)	(1,590)	-	-	-
Capital projects fund	1,183	4,183	3,000	3,000		-	-	-
Debt service fund						-	-	-
Permanent fund	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>281</u>	<u>3,281</u>	<u>2,098</u>	<u>2,098</u>	<u>(1,590)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Source: CAFR Schedule B-1

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

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

Exhibit J-4

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Tax levy	\$ 2,424,464	\$ 2,467,703	\$ 2,522,936	\$ 2,336,980	\$ 2,416,979	\$ 2,630,152	\$ 2,765,358	\$ 2,748,105	\$ 2,756,804	\$ 2,812,073
Tuition Charges		20,630		-				8,000	15,300	75
Interest on Investments	12,520	7,961	7,260	13,833	27,284	34,872	34,751	21,513	-	
Miscellaneous	1,706	2,552	3,741	259	14,270	3,500	27,815	2,248	8,485	1,594
State sources	1,651,642	1,729,438	1,842,457	1,929,516	1,936,327	2,090,292	2,216,195	2,147,198	1,791,463	1,999,804
Federal sources	114,813	110,214	105,887	123,080	132,418	116,763	137,981	145,924	457,442	181,613
Total revenue	4,205,145	4,338,498	4,482,281	4,403,668	4,527,278	4,875,579	5,182,100	5,072,988	5,029,494	4,995,159
Expenditures										
Instruction										
Regular Instruction	1,031,668	1,055,933	1,154,212	1,177,995	1,208,150	1,252,016	1,370,013	1,404,570	1,921,210	1,739,887
Special education instruction	184,888	213,190	249,365	218,022	215,426	236,771	305,308	347,415	433,833	480,406
Other special instruction	81,366	81,044	101,063	141,993	112,913	91,942	67,203	67,934	76,625	76,211
Other instruction			2,255	3,280	3,106	3,562	4,424	4,268	-	-
Support Services:										
Tuition	1,211,637	1,163,611	1,047,736	1,180,208	1,169,502	976,811	711,535	399,056	666,661	721,694
Student & instruction related services	289,558	332,739	331,928	298,978	356,207	360,721	381,498	515,156	661,530	575,863
General Administrative services	173,042	189,592	229,435	244,174	143,998	114,426	147,536	141,059	150,548	186,988
School Administrative services	6,738	7,614	8,512	6,604	116,834	128,390	121,728	142,362	126,072	89,345
Central Services	66,139	72,739	74,784	79,119	71,166	88,351	86,651	78,424	75,296	77,754
Plant operations and maintenance	169,583	169,978	202,940	186,695	193,515	266,732	252,755	242,656	357,583	396,349
Pupil transportation	172,740	106,211	58,365	82,151	63,599	97,287	120,641	107,227	134,309	125,405
Unallocated employee benefits	572,148	765,906	768,820	718,665	788,069	999,513	1,040,024	886,498	405,289	403,307
Capital outlay	4,500	35,461	6,317	48,840	52,996	12,690	55,932	102,483	376,478	2,548
Special Revenue	162,285	151,517	127,832	147,689	155,784	139,095	173,981	147,380	-	-
Total expenditures	4,126,292	4,345,535	4,363,564	4,534,413	4,651,265	4,768,307	4,839,229	4,586,488	5,385,434	4,875,757
Excess (Deficiency) of revenues over (under) expenditures	78,853	(7,037)	118,717	(130,745)	(123,987)	107,272	342,871	486,500	(355,940)	119,402
Other Financing Sources (uses)										
Prior Year Receivable Canceled				(167)			(518)			
Proceeds of Refunding Bonds										
Payment to Refunded Bond Escrow	(199)	173	(895)	524	125	282	(225)	(159)		
Transfers in						-	-	-	206,764	
Transfers out	(6,350)	(2,350)	(850)		(4,875)	-	(9,098)	-	(206,764)	
Total other financing sources (uses)	(6,549)	(2,177)	(1,745)	357	(4,750)	282	(9,841)	(159)	-	-
Net change in fund balances	\$ 72,304	\$ (9,214)	\$ 116,972	\$ (130,388)	\$ (128,737)	\$ 107,554	\$ 333,030	\$ 486,341	\$ (355,940)	\$ 119,402

Source: CAFR Schedule B-2

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Interest on</u> <u>Investments</u>	<u>Refunds</u>	<u>Tuition</u>	<u>Book</u> <u>Fines</u>	<u>Cancelled</u> <u>Checks</u>	<u>Donations</u>	<u>Sale of</u> <u>Equipment</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$ 12,519	\$ 1,707							\$ 14,226
2003	7,961	932	\$ 20,630					\$ 1,620	31,143
2004	7,260	160						1,806	9,226
2005	13,833	199						60	14,092
2006	27,284	3,087		\$ 115	\$ 5,554	\$ 1,470	\$ 600	1,269	39,379
2007	34,872	22		58				420	35,372
2008	34,751	6,701			145	17,375	194	400	59,566
2009	21,513	-	8,000		658			590	30,761
2010	576	1,874	15,300					6,035	23,785
2011	1,543	51	75						1,669

SOURCE: District Records

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

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities a	Net Valuation Taxable	Total Direct School Tax Rate b	Estimated Actual (County Equalized Value)
2002	\$2,523,278	\$87,643,875	\$671,900	\$226,370	\$12,546,338	\$14,040,450	\$4,569,600	\$135,851,910	\$13,225,100	\$404,999	\$122,626,810	\$1.980	\$125,207,343
2003	2,227,600	88,183,575	662,200	227,730	11,959,438	13,980,500	4,799,700	135,991,342	13,563,400	387,199	122,427,942	2.020	130,624,334
2004	2,175,600	88,549,975	680,100	227,730	12,543,638	13,643,700	4,806,100	135,456,721	12,462,400	367,478	122,994,321	2.050	141,897,053
2005	3,168,300	143,340,100	1,009,300	272,500	19,299,300	21,232,500	7,028,100	213,274,078	17,556,500	367,478	195,717,578	1.200	156,622,557
2006	3,429,600	143,242,700	1,009,300	262,021	19,176,600	21,063,000	6,491,100	212,629,049	17,556,500	398,228	195,072,549	1.240	182,797,105
2007	5,140,400	143,666,200	1,009,300	243,541	19,784,700	20,844,400	6,665,100	215,263,162	17,544,400	365,121	197,718,762	1.330	203,686,785
2008	5,411,100	144,173,900	1,009,300	236,067	28,283,600	20,844,400	6,665,100	224,599,037	17,570,900	404,670	207,028,137	1.290	229,623,044
2009	11,230,200	145,397,400	692,200	218,181	28,118,600	20,844,400	6,665,100	231,333,798	17,757,926	409,791	213,575,872	1.287	248,459,600
2010	9,799,220	146,424,100	692,200	218,181	28,502,000	20,844,400	6,665,100	231,567,155	17,970,026	451,928	213,597,129	1.291	237,172,029
2011	9,833,720	146,215,700	692,200	218,181	28,502,000	20,844,400	6,665,100	231,398,755	17,975,526	451,928	213,423,229	1.318	233,647,891

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Alpha Borough School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt		Borough	Warren County	
		Service ^b	Total Direct			
2002	\$1.980	N/A	\$1.980	\$0.740	\$0.720	\$3.440
2003	\$2.020	N/A	\$2.020	\$0.850	\$0.690	\$3.560
2004	\$2.050	N/A	\$2.050	\$0.890	\$0.720	\$3.660
2005	\$1.200	N/A	\$1.200	\$0.650	\$0.490	\$2.340
2006	\$1.240	N/A	\$1.240	\$0.740	\$0.560	\$2.540
2007	\$1.330	N/A	\$1.330	\$0.770	\$0.600	\$2.700
2008	\$1.290	N/A	\$1.290	\$0.830	\$0.650	\$2.770
2009	\$1.287	N/A	\$1.287	\$0.828	\$0.651	\$2.766
2010	\$1.291	N/A	\$1.291	\$0.860	\$0.620	\$2.771
2011	\$1.318	N/A	\$1.318	\$0.890	\$0.617	\$2.825

Source: District Records and Municipal Tax Collector

Note:

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

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

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

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

Exhibit J-8

Taxpayer	2011			2001		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
BWS Properties LLC	\$ 8,283,300	1	3.88%			
GJ Oliver Inc.	4,999,700	2	2.34%	\$ 3,198,500	2	2.64%
Baramax LLC	4,359,700	3	2.04%	2,710,800	3	2.24%
962 High Street LLC	3,522,200	4	1.65%	3,230,000	1	2.67%
Hunterdon Transformer Co., Inc.	3,278,300	5	1.54%			
Trapaziod Associates	2,793,700	6	1.31%			
Alpha Press Company	1,389,900	7	0.65%			
Alpha Lehigh Tool and Machine	1,337,700	8	0.63%	866,340	7	0.72%
Shop and Save Shopping Center	1,150,000	9	0.54%			
Alphawarren Properties	1,006,200	10	0.47%			
Individual Property Owner				1,706,700	4	1.41%
Sheridan printing Company				1,075,800	5	0.89%
Woodhill Alpha LLC				899,790	6	0.74%
Alma School Landfill Inc.				805,000	8	0.67%
Alpha Lumber Co.				725,000	9	0.60%
Glen Magnetics				640,000	10	0.53%
Total	\$ 32,120,700		15.05%	\$ 15,857,930		13.11%

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 2,424,464	\$ 2,424,464	100.00%	-
2003	\$ 2,467,703	\$ 2,467,703	100.00%	-
2004	\$ 2,522,936	\$ 2,522,936	100.00%	-
2005	\$ 2,336,980	\$ 2,336,980	100.00%	-
2006	\$ 2,416,979	\$ 2,416,979	100.00%	-
2007	\$ 2,630,152	\$ 2,630,152	100.00%	-
2008	\$ 2,765,358	\$ 2,765,358	100.00%	-
2009	\$ 2,748,105	\$ 2,748,105	100.00%	-
2010	\$ 2,756,804	\$ 2,756,804	100.00%	-
2011	\$ 2,812,073	\$ 2,812,073	100.00%	-

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

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2002								
2003								
2004								
2005								
2006	Not Applicable; The district has no bonded debt for the last ten fiscal years							
2007								
2008								
2009								
2010								
2011								

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

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2002					
2003					
2004					
2005					
2006	Not Applicable; The district has no bonded debt for the last ten fiscal years				
2007					
2008					
2009					
2010					
2011					

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

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

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

* Current data unavailable

**Alpha Borough School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2011**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Alpha Borough	\$ 253,080	100.000%	\$ 253,080
Other debt			
Warren County	7,775,000	1.755%	<u>136,416</u>
Subtotal, overlapping debt			389,496
Alpha Borough School District Direct Debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 389,496</u></u>

Sources: Constituent Boroughs Finance Officers, Warren County Finance Office and Utility Authorities

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

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

Alpha Borough School District
 Legal Debt Margin Information
 Last Ten Fiscal Years

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2011

	Equalized valuation basis	
	2008	\$ 236,693,406
	2009	232,083,189
	2010	223,193,566
	[A]	<u>\$ 691,970,161</u>
Average equalized valuation of taxable property	[A/3]	\$ 230,656,720
Debt limit (3 % of average equalization value)	[B]	6,919,702
Net bonded school debt	[C]	-
Legal debt margin	[B-C]	<u>\$ 6,919,702</u>

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$3,726,084	\$3,916,273	\$4,048,828	\$4,787,978	\$5,394,575	\$6,024,752	\$6,598,148	\$6,959,577	\$7,091,482	\$6,919,702
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$3,726,084</u>	<u>\$3,916,273</u>	<u>\$4,048,828</u>	<u>\$4,787,978</u>	<u>\$5,394,575</u>	<u>\$6,024,752</u>	<u>\$6,598,148</u>	<u>\$6,959,577</u>	<u>\$7,091,482</u>	<u>\$6,919,702</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

Exhibit J-14

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2002	2,486	\$84,138,670	\$33,845 R	5.6%
2003	2,486	\$85,804,290	\$34,515 R	6.1%
2004	2,469	\$87,842,082	\$35,578 R	4.5%
2005	2,454	\$90,508,428	\$36,882 R	5.9%
2006	2,430	\$95,858,640	\$39,448 R	6.3%
2007	2,407	\$100,920,696	\$41,928 R	5.9%
2008	2,392	\$102,793,808	\$42,974 R	7.8%
2009	2,391	\$101,930,721	\$42,631 P	13.5%
2010	2,377	\$101,333,887	\$42,631 *	13.9%
2011	2,377	* \$101,333,887	\$42,631 *	13.9% *

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by NJ Dept of Labor

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

R =Revised

P =Projected

* Current figure unavailable

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

Exhibit J-15

Employer	2011			2002		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		N/A			N/A	
	-		0.00%	-		0.00%

Source:
Information not available at municipal or county level

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

Exhibit J-16

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction								
Regular	25.0	25.0	26.0	25.0	25.0	25.0	25.0	22.0
Special education	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.0
Other Special Education	1.3	1.3	1.0	1.3	1.3	1.3	1.3	2.8
Support Services:								
Student & instruction related services	3.2	3.2	4.0	3.2	3.2	3.2	3.2	6.4
General administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
School administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5
Central services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	<u>36.5</u>	<u>36.5</u>	<u>38.0</u>	<u>36.5</u>	<u>36.5</u>	<u>36.5</u>	<u>36.5</u>	<u>40.7</u>

Source: District Personnel Records

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

Alpha Borough School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2002	277	4,121,792	14,880	15.80%	33.00	1:8.39		275.9	263.4	-9.45%	95.47%
2003	271	4,310,074	15,904	6.88%	34.00	1:7.97		270.6	258.4	-1.92%	95.49%
2004	286	4,357,247	15,235	-4.21%	34.00	1:8.41		284.2	271.0	5.03%	95.36%
2005	270	4,485,573	16,613	9.05%	33.00	1:8.18		271.2	257.9	-4.57%	95.10%
2006	260	4,598,269	17,686	6.46%	33.00	1:7.88		260.2	249.6	-4.06%	95.93%
2007	277	4,755,617	17,168	-2.93%	34.00	1:8.12		277.1	265.3	6.50%	95.74%
2008	264	4,783,297	18,119	5.53%	34.00	1:7.76		277.0	253.2	-0.04%	91.41%
2009	264	4,484,055	16,985	-6.26%	34.00	1:7.76		261.1	251.4	-5.74%	96.28%
2010	262	5,008,956	19,118	12.56%	34.00	1:7.06		263.8	252.6	1.03%	95.76%
2011	261	4,873,209	18,671	-2.34%	34.00	1:7.06		256.2	245.5	-2.88%	95.84%

Sources: District records, ASSA and Schedules J-4.

Note: Enrollment based on annual October district count.

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

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

Exhibit J-18

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>District Building</u>										
<u>Elementary</u>										
Alpha Public School (1917)										
Square Feet	22,547	22,547	22,547	22,547	22,547	22,547	22,547	22,547	22,547	22,547
Capacity (students)	350	350	350	350	350	350	350	350	350	350
Enrollment	277	271	286	270	260	278	266	257	262	261

Number of Schools at June 30, 2011
Elementary & Middle = 1

Source: District Facilities Office

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

Alpha Borough School District

**GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2011**

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Alpha Borough School	040	\$ 20,197	\$ 11,278	\$ 43,028	\$ 16,524	\$ 7,331	\$ 56,039	\$ 32,606	\$ 7,770	\$ 100,830	\$ 153,949	\$ 449,552
Grand Total		\$ 20,197	\$ 11,278	\$ 43,028	\$ 16,524	\$ 7,331	\$ 56,039	\$ 32,606	\$ 7,770	\$ 100,830	\$ 153,949	\$ 449,552

ALPHA BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE
June 30, 2011
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMMERCIAL PACKAGE POLICY - School Alliance Insurance fund		
Property-Blanket Building and Contents (fund limit)	\$ 250,000,000	\$ 1,000
LIABILITY - School Alliance Insurance Fund		
Comprehensive General Liability	5,000,000	None
Automobile Liability	5,000,000	None
Employee Benefit Liability	5,000,000	1,000
SCHOOL BOARD LEGAL LIABILITY - School Alliance Insurance Fund		
(ACE) - Limit of Liability	5,000,000	5,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND-Selective Insurance Company		
Treasurer	200,000	
ENVIRONMENTAL SERVICE - School Alliance Insurance Fund		
Pollution Liability	1,000,000	25,000

SOURCE: District Records

Single Audit Section



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

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

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

Honorable President and
 Members of the Board of Education
 Alpha Borough School District
 County of Warren
 Alpha, New Jersey 08865

We have audited the financial statements of the Board of Education of the Alpha Borough School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

-Continued-

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

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

Compliance and Other Matters

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

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



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

Date: October 15, 2011



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04

Honorable President and
 Members of the Board of Education
 Alpha Borough School District
 County of Warren
 Alpha, New Jersey 08865

Compliance

We have audited the compliance of the Alpha Borough School District in the County of Warren, State of New Jersey, with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. The Alpha Borough School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Alpha Borough School District Board of Education's management. Our responsibility is to express an opinion on the Alpha Borough School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

-Continued-

An audit includes examining, on a test basis, evidence about the Alpha Borough School District Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Alpha Borough School District Board of Education's compliance with those requirements.

In our opinion the Board of Education of the Alpha Borough School District, in the County of Warren, State of New Jersey, complied, in all material respects, with the requirements referred to above that that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011.

Internal Control Over Financial Reporting

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

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

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

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



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

Date: October 15, 2011

Alpha Borough School District

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ended June 30, 2011

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2010	WALKOVER/ CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	REPAY. OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2011			MEMO			
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.		
STATE DEPARTMENT OF EDUCATION																
General Fund:																
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 1,506,054			\$ 1,506,054	\$ (1,506,054)							\$	144,234	\$ 1,506,054
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	184,803			184,803	(184,803)							*	17,698	184,803
Non-Public Transportation Aid	10-100-034-5120-068	7/1/09-6/30/10		\$ (1,321)		1,321								*		
Non-Public Transportation Aid	11-100-034-5120-068	7/1/10-6/30/11	1,012				(1,012)			\$ (1,012)				*		1,012
Reimbursed TPAF Pension Contrib.	11-495-034-5095-001	7/1/10-6/30/11	141,994			141,994	(141,994)							*		141,994
Reimbursed TPAF Soc. Secur. Contrib.	11-495-034-5095-002	7/1/10-6/30/11	136,409	(7,773)		137,633	(136,409)			(6,549)				*		136,409
Total General Fund				(9,094)		1,971,805	(1,970,272)			(7,561)				*	161,932	1,970,272
Special Revenue Fund																
Character Education	06-495-034-5120-053	7/1/05-6/30/06		114							\$ 114			*		
Teacher Quality Enhancement	N/A	7/1/04-6/30/05		25							25			*		
Rebel Grant	N/A	7/1/09-6/30/10		825							825			*		
Total Enterprise Fund				964		-	-			-	964			*		-
Capital Projects Fund:																
SDA Grant	SP#0070-010-09-1001	7/1/09-6/30/10	154,055	(154,055)						(154,055)				*		-
Total Capital Projects Fund				(154,055)		-	-			(154,055)				*		-
Enterprise Fund:																
School Breakfast Program (State Share)	10-100-010-3350-021	7/1/09-6/30/10		(12)		12								*		
Nat. School Lunch Prog. (State Share)	10-100-010-3350-023	7/1/09-6/30/10		(88)		88								*		
Nat. School Lunch Prog. (State Share)	11-100-010-3350-023	7/1/10-6/30/11	1,102			1,053	(1,102)			(49)				*		1,102
Total Enterprise Fund				(100)		1,153	(1,102)			(49)				*		1,102
TOTAL STATE FINANCIAL ASSISTANCE				\$ (162,285)		\$ 1,972,958	\$ (1,971,374)			\$ (161,665)	\$ 964			\$	\$ 161,932	\$ 1,971,374

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2011

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$29,532 for the general fund and (\$1,305) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2011

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 1,999,804	\$ 1,999,804
Special Revenue Fund	181,613	-	181,613
Food Service Fund	<u>36,555</u>	<u>1,102</u>	<u>37,657</u>
Total Financial Assistance	<u>\$ 218,168</u>	<u>\$ 2,000,906</u>	<u>\$ 2,219,074</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified

- B) Internal control over financial reporting:
 - 1) Material weakness(es) identified? ___ Yes x No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes
x None
Reported

- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000

- E) Auditee qualified as low-risk auditee? ___ Yes ___ No

- F) Type of auditor's report on compliance for major programs: Unqualified

- G) Internal Control over compliance:
 - 1) Material weakness(es) identified? ___ Yes ___ No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No

- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes ___ No

- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x_yes__no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? ___yes x_no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___yes x_none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? ___yes x_no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

11-495-034-5120-089

11-495-034-5120-078

11-495-034-5095-002

Special Education Aid

Equalization Aid

Reimb. TPAF Soc. Sec.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Section II-Financial Statement Findings

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with Government Auditing Standards.

Section III - State Financial Assistance Findings and Questioned Costs

STATE FINANCIAL ASSISTANCE-There were no state financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. There were no prior year findings.