

**Comprehensive Annual  
Financial Report**

**of the**

**Borough of Avalon Board of Education**

**Cape May County, New Jersey**

**For the Fiscal Year Ended June 30, 2011**

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# **Introductory Section**

# *Avalon Board of Education*

*32<sup>nd</sup> and Ocean Drive Avalon, NJ 08202*

*(P)609-967-7544 (F)609-967-3109*

*David Rauenzahn  
Chief School Administrator*

*Henry Bermann/Linda Fiori  
Business Administrator*

November 1, 2011

Honorable President and  
Members of the Board of Education  
Borough of Avalon School District  
County of Cape May, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the Avalon School 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 a list of principal officials. The Financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Single Audit section includes the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations.

## **1) REPORTING ENTITY AND ITS SERVICES:**

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

**1) REPORTING ENTITY AND ITS SERVICES: (CONTINUED)**

The following information is obtained from the annual ASSA report. In the 2010-11 school year, 19 students in grades 9 through 12 attended high school in the Middle Township School District and 6 students attended kindergarten in the Stone Harbor School. In addition, the District has 17 tuition paid students. The following details the changes in the student enrollment of the District over the last five years.

Avalon School District  
Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2010-11	77	10.39%
2009-10	69	-11.59%
2008-09	77	0.00%
2007-08	77	-6.49%
2006-07	82	0.00%

**2) ECONOMIC CONDITIONS AND OUTLOOK:**

The economy of Avalon is based on tourist trade. It appears that the past three tourist seasons have been successful for the community. The success or failure of the tourist season appears not to have an impact on the operation of the school system.

Property values on the barrier island have stabilized over the past two years since its peak in 2005. The inflated values have resulted in a declining enrollment since many younger families cannot afford to purchase a home on the island.

**3) MAJOR INITIATIVES:**

During fiscal year 2011, the District has continued to refine HVAC, school safety and technology plans and has been moving forward with plans to implement the option of a send/receive relationship with Stone Harbor School District. The District will continue to refine the Technology Plan according to New Jersey Core Curriculum Content Standards. Integrated technology and other content area curricula can be found at all grade levels.

**4) INTERNAL ACCOUNTING CONTROLS:**

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

#### 4) INTERNAL ACCOUNTING CONTROLS: (CONTINUED)

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

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

#### 5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2011.

#### 6) ACCOUNTING SYSTEM AND REPORTS:

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

#### 7) FINANCIAL INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2011 and the amount and percentage of increases in relation to prior year revenues.

<u>Revenue Increase</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase from 2009-2010</u>	<u>Percent of Increase/ Decrease</u>
Local Sources	\$ 3,631,374.65	93.70%	\$ 554,884.26	18.03%
State Sources	203,953.80	5.26%	(56,427.19)	-20.60%
Federal Sources	40,159.00	1.04%	(8,789.42)	-21.36%
Total	<u>\$ 3,875,487.45</u>	<u>100.00%</u>	<u>\$ 489,667.65</u>	14.43%

**7) FINANCIAL INFORMATION AT FISCAL YEAR-END: (CONTINUED)**

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2011, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2009-10</u>	<u>Percent of Increase (Decrease)</u>
Current Expense:				
Instruction	\$ 1,259,594.07	31.43%	\$ (15,514.99)	-1.19%
Undistributed Expenditures	2,083,673.96	51.99%	285,258.16	17.40%
Capital Outlay	23,895.00	0.60%	(28,128.60)	-20.48%
Special Schools	3,351.28	0.08%	1,220.08	22.19%
Debt Service	528,080.00	13.18%	11,999.98	2.39%
Special Revenue	40,159.00	1.00%	(8,789.42)	-21.36%
Transfers Out	69,274.00	1.73%	(28.63)	-0.07%
<b>Total</b>	<b>\$ 4,008,027.31</b>	<b>100.00%</b>	<b>\$ 246,016.58</b>	<b>6.78%</b>

**8) DEBT ADMINISTRATION:**

At June 30, 2011, the District's outstanding debt issues included \$3,946,000.00 of general obligation bonds dated June 1, 2004.

**9) CASH MANAGEMENT:**

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 3. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**10) RISK MANAGEMENT:**

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

**11) OTHER INFORMATION:**

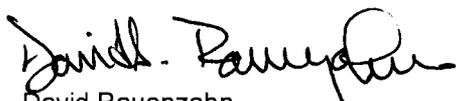
A) INDEPENDENT AUDIT - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford, Scott & Associates, L.L.C. was selected by the Board on May 4, 2011.

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 as revised in 1997 and the related OMB Circular A-133 and State of New Jersey Treasury Circular Letter OMB 04-04. 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 reports related specifically to single audit are included in the single audit section of this report.

**12) ACKNOWLEDGMENTS:**

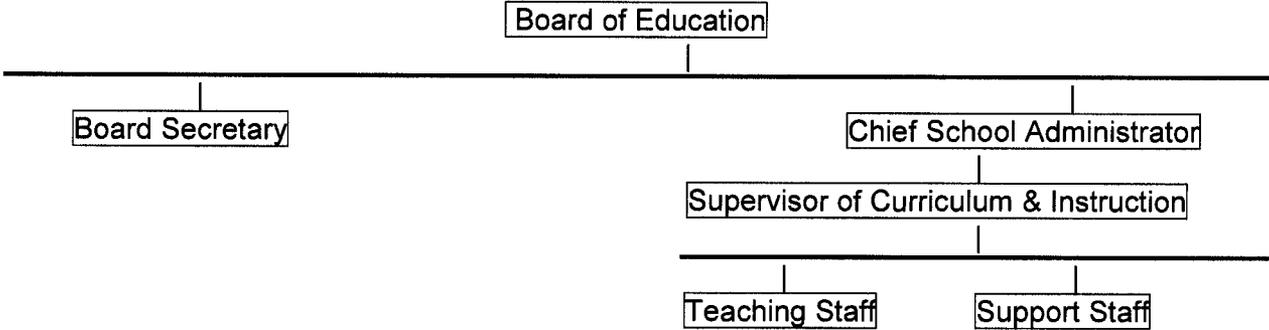
We would like to express our appreciation to the members of the Avalon School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operations.

Respectfully submitted,

  
David Rauenzahn  
Chief School Administrator

  
Linda Fiori  
Board Secretary/Business Administrator

**AVALON SCHOOL DISTRICT  
ORGANIZATIONAL CHART**



**BOROUGH OF AVALON BOARD OF EDUCATION  
COUNTY OF CAPE MAY, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2011**

**Members of the Board of Education**

**Term Expires**

Lynn Schwartz, President	2012
Brian Heenan, Vice President	2014
John Richardson	2013
James Deever	2014
Kimberly Scheila	2013

**Other Officials**

David Rauenzahn, Chief School Administrator

Linda Fiori, School Business Administrator/Board Secretary

Henry Bermann, School Business Administrator/Board Secretary

James V. Craft, Treasurer

Louis J. Greco, Esq.

**BOROUGH OF AVALON BOARD OF EDUCATION  
CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

**Ford, Scott & Associates, L.L.C.**  
Certified Public Accountants  
1535 Haven Avenue  
P.O. Box 538  
Ocean City, New Jersey 08226-0538

**ATTORNEY**

**Louis J. Greco, Esq.**  
800 Route 50, Suite 2B  
Mays Landing, New Jersey 08330

**OFFICIAL DEPOSITORY**

**Sturdy Savings Bank**  
2628 Dune Drive  
Avalon, New Jersey 08202

## **Financial Section**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

## INDEPENDENT AUDITOR'S REPORT

The Honorable President and  
Members of the Board of Education  
Borough of Avalon School District  
County of Cape May  
Avalon, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the Borough of Avalon School District, in the County of Cape May, 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 Borough of Avalon 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 of the Borough of Avalon Board of Education, in the County of Cape May, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2011 on our consideration of the Borough of Avalon Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the 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 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 as listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Avalon Board of Education's basic financial statements. The accompanying introductory section, combining statements, and related major fund supporting statements and schedules, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and related major fund supporting statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**



**Glen J. Ortman**  
**Certified Public Accountant**  
**Licensed Public School Accountant**  
**No. 853**

**November 1, 2011**

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

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

The discussion and analysis of Borough of Avalon 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 basic financial statements and notes 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 \$27,256.13, which represents less than a percent increase from 2010.
- General revenues accounted for \$3,646,263.92 in revenue or 88 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$478,388.15 or 12 percent of total revenues of \$4,124,652.07.
- Total assets of governmental activities decreased by \$399,473.23 as cash and cash equivalents decreased by \$128,973.13, receivables decreased by \$33,357.54, other assets decreased by \$3,001.78, and capital assets decreased by \$233,322.00.
- The School District had \$4,096,821.94 in expenses; only \$478,388.15 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$3,646,263.92 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$3,337,018.45 in revenues and \$3,370,514.31 in expenditures. The General Fund's fund balance decreased \$102,769.86 over 2010.

**Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Borough of Avalon 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 Borough of Avalon District, the General Fund and the Capital Projects Fund are the most significant funds.

**BOROUGH OF AVALON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**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 ask 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 businesses. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the School district have 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, extracurricular activities and internal services.
- **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

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transaction. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, Internal Service Fund and Debt Service Fund.

Governmental Funds

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

**BOROUGH OF AVALON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**Reporting the School District's Most Significant Funds - Continued**

Enterprise Fund

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 30 to 49 of this report.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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

**Table 1  
Net Assets**

	2011	2010
<b>Assets</b>		
Current and Other Assets	\$ 1,795,161.84	\$ 1,959,572.62
Capital Assets	9,442,842.70	9,682,417.70
<b>Total Assets</b>	<b>11,238,004.54</b>	<b>11,641,990.32</b>
<b>Liabilities</b>		
Long-Term Liabilities	4,071,464.50	4,450,147.50
Other Liabilities	275,655.13	328,214.04
<b>Total Liabilities</b>	<b>4,347,119.63</b>	<b>4,778,361.54</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	5,523,858.70	5,416,435.48
Restricted	670,792.01	781,328.03
Unrestricted	696,234.20	665,865.27
<b>Total Net Assets</b>	<b>\$ 6,890,884.91</b>	<b>\$ 6,863,628.78</b>

The District's combined net assets were \$6,890,884.91 on June 30, 2011. This is an increase from 2010 of \$27,256.13.

**BOROUGH OF AVALON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**The School District as a Whole - Continued**

Table 2 shows changes in net assets for fiscal years 2011 and 2010.

**Table 2  
Changes in Net Assets**

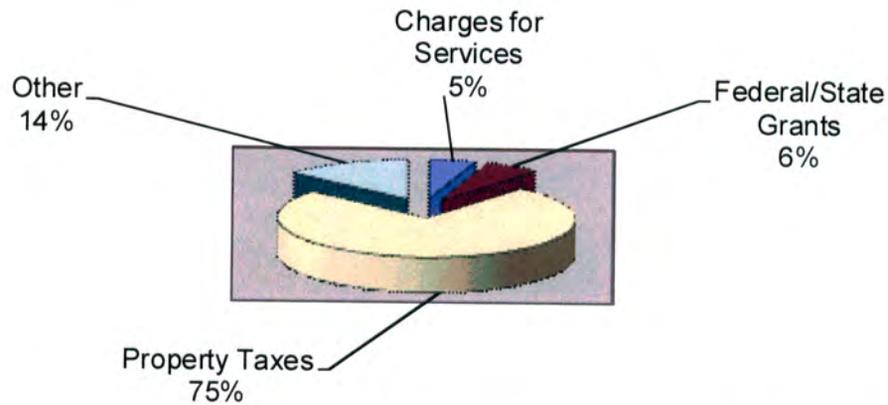
	2011	2010
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 229,531.45	\$ 255,290.72
Operating Grants and Contributions	248,856.70	293,071.41
General Revenues:		
Property Taxes	3,078,693.50	3,018,327.50
Grants and Entitlements	-	20,207.17
Other	567,570.42	564,851.50
<b>Total Revenues</b>	<b>4,124,652.07</b>	<b>4,151,748.30</b>
<b>Program Expenses</b>		
Instruction	1,807,988.23	1,860,929.71
Support Services:		
Tuition	487,763.25	296,669.36
Student and Instruction Related Services	441,544.51	369,501.51
General Administration, School Administration,	233,076.78	257,983.11
Business Operations and Maintenance of Facilities	502,802.40	511,339.61
Pupil Transportation	62,850.99	63,369.15
Special Schools	4,954.60	3,143.00
Interest on Debt	171,080.00	184,580.00
Food Service	105,050.40	100,193.44
Other	279,610.78	281,161.78
Loss on Disposal of Equipment	674.00	8,189.00
<b>Total Expenses</b>	<b>4,097,395.94</b>	<b>3,937,059.67</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 27,256.13</b>	<b>\$ 214,688.63</b>

**BOROUGH OF AVALON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**Governmental Activities**

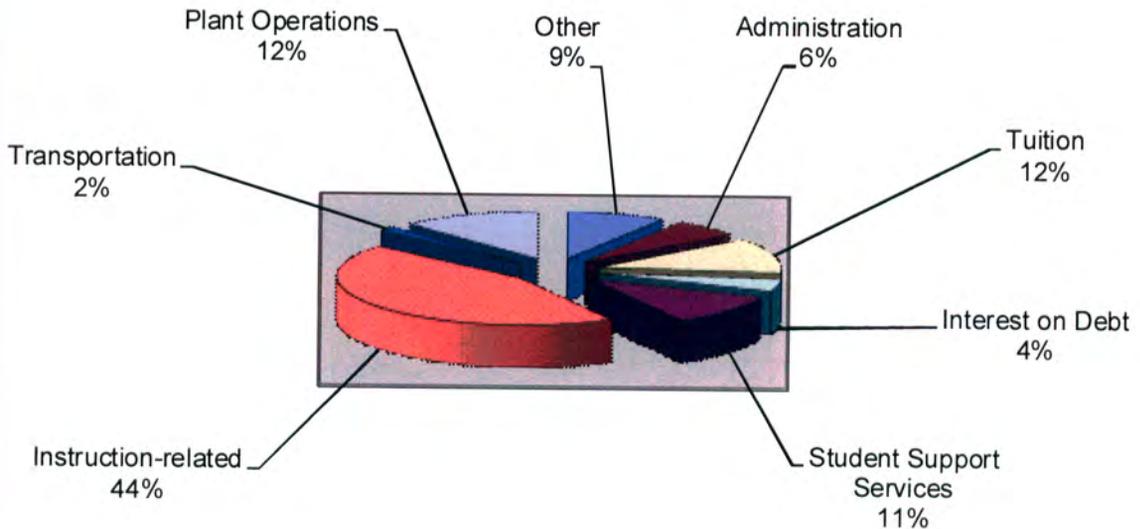
The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District operations. Property taxes made up 75 percent of revenues for governmental activities for the Borough of Avalon District for fiscal year 2011. The District's total revenues were \$4,093,200.67, for the year ended June 30, 2011. Federal, state, and local grants accounted for another 6 percent of revenue.

**Sources of Revenue for Fiscal Year 2011**



The total cost of all program and services was \$4,060,945.54. Instruction comprises 44 percent of District expenses.

**Cost of Programs and Services for Fiscal Year 2011**



**BOROUGH OF AVALON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**Business-Type Activities**

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

- Food service expenses exceeded revenues by \$73,599.00.
- Charges for services represent \$26,707.50 of revenue. This represents amounts paid by students for daily food service. The Board contributed \$69,274.00 for food service operations during 2011.
- Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast, and donated commodities was \$4,743.90.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3  
Costs of Services**

	<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	\$ 1,807,988.23	\$ 1,600,138.75	\$ 1,860,929.71	\$ 1,655,138.49
Support Services:				
Tuition	487,763.25	487,763.25	296,669.36	265,191.14
Pupils and Instructional Staff	441,544.51	407,723.96	369,501.51	340,599.03
General Administration, School Administration, and Business Operations	233,076.78	133,044.53	257,983.11	129,411.19
Operation & Maintenance of Facilities	502,802.40	399,350.28	511,339.61	405,772.37
Pupil Transportation	62,850.99	61,553.83	63,369.15	41,227.54
Interest and Fiscal Charges	171,080.00	171,080.00	184,580.00	184,580.00
Other	284,565.38	284,080.19	284,304.78	284,009.36
<b>Total Expenses</b>	<b><u>\$ 3,991,671.54</u></b>	<b><u>\$ 3,544,734.79</u></b>	<b><u>\$ 3,828,677.23</u></b>	<b><u>\$ 3,305,929.12</u></b>

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

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

**BOROUGH OF AVALON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**Governmental Activities - Continued**

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

Operation and maintenance of facilities 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.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the School District.

"Other" includes charter schools and unallocated depreciation.

**The School District's Funds**

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues and other financing sources amounted to \$3,875,487.45 and expenditures were \$4,008,027.31. The net negative change in fund balance for the year was most significant in the General Fund, a decrease of \$102,769.86.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2011, and the amount and percentage of total revenues compared to prior year revenues.

<u>Revenue</u>	<u>2010-2011 Amount</u>	<u>Percentage of Total</u>	<u>2009-2010 Amount</u>	<u>Percentage of Total</u>
Local Sources	\$ 3,631,374.65	93.69%	\$ 3,076,490.39	90.86%
State Sources	203,953.80	5.26%	260,380.99	7.69%
Federal Sources	<u>40,159.00</u>	<u>1.04%</u>	<u>48,948.42</u>	<u>1.45%</u>
Total	<u>\$ 3,875,487.45</u>	<u>100.00%</u>	<u>\$ 3,385,819.80</u>	<u>100.00%</u>

**BOROUGH OF AVALON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**The School District's Funds - Continued**

The following schedule represents a summary of general fund, special revenue fund, capital projects fund and debt service fund expenditures for the fiscal year ended June 30, 2011, and the percentage of total expenditures compared to prior year amounts.

<u>Expenditures</u>	<u>2010-2011 Amount</u>	<u>Percentage of Total</u>	<u>2009-2010 Amount</u>	<u>Percentage of Total</u>
<b>Current Expense:</b>				
Instruction	\$ 1,259,594.07	31.43%	\$ 1,275,109.06	33.89%
Undistributed Expenditures	2,083,673.96	51.99%	1,798,415.80	47.80%
Capital Outlay	23,895.00	0.60%	52,023.60	1.38%
Special Schools	3,351.28	0.08%	2,131.20	0.06%
Debt Service	528,080.00	13.18%	516,080.02	13.72%
Special Revenue	40,159.00	1.00%	48,948.42	1.30%
Transfers Out	<u>69,274.00</u>	1.73%	<u>69,302.63</u>	1.84%
<b>Total</b>	<b>\$ <u>4,008,027.31</u></b>	<b><u>98.27%</u></b>	<b>\$ <u>3,762,010.73</u></b>	<b><u>98.16%</u></b>

**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.

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. Several of these revisions bear notation:

- Miscellaneous revenue was over estimated during budget preparation resulting in a loss in revenue of \$3,814.83.
- TPAF, which is the state's contribution to the pension fund, is neither a revenue item nor an expenditure item to the district but is required to be reflected in the financial statements.
- Various expenses were below anticipated levels. These amounts were available for transfers to other accounts nearing overexpenditure.

**BOROUGH OF AVALON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**Capital Assets**

At the end of the fiscal year 2011, the School District had \$9,442,842.70 invested in land, building, furniture and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared to 2010.

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

	2011	2010
Land	\$ 1,596,318.00	\$ 1,596,318.00
Land Improvements	137,687.00	150,564.00
Buildings and Improvements	7,349,945.70	7,570,006.70
Machinery and Equipment	358,892.00	365,529.00
Total	\$ 9,442,842.70	\$ 9,682,417.70

Overall capital assets decreased \$239,575.00 from fiscal year 2010 to fiscal year 2011. For more detailed information, please refer to the Notes to the Financial Statements.

**Debt Administration**

At June 30, 2011, the School District had \$4,071,464.50 of outstanding debt. Of this amount, \$125,464.50 is for compensated absences; \$3,946,000.00 is for serial bonds payable.

At June 30, 2011, the School District's overall available legal debt margin was \$251,562,576. For more detailed information, please refer to Schedule J-13.

**For the Future**

The Borough of Avalon School District is in good financial condition presently. The School District is proud of its community support of the public schools.

In conclusion, the Borough of Avalon 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 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 Linda Fiori, School Business Administration/Board Secretary at Borough of Avalon Board of Education, 235 32<sup>nd</sup> Street, Avalon, NJ 08202.

**BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,590,777.69	\$ -	\$ 1,590,777.69
Receivables, Net (Note 4)	71,988.68	43.50	72,032.18
Due from Other Funds (Note 5)	(1,811.80)	3,977.70	2,165.90
Inventory (Note 6)		1,288.15	1,288.15
Restricted Assets:			
Cash Reserve Account	101,881.92		101,881.92
Unamortized Bond Issuance Costs (Note 9)	27,016.00		27,016.00
Capital Assets, Net (Note 7)	9,377,847.70	64,995.00	9,442,842.70
Total Assets	<u>11,167,700.19</u>	<u>70,304.35</u>	<u>11,238,004.54</u>
<b>LIABILITIES</b>			
Accounts Payable	89,051.98		89,051.98
Deferred Revenue	186,226.00	377.15	186,603.15
Noncurrent Liabilities (Note 8)			
Due Within One Year	375,000.00		375,000.00
Due Beyond One Year	3,696,124.50	340.00	3,696,464.50
Total Liabilities	<u>4,346,402.48</u>	<u>717.15</u>	<u>4,347,119.63</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,458,863.70	64,995.00	5,523,858.70
Restricted for:			
Debt Service	(82,039.75)		(82,039.75)
Capital Projects	101,881.92		101,881.92
Other Purposes	650,949.84		650,949.84
Unrestricted	691,642.00	4,592.20	696,234.20
Total Net Assets	<u>\$ 6,821,297.71</u>	<u>\$ 69,587.20</u>	<u>\$ 6,890,884.91</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Function/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 1,658,534.07	\$ -	\$ 193,498.15	\$ -	\$ (1,465,035.92)	\$ -	\$ (1,465,035.92)
Special Education	106,538.91	-	10,683.13	-	(95,855.78)	-	(95,855.78)
Other Special Instruction	42,915.25	-	3,668.20	-	(39,247.05)	-	(39,247.05)
<b>Support Services:</b>							
Tuition	487,763.25	-	-	-	(487,763.25)	-	(487,763.25)
Student & Instruction Related Services	441,544.51	-	33,820.55	-	(407,723.96)	-	(407,723.96)
School Administrative Services	131,229.17	99,371.83	167.03	-	(31,690.31)	-	(31,690.31)
Other Administrative Services	101,847.61	-	493.39	-	(101,354.22)	-	(101,354.22)
Plant Operation and Maintenance	502,802.40	103,452.12	-	-	(399,350.28)	-	(399,350.28)
Pupil Transportation	62,850.99	-	1,297.16	-	(61,553.83)	-	(61,553.83)
Special Schools	4,954.60	-	485.19	-	(4,469.41)	-	(4,469.41)
Interest on Long-Term Debt	171,080.00	-	-	-	(171,080.00)	-	(171,080.00)
Unallocated Depreciation	279,610.78	-	-	-	(279,610.78)	-	(279,610.78)
Total Governmental Activities	<u>3,991,671.54</u>	<u>202,823.95</u>	<u>244,112.80</u>	<u>-</u>	<u>(3,544,734.79)</u>	<u>-</u>	<u>(3,544,734.79)</u>
<b>Business-Type Activities:</b>							
Food Service	105,050.40	26,707.50	4,743.90	-	-	(73,599.00)	(73,599.00)
Total Business-Type Activities	<u>105,050.40</u>	<u>26,707.50</u>	<u>4,743.90</u>	<u>-</u>	<u>-</u>	<u>(73,599.00)</u>	<u>(73,599.00)</u>
<b>Total Primary Government</b>	<b>\$ 4,096,721.94</b>	<b>\$ 229,531.45</b>	<b>\$ 248,856.70</b>	<b>\$ -</b>	<b>\$ (3,544,734.79)</b>	<b>\$ (73,599.00)</b>	<b>\$ (3,618,333.79)</b>

**General Revenues:**

Taxes:				
Property Taxes, Levied for General Purposes, Net	\$ 3,078,693.50	\$ -	\$ -	\$ 3,078,693.50
Miscellaneous Income	564,184.44	-	-	564,184.44
Interest Earnings	3,385.98	-	-	3,385.98
Transfers	(69,274.00)	-	69,274.00	-
Extraordinary Items:				
Loss on Disposal of Capital Assets	(674.00)	-	-	(674.00)
Total General Revenues, Special Items, Extraordinary Items and Transfers	<u>3,576,315.92</u>	<u>69,274.00</u>	<u>(4,325.00)</u>	<u>3,645,589.92</u>
Change in Net Assets	31,581.13	-	-	27,256.13
Net Assets - Beginning	6,789,716.58	-	-	6,863,628.78
Net Assets - Ending	<u>\$ 6,821,297.71</u>	<u>\$ 69,587.20</u>	<u>\$ -</u>	<u>\$ 6,890,884.91</u>

## **FUND FINANCIAL STATEMENTS**

The individual fund financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

**BOROUGH OF AVALON SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2011**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 912,494.64	\$ -	\$ -	\$ 0.25	\$ -	\$ 912,494.89
Receivables, Net	35,505.28					35,505.28
Due from Other Funds	9,753.46					9,753.46
Receivables from Other Governments	6,243.21	3,761.00				10,004.21
Restricted Cash & Cash Equivalents	101,881.92					101,881.92
<b>Total Assets</b>	<b>\$ 1,065,878.51</b>	<b>\$ 3,761.00</b>	<b>\$ -</b>	<b>\$ 0.25</b>	<b>\$ -</b>	<b>\$ 1,069,639.76</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 7,011.98	\$ -	\$ -	\$ -	\$ -	\$ 7,011.98
Interfund Payable	9,341.61	1,744.00				11,085.61
Deferred Revenue	34,209.00	2,017.00				36,226.00
<b>Total Liabilities</b>	<b>50,562.59</b>	<b>3,761.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,323.59</b>
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
Capital Reserve	101,881.92					101,881.92
Emergency Reserve	237,792.00					237,792.00
Maintenance Reserve	293,924.00					293,924.00
Excess Surplus	5,123.31					5,123.31
Excess Surplus - Designated Subsequent Year	59,050.00					59,050.00
Debt Service Fund				0.25		0.25
<b>Assigned to:</b>						
Designated by BOE for Subsequent Expenditures	11,187.00					11,187.00
Other Purposes	55,060.53					55,060.53
<b>Unassigned, Reported in:</b>						
General Fund	251,297.16					251,297.16
<b>Total Fund Balances</b>	<b>1,015,315.92</b>	<b>-</b>	<b>-</b>	<b>0.25</b>	<b>-</b>	<b>1,015,316.17</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,065,878.51</b>	<b>\$ 3,761.00</b>	<b>\$ -</b>	<b>\$ 0.25</b>	<b>\$ -</b>	

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 \$11,625,774.70 and the accumulated depreciation is \$2,247,927.00. 9,377,847.70

Bond issuance costs are reported in the governmental fund as expenditures in the year the bonds are issued but are amortized over the life of the bonds on the statement of activities. (See Note 9) 27,016.00

Interest on long-term debt in the statement of activities is accrued, regardless of when due. (82,040.00)

Internal service funds are used by management to charge the costs of certain activities, such as building use charges, to individual funds or other governmental entities. The net revenue (expense) of the internal service funds is reported with governmental activities. (See B-4) 554,282.34

Long-term liabilities, including bonds and compensated absences payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (4,071,124.50)

Net assets of governmental activities \$ 6,821,297.71

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
<b>REVENUES</b>						
Local Sources:						
Local Tax Levy	\$ 3,078,693.50	\$ -	\$ -	\$ -	\$ -	\$ 3,078,693.50
Tuition Charges	44,800.00					44,800.00
Interest Earned on Investment	3,385.98					3,385.98
Miscellaneous	6,185.17					6,185.17
Total Local Sources	<u>3,133,064.65</u>	-	-	-	-	3,133,064.65
State Sources	203,953.80	-				203,953.80
Federal Sources		40,159.00				40,159.00
Total Revenues	<u>3,337,018.45</u>	<u>40,159.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,377,177.45</u>
<b>EXPENDITURES</b>						
Current:						
Regular Instruction	1,157,734.56	40,159.00				1,197,893.56
Special Education Instruction	71,065.99					71,065.99
Other Special Instruction	30,793.52					30,793.52
Support Services:						
Tuition	487,763.25					487,763.25
Student & Instruction Related Serv.	335,940.88	-				335,940.88
School Administrative Services	25,335.31					25,335.31
Other Administrative Services	65,286.12					65,286.12
Plant Operation and Maintenance	356,796.80					356,796.80
Pupil Transportation	60,049.29					60,049.29
Business and Other Support Serv.	34,208.55					34,208.55
Employee Benefits	718,293.76					718,293.76
Capital Outlay	23,895.00	-	-			23,895.00
Special Schools	3,351.28					3,351.28
Debt Service:						
Redemption of Bond Principal				350,000.00		350,000.00
Interest on Bonds and Notes				178,080.00		178,080.00
Total Expenditures	<u>3,370,514.31</u>	<u>40,159.00</u>	<u>-</u>	<u>528,080.00</u>	<u>-</u>	<u>3,938,753.31</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(33,495.86)</u>	<u>-</u>	<u>-</u>	<u>(528,080.00)</u>	<u>-</u>	<u>(561,575.86)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer in				498,310.00		498,310.00
Transfer out	(69,274.00)					(69,274.00)
Total Other Financing Sources and Uses	<u>(69,274.00)</u>	<u>-</u>	<u>-</u>	<u>498,310.00</u>	<u>-</u>	<u>429,036.00</u>
Net Changes in Fund Balance	(102,769.86)	-	-	(29,770.00)	-	(132,539.86)
Fund Balance - July 1	1,118,085.78	-	-	29,770.25	-	1,147,856.03
Fund Balance - June 30	<u>\$ 1,015,315.92</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.25</u>	<u>\$ -</u>	<u>\$ 1,015,316.17</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2011**

Total Net Change in Fund Balance - Governmental Funds (from B-2) \$ (132,539.86)

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, on 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 depreciation exceeded capital outlays in the current fiscal year.

	Depreciation expense	\$ (276,609.00)	
	Loss on Disposal of Capital Assets	(674.00)	
	Capital Outlays	<u>43,961.00</u>	
			(233,322.00)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities

Bonds payable 350,000.00

Bond issuance costs are reported in the governmental funds as expenditures in the year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.

Amortization expense (3,001.78)

In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The realization of accrued interest is an addition in the reconciliation.

7,000.00

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

28,555.50

Internal service funds are used by management to charge the costs of certain activities, such as building use charges, to individual funds or other governmental entities. The net revenue (expense) of the internal service funds is reported with governmental activities. (See B-5)

14,889.27

Change in Net Assets of Governmental Activities

\$ 31,581.13

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Net Assets**  
**June 30, 2011**

	Business-Type Activities - Enterprise Fund		Governmental Activities Internal Service Funds (See G-4)
	Food Service	Totals	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ -	\$ -	\$ 678,282.80
Accounts Receivable	43.50	43.50	26,479.19
Interfund Receivable	9,293.46	9,293.46	48.15
Inventories	1,288.15	1,288.15	
Total Current Assets	<u>10,625.11</u>	<u>10,625.11</u>	<u>704,810.14</u>
Noncurrent Assets:			
Furniture, Machinery & Equipment	111,820.00	111,820.00	
Less: Accumulated Depreciation	(46,825.00)	(46,825.00)	
Total Noncurrent Assets	<u>64,995.00</u>	<u>64,995.00</u>	<u>-</u>
Total Assets	<u>\$ 75,620.11</u>	<u>\$ 75,620.11</u>	<u>\$ 704,810.14</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Interfunds Payable	\$ 5,315.76	\$ 5,315.76	\$ 527.80
Deferred Revenue	377.15	377.15	150,000.00
Total Current Liabilities	<u>5,692.91</u>	<u>5,692.91</u>	<u>150,527.80</u>
Noncurrent Liabilities:			
Compensated Absences Payable	340.00	340.00	-
Total Noncurrent Liabilities	<u>340.00</u>	<u>340.00</u>	<u>-</u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt	64,995.00	64,995.00	-
Restricted for:			
Other Purposes			12,396.66
Unrestricted	4,592.20	4,592.20	541,885.68
Total Net Assets	<u>\$ 69,587.20</u>	<u>\$ 69,587.20</u>	<u>\$ 554,282.34</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2011**

	Business-Type Activities - Enterprise Fund		Governmental Activities Internal Service Funds (See G-5)
	Food Service	Totals Enterprise Fund	
<b>Operating Revenues:</b>			
<b>Charges for Services:</b>			
Daily Sales - Reimbursable Programs	\$ 26,707.50	\$ 26,707.50	\$ -
Interlocal Revenue - Borough Library	-	-	616,651.39
Interlocal Revenue - Services Provided to Other LEA's	-	-	99,371.83
<b>Total Operating Revenue</b>	<u>26,707.50</u>	<u>26,707.50</u>	<u>716,023.22</u>
<b>Operating Expenses:</b>			
Cost of Sales	25,633.52	25,633.52	
Salaries	41,213.69	41,213.69	105,341.92
Employee Benefits	27,401.50	27,401.50	22,290.58
Utilities	1,309.30	1,309.30	
General Supplies	3,239.39	3,239.39	75,191.45
Depreciation	6,253.00	6,253.00	
<b>Total Operating Expenses</b>	<u>105,050.40</u>	<u>105,050.40</u>	<u>202,823.95</u>
<b>Operating Income (Loss)</b>	<u>(78,342.90)</u>	<u>(78,342.90)</u>	<u>513,199.27</u>
<b>Nonoperating Revenues (Expenses):</b>			
<b>State Sources:</b>			
State School Lunch Program	300.08	300.08	
<b>Federal Sources:</b>			
National School Lunch Program	3,066.00	3,066.00	
Food Distribution Program	1,377.82	1,377.82	
<b>Total Nonoperating Revenues (Expenses)</b>	<u>4,743.90</u>	<u>4,743.90</u>	<u>-</u>
<b>Income (Loss) before Contributions &amp; Transfers</b>	<u>(73,599.00)</u>	<u>(73,599.00)</u>	<u>513,199.27</u>
<b>Transfers In (Out)</b>	<u>69,274.00</u>	<u>69,274.00</u>	<u>(498,310.00)</u>
<b>Changes in Net Assets</b>	<u>(4,325.00)</u>	<u>(4,325.00)</u>	<u>14,889.27</u>
<b>Total Net Assets - Beginning</b>	<u>73,912.20</u>	<u>73,912.20</u>	<u>539,393.07</u>
<b>Total Net Assets - Ending</b>	<u>\$ 69,587.20</u>	<u>\$ 69,587.20</u>	<u>\$ 554,282.34</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

	Business-Type Activities - Enterprise Fund		Governmental Activities Internal Service Funds (See G-6)
	Food Service	Totals Enterprise Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 31,936.11	\$ 31,936.11	\$ 690,071.83
Payments to Vendors - Cost of Sales	(26,218.07)	(26,218.07)	-
Payments to Employees	(41,213.69)	(41,213.69)	(105,341.92)
Payments for Employee Benefits	(27,529.00)	(27,529.00)	(22,290.58)
Payments for Utilities	(1,309.30)	(1,309.30)	(60,023.71)
Payments for Supplies	(3,239.39)	(3,239.39)	(15,167.74)
Net Cash Provided by (Used for) Operating Activities	<u>(67,573.34)</u>	<u>(67,573.34)</u>	<u>487,247.88</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
State Sources	303.90	303.90	
Federal Sources	3,210.87	3,210.87	
Food Distribution Program	1,377.82	1,377.82	
Operating Subsidies and Transfers to Other Funds	61,673.23	61,673.23	(498,310.00)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>66,565.82</u>	<u>66,565.82</u>	<u>(498,310.00)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
None	-	-	-
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,007.52)	(1,007.52)	(11,062.12)
Balance - Beginning of Year	1,007.52	1,007.52	689,344.92
Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 678,282.80</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (78,342.90)	\$ (78,342.90)	\$ 513,199.27
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Net Amortization	6,253.00	6,253.00	
(Increase) Decrease in Accounts Receivable	(27.10)	(27.10)	(23,014.39)
(Increase) Decrease in Inventories	(584.55)	(584.55)	
(Increase) Decrease in Interfund Receivable	5,315.76	5,315.76	
(Decrease) Increase in Interfund Payable			(2,937.00)
Increase (Decrease) in Compensated Absences	(127.50)	(127.50)	
Increase (Decrease) in Deferred Revenue	(60.05)	(60.05)	
Total Adjustments	<u>10,769.56</u>	<u>10,769.56</u>	<u>(25,951.39)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (67,573.34)</u>	<u>\$ (67,573.34)</u>	<u>\$ 487,247.88</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Net Assets**  
**June 30, 2011**

	Unemployment Compensation	Private Purpose Scholarship Fund	Agency Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 76,770.36	\$ 3,774.75	\$ 16,096.76
Investments, at Fair Value:			
None			
Total Investments	-	-	-
Interfund Receivable	-	-	427.92
<b>Total Assets</b>	76,770.36	3,774.75	16,524.68
<b>LIABILITIES</b>			
Interfund Payable	427.92		2,165.90
Payable to Student Groups			470.34
Payroll Deductions and Withholdings			13,888.44
<b>Total Liabilities</b>	427.92	-	16,524.68
<b>NET ASSETS</b>			
Held in Trust for Unemployment Claims and Other Purposes	\$ 76,342.44		
Reserve for Scholarships		\$ 3,774.75	

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2011**

	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Fund</u>
<b>ADDITIONS</b>		
Contributions:		
Plan Members	\$ 2,755.15	\$ -
Total Contributions	<u>2,755.15</u>	<u>-</u>
Investment Earnings:		
Interest	154.17	198.01
Less: Investment Expense		
Net Investment Earnings	<u>154.17</u>	<u>198.01</u>
Total Additions	<u>2,909.32</u>	<u>198.01</u>
<b>DEDUCTIONS</b>		
Unemployment Claims	579.33	
Total Deductions	<u>579.33</u>	<u>-</u>
Changes in Net Assets	2,329.99	198.01
Net Assets - Beginning of the Year	74,012.45	3,576.74
Net Assets - End of the Year	<u>\$ 76,342.44</u>	<u>\$ 3,774.75</u>

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

**A. Reporting Entity**

The District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. The purpose of the district is to educate students in grades 1 to 8. The District operates one elementary school located in the Borough of Avalon.

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. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

**B. Basis of Presentation, Measurement Focus and Basis of Accounting**

**Basis of Presentation**

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

*District-Wide Financial Statements:* The statement of net assets and the statement of activities display information about the district as a whole. These statements report the financial activities of the overall District, except for fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by property taxes, intergovernmental revenues, and other non-exchange transactions from business-type activities, generally financed in whole or in part with fees charged to external parties.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued**

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

**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 non-instructional equipment, which are classified in the capital outlay sub-fund.

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 sources that are legally restricted to expenditures for specified purposes.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued**

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.

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

Proprietary Funds

The District reports the following proprietary funds:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business operations – where the intent of the District is that the costs of providing goods or services be financed or recovered primarily through user charges. The District's Enterprise Fund is comprised of the Food Service Fund. The Food Service Fund accounts for all revenues and expenses pertaining to the District's cafeteria operations.

Internal Service Fund - Internal Service funds are used to charge costs for certain activities to individual funds or other governmental entities. The District's internal service fund is comprised of building use and curriculum service charges.

Fiduciary Funds

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

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

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

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

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued**

**Measurement Focus and Basis of Accounting**

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

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

**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 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. 6A:23-2.2(g). All budget amendments/transfer must be approved by School Board resolution. 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.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Budgets/Budgetary Control - Continued**

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. At June 30, 2011, no adjustments were necessary.

**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.

**E. Assets, Liabilities and Equity**

**Cash, Cash Equivalents and Investments**

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

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Assets, Liabilities and Equity - Continued**

Cash, Cash Equivalents and Investments - Continued

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

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 expenditure/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories

Inventories, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Inventories in the Enterprise Fund are recorded at cost, computed on a first-in, first out method. In the fund based financial statements, commodities received from the U.S. Department of Agriculture are recorded as deferred revenue until consumed.

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 assets are recorded as capital assets at their estimated fair market value at the date of donation. 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 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 over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Assets, Liabilities and Equity - Continued**

Compensated Absences

The District accounts for compensated absences (e.g., unused sick, vacation leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

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

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.

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. Grants and entitlements received in the Special Revenue Fund before they have been earned are 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.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**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

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classified governmental fund balances as follows;

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Education, Superintendent or Business Administrator.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Assets, Liabilities and Equity - Continued**

Revenues – Exchange and Nonexchange Transactions

Revenues 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, 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, entitlement, and donations is recognized in the period 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 specific 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 as an advance, interest and tuition.

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 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 direct 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.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Assets, Liabilities and Equity - Continued**

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 control of management and are either unusual in nature or infrequent in occurrence.

Management Estimates

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Deposits

The District's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by FDIC.

Bank balances are insured up to \$250,000.00 in the aggregate by the FDIC for each bank. Operating cash, in the form various checking, savings and certificates of deposit, are held in the District's name by commercial banking institutions. At June 30, 2011, the carrying amount of the District's deposits was \$1,789,301.38 and the bank balance was \$1,938,324.09. Of the bank balance, \$145,123.42 was uninsured and uncollateralized.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's bank 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 District 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 (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The District does not have a policy for custodial credit risk.

Investments

The District had no investments at June 30, 2011.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 3 – CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by Avalon Board of Education by the inclusion of \$15,000.00 in the 1991/92 school year 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.

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 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. 6:23A-2.13(g) 7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2011, consisted of accounts (transportation and other), interfund, and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>		<u>Government Wide Financial Statements</u>
State Aid	\$ 6,243.21	\$	6,259.61
Federal Aid	3,761.00		3,761.00
Interfunds	9,753.46		2,165.90
Other	<u>35,505.28</u>		<u>62,011.57</u>
Gross Receivables	55,262.95		74,198.08
Less: Allowance for Uncollectibles			
Total Receivables, Net	<u>\$ 55,262.95</u>	\$	<u>74,198.08</u>

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 5 – INTERFUND TRANSFERS AND BALANCES**

Transfers between funds are used to (1) move investment income earned in the Trust and Agency Fund to the General Fund and; (2) repay expenses paid by another fund

The following interfund balances remained on the fund financial statements at June 30, 2011:

	Interfund Receivable	Interfund Payable
General Fund	\$ 9,753.46	\$ 9,341.61
Special Revenue Fund		1,744.00
Food Service Fund	9,293.46	5,315.76
Internal Service Fund	48.15	527.80
Trust and Agency		2,165.90
Total Receivables, Net	\$ <u>19,095.07</u>	\$ <u>19,095.07</u>

The general fund receivable is comprised of four interfunds. The first is due from the special revenue fund in the amount of \$1,744.00 which is a result of the general funds loan to cover the special revenue funds cash deficit. The second interfund represents payments totaling \$527.80 on behalf of the internal service fund for extra services but has not yet been reimbursed. The third interfund relates to \$5,315.76 owed to the general fund, which the food service enterprise fund received to pay food service charges. The fourth interfund is owed to the general fund in the amount of \$2,165.90 from the Payroll and Payroll Agency fund.

**NOTE 6 – INVENTORY**

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

Food	\$ 1,288.15
Supplies	
	\$ 1,288.15

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 7 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,596,318.00	\$ -	\$ -	\$ 1,596,318.00
Total capital assets not being depreciated	<u>1,596,318.00</u>	<u>-</u>	<u>-</u>	<u>1,596,318.00</u>
Capital assets being depreciated:				
Land Improvements	219,442.00	-	-	219,442.00
Buildings and building improvements	9,254,211.70	-	-	9,254,211.70
Machinery and Equipment	521,115.00	43,961.00	(9,273.00)	555,803.00
Total capital assets being depreciated at historical cost	<u>9,994,768.70</u>	<u>43,961.00</u>	<u>(9,273.00)</u>	<u>10,029,456.70</u>
Less accumulated depreciation for:				
Land Improvements	(68,878.00)	(12,877.00)	-	(81,755.00)
Buildings and improvements	(1,684,205.00)	(220,061.00)	-	(1,904,266.00)
Equipment	(226,834.00)	(43,671.00)	8,599.00	(261,906.00)
Total capital assets being depreciated, net of accumulated depreciation	<u>8,014,851.70</u>	<u>(232,648.00)</u>	<u>(674.00)</u>	<u>7,781,529.70</u>
Governmental activity capital assets, net	<u>\$ 9,611,169.70</u>	<u>\$ (232,648.00)</u>	<u>\$ (674.00)</u>	<u>\$ 9,377,847.70</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Equipment	\$ 111,820.00	\$ -	\$ -	\$ 111,820.00
Less accumulated depreciation	<u>(40,572.00)</u>	<u>(6,253.00)</u>	<u>-</u>	<u>(46,825.00)</u>
Enterprise Fund capital assets, net	<u>\$ 71,248.00</u>	<u>\$ (6,253.00)</u>	<u>\$ -</u>	<u>\$ 64,995.00</u>



**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 9 – DEFERRED BOND ISSUANCE COSTS**

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (15 years). The cost associated with the 2004 bonds amounted to \$45,026.68. Amortization started in fiscal year June 30, 2006. Amortization expense in fiscal year June 30, 2011 is \$3,001.78. The balance of unamortized bond issuance costs at June 30, 2011 was \$27,016.00.

**NOTE 10 – 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 or the Defined Contribution Retirement Program 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 the 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.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution at retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 10 – PENSION PLANS - Continued**

Defined Contribution Retirement Program (DCRP) - (Continued)

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contribution amounts for each pay period are required to be transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The School District has no employees enrolled in the Defined Contribution Retirement Program (DCRP) during the fiscal year ended June 30, 2011.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS 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 - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) that 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, 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 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a non-contributing employer of the TPAF.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 10 – PENSION PLANS - Continued**

The School District's contributions to TPAF for the years ending June 30, 2011, 2010 and 2009 were \$0, \$0, and \$0 respectively, and normally paid by the State of New Jersey on behalf of the board. The State of New Jersey did not make the required contributions for the last three years. The School District's contributions to PERS for the years ending June 30, 2011, 2010, 2009 were \$24,387.00, \$18,531.00, and \$14,815.00 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2011, 2010 and 2009, the State of New Jersey contributed \$87,668.00, \$80,933.00, and \$76,800.00, respectively, to the TPAF for post-retirement medical benefits on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$110,861.64, \$101,311.99, and \$102,707.49 during the same fiscal years for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB 27.

**NOTE 11 – POST-RETIREMENT BENEFITS**

The School District contributes to the New Jersey State Health Benefits Program ("the SHBP"), a cost sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The Division of Pension and Benefits 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.

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, C. 103 amended the law to eliminate the funding and payment of post-retirement medical benefits for retired state employees through 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.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 12 – COMPENSATED ABSENCES**

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, there is a liability for compensated absences in the Food Service Fund of \$340.00.

**NOTE 13 – DEFERRED COMPENSATION**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit 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:

Siracusa

**NOTE 14 – RISK MANAGEMENT**

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

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

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest on Investments</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ 2,582.51	\$ 154.17	\$ 406.69	\$ 76,342.44
2009-2010	1,836.46	293.31	1,198.93	74,012.45
2008-2009	2,412.76	733.32	217.15	73,081.61

**NOTE 15 – CONTINGENT LIABILITIES**

Federal and State Grants

The District participates in a number of federal and state grant programs. The grant programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs.

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 16 – ECONOMIC DEPENDENCY**

The District receives support from the Borough of Avalon in the form of local property taxes. A significant reduction in the level of support, if this were to occur, would have an effect on the District's programs and activities.

**NOTE 17 – COMMITMENTS**

The District does not have encumbrance policy for the fiscal year end to determine significant encumbrances. All encumbrances are classified as either Assigned Fund Balance in the General Fund. Significant encumbrances at June 30<sup>th</sup> are as follows;

Fund	Amount
General Fund Encumbered Orders	\$ 55,060.53
	\$ 55,060.53

**NOTE 18 – FUND BALANCE APPROPRIATED**

Restrictions of funds balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District does not have a formal fund balance spending policy therefore the default spending order requires committed, assigned and then unassigned to be used be spent first when expenditures are made.

The District follows the State of New Jersey's minimum fund balance policy for New Jersey Regular Public School Districts (N.J.S.A. 18A:7F-7). Pursuant to that policy, an undesignated fund balance of 2% of the general fund budget or \$250,000, whichever is greater may be maintained.

Specific classifications of fund balance are summarized below;

Non-Spendable Fund Balance – The District had no non-spendable fund balance at June 30, 2011.

Restricted Fund Balance

Capital Reserve Account – Of the \$101,881.92 balance in the capital reserve account at June 30, 2011. These funds are restricted for future capital outlay expenditures for projects in the School District's long range facilities plan (LRFP).

Emergency Reserve Account – As of June 30, 2011, the balance in the emergency reserve was \$237,792.00. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a thorough and efficient education in accordance with N.J.S.A. 18A:7F-41c(1).

**BOROUGH OF AVALON SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 18 – FUND BALANCE APPROPRIATED - Continued**

Restricted Fund Balance - Continued

Reserve for Excess Surplus – There was excess fund balance in the amount of \$5,123.31 at June 30, 2011. This amount will be appropriated as revenue in support of the 2012-2013 School Budget. \$59,050.00 was appropriated in the 2011-2012 school budget and was restricted as of June 30, 2011.

Maintenance Reserve Account – Of the \$293,924.00 balance in the maintenance reserve account at June 30, 2011. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Debt Service Fund - As of June 30, 2011, the restricted balance in the debt service fund was \$0.25.

Committed Fund Balance - The District has no committed fund balance at June 30, 2011.

Assigned Fund Balance – At June 30, 2011, the Board of Education has assigned and the voters have approved, \$11,187.00 of general fund balance to expenditures in the 2011-12 budget.

In addition, the District assigned fund balance in the general fund for other purposes of \$55,060.53. This represents encumbrances resulting from issuing purchase orders as a result of normal purchasing activities approved by District officials.

Unassigned Fund Balance – At June 30, 2011, the District has \$251,297.16 of unassigned fund balance in the general fund and \$0.25 in the debt service fund.

**NOTE 19 – CALCULATION OF EXCESS SURPLUS**

In accordance with N.J.S.A. 18A:7F-7, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount of budgeted fund balance in their subsequent years' budget. The excess fund balance generated in June 30, 2011 is \$5,123.31.

**NOTE 20 – SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2011 through November 1, 2011, the date that the financial statements were issued for possible disclosure and recognition in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**BUDGETARY COMPARISON SCHEDULES**

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 3,078,694.00	\$ -	\$ 3,078,694.00	\$ 3,078,693.50	\$ (0.50)
Tuition	44,800.00		44,800.00	44,800.00	-
Interest Earned on Investment			-	3,385.98	3,385.98
Interest on Capital Reserve	100.00		100.00		(100.00)
Unrestricted Miscellaneous Revenues	10,000.00		10,000.00	6,185.17	(3,814.83)
Total Local Sources	<u>3,133,594.00</u>		<u>3,133,594.00</u>	<u>3,133,064.65</u>	<u>(529.35)</u>
State Sources:					
NonPublic Transportation Aid			-	1,297.16	1,297.16
On-behalf TPAF Non-Contrib. Life (non-budgeted)			-	4,127.00	4,127.00
On-behalf TPAF Postretirement Contributions (non-budgeted)			-	87,668.00	87,668.00
TPAF Social Security (Reimbursed- Non-Budgeted)			-	110,861.64	110,861.64
Total State Sources	<u>-</u>		<u>-</u>	<u>203,953.80</u>	<u>203,953.80</u>
Total Revenues	<u>3,133,594.00</u>		<u>3,133,594.00</u>	<u>3,337,018.45</u>	<u>203,424.45</u>
<b>EXPENDITURES:</b>					
CURRENT EXPENSE					
Grades 1 - 5 Salaries of Teachers	580,594.00	(48,723.00)	531,871.00	531,870.75	0.25
Grades 6 - 8 Salaries of Teachers	459,808.00	(9,782.00)	450,026.00	450,025.57	0.43
Regular Programs - Home Instruction					
Salaries of Teachers	500.00	(327.00)	173.00		173.00
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	31,840.00	718.00	32,558.00	32,558.00	-
Purchased Professional Educational Services	3,899.00	(1,568.00)	2,331.00	2,331.00	-
Other Purchased Services (400-500 series)	26,688.00	(5,649.00)	21,039.00	20,879.88	159.12
General Supplies	75,000.00	46,277.29	121,277.29	87,077.04	34,200.25
Textbooks	15,000.00	(3,477.86)	11,522.14	11,521.57	0.57
Miscellaneous Expenditures	15,000.00	6,510.00	21,510.00	21,470.75	39.25
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>1,208,329.00</u>	<u>(16,021.57)</u>	<u>1,192,307.43</u>	<u>1,157,734.56</u>	<u>34,572.87</u>
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center					
Salaries of Teachers	66,583.00	4,094.00	70,677.00	70,677.00	-
General Supplies	500.00	(111.00)	389.00	388.99	0.01
Textbooks	200.00	(200.00)	-	-	-
Total Resource Room/Resource Center	<u>67,283.00</u>	<u>3,783.00</u>	<u>71,066.00</u>	<u>71,065.99</u>	<u>0.01</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>67,283.00</u>	<u>3,783.00</u>	<u>71,066.00</u>	<u>71,065.99</u>	<u>0.01</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	20,748.00	(9,435.00)	11,313.00	10,812.90	500.10
Textbooks	200.00	(4.00)	196.00		196.00
Total Basic Skills/Remedial - Instruction	<u>20,948.00</u>	<u>(9,439.00)</u>	<u>11,509.00</u>	<u>10,812.90</u>	<u>696.10</u>
School-Spon. Cocurricular Activities - Instruction					
Salaries	14,510.00	(1,039.59)	13,470.41	13,455.00	15.41
Other Purchased Services	5,366.00		5,366.00	5,276.37	89.63
Supplies & Materials	1,000.00	852.00	1,852.00	1,249.25	602.75
Total School-Spon. Cocurricular Activities - Inst.	<u>20,876.00</u>	<u>(187.59)</u>	<u>20,688.41</u>	<u>19,980.62</u>	<u>707.79</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
School-Spon. Athletics - Instruction					
Salaries	\$ 983.00	\$ (983.00)	\$ -	\$ -	\$ -
Other Purchased Services	700.00	(700.00)	-	-	-
Supplies & Materials	1,000.00	(898.00)	102.00	-	102.00
Total School-Spon. Cocurricular Activities - Inst.	<u>2,683.00</u>	<u>(2,581.00)</u>	<u>102.00</u>	<u>-</u>	<u>102.00</u>
<b>TOTAL INSTRUCTION</b>	<u>1,320,119.00</u>	<u>(24,446.16)</u>	<u>1,295,672.84</u>	<u>1,259,594.07</u>	<u>36,078.77</u>
<b>UNDISTRIBUTED EXPENDITURES</b>					
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State-Regular	399,451.00	850.00	400,301.00	400,300.14	0.86
Tuition to Other LEAs Within the State-Special	21,491.00	1.00	21,492.00	21,491.11	0.89
Tuition to County Vocational School	1,508.00		1,508.00	1,508.00	-
Tuition to County Special Services School	4,878.00	59,696.00	64,574.00	64,464.00	110.00
Total Undistributed Expenditures - Instruction	<u>427,328.00</u>	<u>60,547.00</u>	<u>487,875.00</u>	<u>487,763.25</u>	<u>111.75</u>
Undistributed Expend. - Attendance & Social Work					
Salaries	13,410.00	52.00	13,462.00	13,461.84	0.16
Purchased Professional and Technical Services	7,404.00		7,404.00	7,296.00	108.00
Other Purchased Services (400-500)	2,000.00		2,000.00	2,000.00	-
Total Undistributed Expend. - Attendance Services	<u>22,814.00</u>	<u>52.00</u>	<u>22,866.00</u>	<u>22,757.84</u>	<u>108.16</u>
Undistributed Expend. - Health Services					
Salaries	60,945.00	2,632.00	63,577.00	63,577.00	-
Purchased Professional and Technical Services	750.00	(4.00)	746.00	746.00	-
Supplies & Materials	2,000.00	(1,276.00)	724.00	641.65	82.35
Total Undistributed Expend. - Health Services	<u>63,695.00</u>	<u>1,352.00</u>	<u>65,047.00</u>	<u>64,964.65</u>	<u>82.35</u>
Undist. Expend. - Other Support Serv. Students - Speech, OT, PT & Related Services					
Purchased Professional - Educational Services	8,709.00	10,085.00	18,794.00	18,793.32	0.68
Total Undist. Expend. - Other Support Serv. Students - Speech, OT, PT & Related Services	<u>8,709.00</u>	<u>10,085.00</u>	<u>18,794.00</u>	<u>18,793.32</u>	<u>0.68</u>
Undist. Expend. - Other Support Serv. Students - Extraordinary Services					
Purchased Professional - Educational Services	-	15,105.00	15,105.00	15,104.43	0.57
Total Undist. Expend. - Other Support Serv. Students - Extraordinary Services	<u>-</u>	<u>15,105.00</u>	<u>15,105.00</u>	<u>15,104.43</u>	<u>0.57</u>
Undist. Expend. - Other Support Serv.-Guidance Services					
Other Purch. Professional and Technical Services	600.00	(600.00)	-	-	-
Supplies & Materials	500.00	(128.00)	372.00	334.89	37.11
Total Undist. Expend. - Other Support Serv.- Guid. Serv	<u>1,100.00</u>	<u>(728.00)</u>	<u>372.00</u>	<u>334.89</u>	<u>37.11</u>
Undist. Expend. - Other Support Serv.- Child Study Team					
Salaries of Secretarial and Clerical Assistants	8,940.00	35.00	8,975.00	8,974.56	0.44
Purchased Professional - Educational Services	30,800.00	1,316.00	32,116.00	32,115.24	0.76
Other Purch. Professional and Technical Services	2,810.00	(54.00)	2,756.00	2,756.00	-
Total Undist. Expend. - Other Support Serv.-Child Study Team	<u>42,550.00</u>	<u>1,297.00</u>	<u>43,847.00</u>	<u>43,845.80</u>	<u>1.20</u>
Undist. Expend. - Improvement of Inst. Services					
Salaries of Supervisor of Instruction	51,580.00	749.00	52,329.00	52,328.16	0.84
Salaries of Other Professional Staff	325.00	25.00	350.00	350.00	-
Salaries of Secretarial and Clerical Assistants	5,588.00	22.00	5,610.00	5,609.04	0.96
Purchased Professional - Educational Services	1,000.00	3,306.00	4,306.00	4,269.00	37.00
Other Purch. Professional and Technical Services	6,031.00	(89.00)	5,942.00	5,941.37	0.63
Supplies and Materials	1,800.00	(1,682.00)	118.00	117.75	0.25
Other Objects	1,000.00	(707.00)	293.00	241.00	52.00
Total Undist. Expend. - Improvement of Inst. Serv.	<u>67,324.00</u>	<u>1,624.00</u>	<u>68,948.00</u>	<u>68,856.32</u>	<u>91.68</u>
Undist. Expend. - Educational Media / School Library					
Salaries	75,171.00	4,277.00	79,448.00	79,447.92	0.08
Supplies & Materials	4,000.00	274.00	4,274.00	4,053.57	220.43
Total Undistributed Expenditures - Educational Media Services / School Library	<u>79,171.00</u>	<u>4,551.00</u>	<u>83,722.00</u>	<u>83,501.49</u>	<u>220.51</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undist. Expend. - Instructional Staff Training Serv.					
Purchased Professional - Educational Services	\$ 5,000.00	\$ (1,955.00)	\$ 3,045.00	\$ 2,900.00	\$ 145.00
Other Purch. Professional and Technical Services	10,731.00		10,731.00	10,552.74	178.26
Other Purchased Services (400-500 series)	8,500.00	(4,598.00)	3,902.00	3,889.04	12.96
Supplies and Materials		116.00	116.00	115.36	0.64
Other Objects		325.00	325.00	325.00	-
<b>Total Undistributed Expenditures - Instructional Staff Training Services</b>	<b>24,231.00</b>	<b>(6,112.00)</b>	<b>18,119.00</b>	<b>17,782.14</b>	<b>336.86</b>
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	3,393.00	(128.00)	3,265.00	3,264.16	0.84
Legal Services	500.00	12,633.00	13,133.00	13,132.65	0.35
Audit Fees	8,500.00	500.00	9,000.00	9,000.00	-
Other Purchased Professional Services	24,295.00	369.00	24,664.00	24,493.07	170.93
Purchased Technical Services	2,400.00	(1,930.00)	470.00	470.00	-
Communications/Telephone	3,856.00	(2,022.00)	1,834.00	1,833.63	0.37
Other Purchased Services (400-500 series)	750.00	(749.00)	1.00	1.00	-
BOE Other Purchased Services	7,402.00	392.00	7,794.00	7,793.27	0.73
General Supplies	3,000.00	589.75	3,589.75	3,323.89	265.86
BOE In-House Training/Meeting Supplies	500.00	(164.00)	336.00	336.00	-
Miscellaneous Expenditures	500.00		500.00	500.00	-
BOE Membership Dues and Fees	4,032.00		4,032.00	2,445.45	1,586.55
<b>Total Undistributed Expenditures - Support Services - General Administration</b>	<b>59,128.00</b>	<b>9,490.75</b>	<b>68,618.75</b>	<b>65,286.12</b>	<b>3,332.63</b>
Undist. Expend. - Supp. Serv. - School Admin.					
Salaries of Secretarial and Clerical Assistants	425.00	680.00	1,105.00	1,105.00	-
Purchased Professional and Technical Services	24,145.00		24,145.00	23,743.67	401.33
Supplies & Materials	250.00		250.00	176.64	73.36
Other Objects	750.00	(440.00)	310.00	310.00	-
<b>Total Undistributed Expenditures - Support Services - School Administration</b>	<b>25,570.00</b>	<b>240.00</b>	<b>25,810.00</b>	<b>25,335.31</b>	<b>474.69</b>
Undistributed Expenditures - Central Services					
Purchased Professional Services	28,096.00		28,096.00	27,556.00	540.00
Purchased Technical Services	6,375.00	525.00	6,900.00	6,652.55	247.45
Supplies and Materials	1,000.00	(525.00)	475.00	475.00	-
Miscellaneous Expenditures	100.00		100.00	100.00	-
<b>Total Undistributed Expenditures - Central Services</b>	<b>35,571.00</b>	<b>-</b>	<b>35,571.00</b>	<b>34,208.55</b>	<b>1,362.45</b>
Undist. Expend. - Required Maint. School Fac.					
Salaries	36,842.00	(535.00)	36,307.00	36,306.81	0.19
Cleaning, Repair and Maintenance Service	26,484.00	2,352.00	28,836.00	28,754.58	81.42
<b>Total Undistributed Expenditures - Required Maintenance for School Facilities</b>	<b>63,326.00</b>	<b>1,817.00</b>	<b>65,143.00</b>	<b>65,061.39</b>	<b>81.61</b>
Undist. Expend. - Custodial Services					
Salaries	54,974.00	419.00	55,393.00	55,392.65	0.35
Purchased Professional and Technical Services	29,062.00	(5,486.00)	23,576.00	23,575.35	0.65
Cleaning, Repair and Maintenance Service	20,119.00	26,824.00	46,943.00	46,502.40	440.60
Rent of Land & Buildings - Oth. than Lease Purch.	1,500.00	29.00	1,529.00	1,529.00	-
Insurance	30,059.00	(3,967.00)	26,092.00	25,231.00	861.00
Miscel. Purch. Serv.	10,750.00	(5,062.00)	5,688.00	5,687.20	0.80
General Supplies	17,000.00	1,846.00	18,846.00	18,845.44	0.56
Natural Gas		68,651.00	68,651.00	68,650.97	0.03
Energy(Energy and Electricity)	139,508.00	(71,893.00)	67,615.00	46,056.40	21,558.60
Other Objects	800.00		800.00	265.00	535.00
<b>Total Undistributed Expenditures - Custodial Services</b>	<b>303,772.00</b>	<b>11,361.00</b>	<b>315,133.00</b>	<b>291,735.41</b>	<b>23,397.59</b>
<b>Total Undistributed Expenditures Operations and Maintenance of Plant</b>	<b>367,098.00</b>	<b>13,178.00</b>	<b>380,276.00</b>	<b>356,796.80</b>	<b>23,479.20</b>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undist. Expend. - Student Transportation Serv.					
Salaries for Pupil Trans. (Bet. Home & School)	\$ 1,118.00	\$ 4.00	\$ 1,122.00	\$ 1,121.76	\$ 0.24
Sal. Pupil Trans. (Bet. Home & School) Nonpublic	4,470.00	18.00	4,488.00	4,487.28	0.72
Other Purchased Prof. and Technical Serv.	16,350.00	(1.00)	16,349.00	16,063.74	285.26
Contr. Serv. (Bet. Home & School) - Joint Arr.	32,572.00		32,572.00	32,282.89	289.11
Contr. Serv. (Bet. Home & School) - Joint Special	10,500.00	(9,848.00)	652.00		652.00
Contr. Serv. (Other than Home & School) - Vendors	7,000.00	(906.00)	6,094.00	6,093.62	0.38
Transportation Services	<u>72,010.00</u>	<u>(10,733.00)</u>	<u>61,277.00</u>	<u>60,049.29</u>	<u>1,227.71</u>
Unallocated Benefits					
Social Security Contribution	25,000.00	3,045.00	28,045.00	28,044.39	0.61
Other Retirement Contributions - Regular	21,000.00	3,387.00	24,387.00	24,387.00	-
Unemployment Compensation	1,000.00	(1.00)	999.00	860.74	138.26
Workmen's Compensation	14,634.00	1,103.00	15,737.00	15,736.32	0.68
Health Benefits	508,284.00	(96,841.00)	411,443.00	411,342.07	100.93
Tuition Reimbursement	6,000.00	(1,300.00)	4,700.00	4,699.14	0.86
Other Employee Benefits	19,000.00	11,569.00	30,569.00	30,567.41	1.59
Total Unallocated Benefits	<u>594,918.00</u>	<u>(79,038.00)</u>	<u>515,880.00</u>	<u>515,637.07</u>	<u>242.93</u>
On-Behalf Contributions					
On-behalf TPAF Non-Contrib. Life			-	4,127.00	(4,127.00)
On-Behalf TPAF Postretirement Contribution (non-bud)			-	87,668.00	(87,668.00)
Reimbursed TPAF Social Security Cont.(non-bud)			-	110,861.69	(110,861.69)
Total On-Behalf Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,656.69</u>	<u>(202,656.69)</u>
Total Personal Services - Employee Benefits	<u>594,918.00</u>	<u>(79,038.00)</u>	<u>515,880.00</u>	<u>718,293.76</u>	<u>(202,413.76)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>1,891,217.00</u>	<u>20,910.75</u>	<u>1,912,127.75</u>	<u>2,083,673.96</u>	<u>(171,546.21)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>3,211,336.00</u>	<u>(3,535.41)</u>	<u>3,207,800.59</u>	<u>3,343,268.03</u>	<u>(135,467.44)</u>
CAPITAL OUTLAY					
Equipment:					
Undistributed expenditures					
Instruction	10,000.00	(10,000.00)	-		-
Operation/Maint Plant		11,295.00	11,295.00	11,295.00	-
Total Equipment	<u>10,000.00</u>	<u>1,295.00</u>	<u>11,295.00</u>	<u>11,295.00</u>	<u>-</u>
Facilities Acquisition and Construction Services					
Construction Services	-	14,913.23	14,913.23	12,600.00	2,313.23
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>14,913.23</u>	<u>14,913.23</u>	<u>12,600.00</u>	<u>2,313.23</u>
TOTAL CAPITAL OUTLAY	<u>10,000.00</u>	<u>16,208.23</u>	<u>26,208.23</u>	<u>23,895.00</u>	<u>2,313.23</u>
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of Teachers	4,000.00		4,000.00	3,209.88	790.12
General Supplies	250.00		250.00	141.40	108.60
TOTAL SPECIAL SCHOOLS	<u>4,250.00</u>	<u>-</u>	<u>4,250.00</u>	<u>3,351.28</u>	<u>898.72</u>
Transfer of Funds to Charter Schools			-		-
TOTAL EXPENDITURES	<u>3,225,586.00</u>	<u>12,672.82</u>	<u>3,238,258.82</u>	<u>3,370,514.31</u>	<u>(132,255.49)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(91,992.00)</u>	<u>(12,672.82)</u>	<u>(104,664.82)</u>	<u>(33,495.86)</u>	<u>71,168.96</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Other Financing Sources/(Uses):					
Operating Transfers Out:					
Transfer to Food Service	\$ (59,714.00)	\$ (9,772.00)	\$ (69,486.00)	\$ (69,274.00)	\$ (212.00)
Total Other Financing Sources/(Uses)	<u>(59,714.00)</u>	<u>(9,772.00)</u>	<u>(69,486.00)</u>	<u>(69,274.00)</u>	<u>(212.00)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(151,706.00)	(22,444.82)	(174,150.82)	(102,769.86)	70,956.96
Fund Balance July 1	<u>1,118,085.78</u>		<u>1,118,085.78</u>	<u>1,118,085.78</u>	-
Fund Balance June 30	<u>\$ 966,379.78</u>	<u>\$ (22,444.82)</u>	<u>\$ 943,934.96</u>	<u>\$ 1,015,315.92</u>	<u>\$ 70,956.96</u>
Recapitulation:					
Nonspendable Fund Balance				\$ -	
None					
Restricted Fund Balance:					
Capital Reserve				101,881.92	
Emergency Reserve				237,792.00	
Maintenance Reserve				293,924.00	
Excess Surplus - Current Year				5,123.31	
Excess Surplus - Designated for Subsequent Year's Expenditures				59,050.00	
Committed Fund Balance:					
None				-	
Assigned Fund Balance:					
Year-end Encumbrances				55,060.53	
Designated for Subsequent Year's Expenditures				11,187.00	
Unassigned Fund Balance				<u>251,297.16</u>	
				1,015,315.92	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP Basis				-	
				<u>\$ 1,015,315.92</u>	

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Federal Sources	\$ 19,791.00	\$ 20,368.00	\$ 40,159.00	\$ 40,159.00	\$ -
Total Revenues	19,791.00	20,368.00	40,159.00	40,159.00	-
<b>EXPENDITURES:</b>					
Instruction:					
Other Purchased Professional Services		565.00	565.00	565.00	-
Other Purchased Services (400-500 series)	19,791.00	1,553.00	21,344.00	21,344.00	-
Instructional Equipment		18,250.00	18,250.00	18,250.00	-
Total Instruction	19,791.00	20,368.00	40,159.00	40,159.00	-
Support Services:					
None	-	-	-	-	-
Total Support Services	-	-	-	-	-
Facilities Acquisitions and Construction Services:					
None	-	-	-	-	-
Total Facilities Acquisitions and Const. Services:	-	-	-	-	-
Total Outflows	19,791.00	20,368.00	40,159.00	40,159.00	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budget-to-GAAP Reconciliation**  
**Note to RSI**  
**For the Year Ended June 30, 2011**

Note A - Explanation of Differences Between Budgetary Inflows and Outflows GAAP Revenue and Expenditures

		General Fund		Special Revenue Fund
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 3,337,018.45	[C-2]	\$ 40,159.00
<p>Difference - budget to GAAP:                      Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized</p> <p>Final State Aid payment was delayed until July 2010 is recorded as GAAP revenue but is not recognized as budgetary revenue.</p> <p>Final State Aid payment was delayed until July 2011 is recorded as budgetary revenue but is not recognized under GAAP.</p>				
	[B-2]	\$ 3,337,018.45	[B-2]	\$ 40,159.00
Uses / outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 3,370,514.31	[C-2]	\$ 40,159.00
<p>Difference - budget to GAAP:                      Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.</p>				
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2]	\$ 3,370,514.31	[B-2]	\$ 40,159.00

**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.

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2011**

	Small Rural School Achievement (REAP)	I.D.E.A. Part B Basic	I.D.E.A. Preschool	Totals 2011
<b>REVENUES:</b>				
Local Sources	\$ -	\$ -	\$ -	\$ -
State Sources				
Federal Sources	18,250.00	21,344.00	565.00	40,159.00
<b>Total Revenues</b>	<b>18,250.00</b>	<b>21,344.00</b>	<b>565.00</b>	<b>40,159.00</b>
<b>EXPENDITURES:</b>				
Instruction:				
Other Purchased Professional Services			565.00	565.00
Other Purchased Services (400-500 series)		21,344.00		21,344.00
Instructional Equipment	18,250.00			18,250.00
General Supplies				-
<b>Total Instruction</b>	<b>18,250.00</b>	<b>21,344.00</b>	<b>565.00</b>	<b>40,159.00</b>
Support Services:				
Other Purchased Professional Services				-
<b>Total Support Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Facilities Acquisition and Constr. Services:				
Buildings				-
Instructional Equipment				-
<b>Total Facilities Acquisition and Constr. Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Contribution to Charter Schools				-
<b>Total Outflows</b>	<b>18,250.00</b>	<b>21,344.00</b>	<b>565.00</b>	<b>40,159.00</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## **PROPRIETARY FUNDS – DETAILED STATEMENTS**

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

**Internal Service Fund** - This fund provides for the operation of certain activities, such as building use and curriculum service charges to other governmental entities.

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2011**

	Internal Service Funds		
	Building Use	Curriculum Services	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 678,282.80	\$ 0.00	\$ 678,282.80
Accounts Receivable	25,951.39	527.80	26,479.19
Interfund Accounts Receivable	48.15		48.15
Total Current Assets	<u>704,282.34</u>	<u>527.80</u>	<u>704,810.14</u>
 Total Assets	 <u>\$ 704,282.34</u>	 <u>\$ 527.80</u>	 <u>\$ 704,810.14</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Interfund Payable	\$ -	\$ 527.80	\$ 527.80
Deferred Revenue	150,000.00	-	150,000.00
Total Current Liabilities	<u>150,000.00</u>	<u>527.80</u>	<u>150,527.80</u>
<b>NET ASSETS</b>			
Assigned to:			
Encumbrances	12,396.66		12,396.66
Unassigned	541,885.68	-	541,885.68
Total Net Assets	<u>\$ 554,282.34</u>	<u>\$ -</u>	<u>\$ 554,282.34</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2011**

	Internal Service Funds		
	Building Use	Curriculum Services	Totals Internal Service
Operating Revenues:			
Charges for Building Use:			
Interlocal Revenue - Borough Library	\$ 616,651.39	\$ -	\$ 616,651.39
Interlocal Revenue - Services Provided to Other LEA's		99,371.83	99,371.83
Total Operating Revenue	<u>616,651.39</u>	<u>99,371.83</u>	<u>716,023.22</u>
Operating Expenses:			
Salaries	28,260.67	77,081.25	105,341.92
Employee Benefits		22,290.58	22,290.58
General Supplies	75,191.45	-	75,191.45
Total Operating Expenses	<u>103,452.12</u>	<u>99,371.83</u>	<u>202,823.95</u>
Operating Income (Loss)	513,199.27	-	513,199.27
Nonoperating Revenues (Expenses):			
None	-	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>
Income (Loss) before Contributions & Transfers	513,199.27	-	513,199.27
Transfers In (Out)	<u>(498,310.00)</u>	-	<u>(498,310.00)</u>
Changes in Net Assets	14,889.27	-	14,889.27
Total Net Assets - Beginning	<u>539,393.07</u>	-	<u>539,393.07</u>
Total Net Assets - Ending	<u>\$ 554,282.34</u>	<u>\$ -</u>	<u>\$ 554,282.34</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

	Internal Service Funds		
	Building Use	Curriculum Services	Totals Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Borough Library - Building Use	\$ 590,700.00	\$ -	\$ 590,700.00
Receipts from Services Provided to Other LEA's		99,371.83	99,371.83
Payments to Employees	(28,260.67)	(77,081.25)	(105,341.92)
Payments for Employee Benefits		(22,290.58)	(22,290.58)
Payments for Utilities	(60,023.71)	-	(60,023.71)
Payments for Supplies	(15,167.74)	-	(15,167.74)
Net Cash Provided by (Used for) Operating Activities	<u>487,247.88</u>	<u>0.00</u>	<u>487,247.88</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidies and Transfers to Other Funds	(498,310.00)	-	(498,310.00)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(498,310.00)</u>	<u>-</u>	<u>(498,310.00)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
None	-	-	-
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,062.12)	0.00	(11,062.12)
Balance - Beginning of Year	689,344.92	-	689,344.92
Balance - End of Year	<u>\$ 678,282.80</u>	<u>\$ 0.00</u>	<u>\$ 678,282.80</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 513,199.27	\$ -	\$ 513,199.27
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by (Used for) Operating Activities:			
(Decrease) Increase in Interfund Payable		(2,937.00)	(2,937.00)
(Increase) Decrease in Accounts Receivable	(25,951.39)	2,937.00	(23,014.39)
Total Adjustments	<u>(25,951.39)</u>	<u>-</u>	<u>(25,951.39)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 487,247.88</u>	<u>\$ -</u>	<u>\$ 487,247.88</u>

## **FIDUCIARY FUNDS DETAIL STATEMENTS**

Trust funds are used to account for gifts and bequests to the school district for a specific purpose.

**Unemployment Fund** - This trust fund is an expendable trust fund and limits expenses set aside for this purpose in current and prior budgets and contributions from employee withholding in prior years.

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.

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Fiduciary Net Assets**  
**June 30, 2011**

	Unemployment Compensation Trust	Private Purpose Trust	Agency Funds	Totals
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 76,770.36	\$ 3,774.75	\$ 16,096.76	\$ 96,641.87
Investments, at Fair Value:				
None				-
Total Investments	<u>76,770.36</u>	<u>3,774.75</u>	<u>16,096.76</u>	<u>96,641.87</u>
Interfund Receivable - Other Agency Funds			427.92	427.92
Total Assets	<u>76,770.36</u>	<u>3,774.75</u>	<u>16,524.68</u>	<u>97,069.79</u>
<b>LIABILITIES</b>				
Interfund Payable	427.92		2,165.90	2,593.82
Payable to Student Groups			470.34	470.34
Payroll Deductions & Withholdings			13,888.44	13,888.44
Total Liabilities	<u>427.92</u>	<u>-</u>	<u>16,524.68</u>	<u>16,952.60</u>
<b>NET ASSETS</b>				
Held in Trust for Unemployment Claims and Other Purposes	\$ <u>76,342.44</u>			76,342.44
Reserve for Scholarships		\$ <u>3,774.75</u>		<u>3,774.75</u>
Total Net Assets				<u>80,117.19</u>
Total Liabilities and Net Assets			\$ <u>97,069.79</u>	<u>97,069.79</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2011**

	Unemployment Compensation Trust	Private Purpose Trust	Totals
<b>ADDITIONS</b>			
Contributions:			
Plan Members	\$ 2,755.15	\$	\$ 2,755.15
Total Contributions	<u>2,755.15</u>	<u>-</u>	<u>2,755.15</u>
Investments Earnings:			
Interest	154.17	198.01	352.18
Net Investment Earnings	<u>154.17</u>	<u>198.01</u>	<u>352.18</u>
Total Additions	<u>2,909.32</u>	<u>198.01</u>	<u>3,107.33</u>
<b>Deductions</b>			
Unemployment Claims	579.33		579.33
Total Deductions	<u>579.33</u>	<u>-</u>	<u>579.33</u>
Change in Net Assets	2,329.99	198.01	2,528.00
Net Assets - Beginning of the Year	<u>74,012.45</u>	<u>3,576.74</u>	<u>77,589.19</u>
Net Assets - End of the Year	<u>\$ 76,342.44</u>	<u>\$ 3,774.75</u>	<u>\$ 80,117.19</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Student Activity Agency Fund**  
**Schedule of Receipts and Disbursements**  
**As of June 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Avalon Elementary School	\$ 366.64	\$ 4,362.14	\$ 4,258.44	\$ 470.34
	<u>\$ 366.64</u>	<u>\$ 4,362.14</u>	<u>\$ 4,258.44</u>	<u>\$ 470.34</u>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**As of June 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>June 30, 2011</u>
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 23,606.82	\$	1,795,776.48	\$	1,803,756.88	\$	15,626.42
Interfund Receivable	427.92						427.92
<b>Total Assets</b>	<u>\$ 24,034.74</u>	\$	<u>1,795,776.48</u>	\$	<u>1,803,756.88</u>	\$	<u>16,054.34</u>
<b>LIABILITIES:</b>							
Payroll Deductions & Withholding	\$ 21,978.16	\$	1,783,907.07	\$	1,791,996.79	\$	13,888.44
Interfund Payable	2,056.58		11,869.41		11,760.09		2,165.90
<b>Total Liabilities</b>	<u>\$ 24,034.74</u>	\$	<u>1,795,776.48</u>	\$	<u>1,803,756.88</u>	\$	<u>16,054.34</u>

## **LONG-TERM DEBT SCHEDULES**

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Schedule of General Serial Bonds and Loans**  
**As of June 30, 2011**

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds			
			Outstanding June 30, 2011	Interest Rate	Balance June 30, 2010	Balance June 30, 2011
Avalon School Bonds	6/1/2004	\$ 5,696,000		Variable	\$ 4,296,000.00	\$ 3,946,000.00
			\$ 375,000.00		\$	\$ 350,000.00
			400,000.00			
			425,000.00			
			450,000.00			
			475,000.00			
			500,000.00			
			321,000.00			
					\$	\$
					<u>4,296,000.00</u>	<u>3,946,000.00</u>
					<u>-</u>	<u>350,000.00</u>
					<u>\$</u>	<u>\$</u>

**BOROUGH OF AVALON SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
None	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Redemption of Principal	350,000.00		350,000.00	350,000.00	-
Interest on Bonds	<u>178,080.00</u>		<u>178,080.00</u>	<u>178,080.00</u>	-
<b>Total Regular Debt Service</b>	<u>528,080.00</u>	<u>-</u>	<u>528,080.00</u>	<u>528,080.00</u>	<u>-</u>
<b>Total Expenditures</b>	<u>528,080.00</u>	<u>-</u>	<u>528,080.00</u>	<u>528,080.00</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(528,080.00)</u>	<u>-</u>	<u>(528,080.00)</u>	<u>(528,080.00)</u>	<u>-</u>
<b>Other Financing Sources(Uses):</b>					
Operating Transfers In:					
Transfer from Internal Service Fund Building Use	<u>528,080.00</u>		<u>528,080.00</u>	<u>498,310.00</u>	<u>(29,770.00)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,770.00)</u>	<u>(29,770.00)</u>
<b>Fund Balance, July 1</b>	29,770.25		29,770.25	29,770.25	
<b>Fund Balance, June 30</b>	<u>\$ 29,770.25</u>	<u>\$ -</u>	<u>\$ 29,770.25</u>	<u>\$ 0.25</u>	<u>\$ (29,770.00)</u>

# **Statistical Section**

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Net Assets by Component,**  
**Last Eight Fiscal Years**  
*(accrual basis of accounting)*

Exhibit J-1

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 8,450,673.67	\$ 4,733,347.05	\$ 4,944,965.60	\$ 5,095,989.33	\$ 5,127,069.55	\$ 5,255,717.26	\$ 5,345,187.48	\$ 5,458,863.70
Restricted	(4,622,722.54)	605,688.74	144,804.46	276,948.68	440,324.21	652,946.25	781,328.03	670,792.01
Unrestricted	(59,681.56)	164,156.65	179,522.26	694,573.25	708,835.31	696,439.32	663,201.07	691,642.00
<b>Total governmental activities net assets</b>	<b>\$ 3,768,269.57</b>	<b>\$ 5,503,192.44</b>	<b>\$ 5,269,292.32</b>	<b>\$ 6,067,413.26</b>	<b>\$ 6,276,229.07</b>	<b>\$ 6,565,102.83</b>	<b>\$ 6,789,716.58</b>	<b>\$ 6,821,297.71</b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ 1,646.98	\$ 94,954.00	\$ 91,967.00	\$ 90,133.33	\$ 83,865.66	\$ 77,597.99	\$ 71,248.00	\$ 64,995.00
Restricted	(10,321.27)	(6,835.41)	6,053.55	6,883.67	6,265.52	6,239.33	2,664.20	4,592.20
Unrestricted	(6,674.29)	88,118.59	98,020.55	97,017.00	90,131.18	83,837.32	73,912.20	69,587.20
<b>Total business-type activities net assets</b>	<b>\$ (5,348.58)</b>	<b>\$ 81,282.18</b>	<b>\$ 97,980.55</b>	<b>\$ 93,930.33</b>	<b>\$ 89,262.44</b>	<b>\$ 83,676.64</b>	<b>\$ 74,824.40</b>	<b>\$ 74,184.40</b>
<b>District-wide</b>								
Invested in capital assets, net of related debt	\$ 8,452,320.65	\$ 4,828,301.05	\$ 5,036,932.60	\$ 5,186,122.66	\$ 5,210,935.21	\$ 5,333,315.25	\$ 5,416,435.48	\$ 5,523,858.70
Restricted	(4,622,722.54)	605,688.74	144,804.46	276,948.68	440,324.21	652,946.25	781,328.03	670,792.01
Unrestricted	(70,002.83)	157,321.24	185,575.81	701,458.92	715,100.83	662,678.65	665,865.27	696,234.20
<b>Total district net assets</b>	<b>\$ 3,759,595.28</b>	<b>\$ 5,591,311.03</b>	<b>\$ 5,367,312.87</b>	<b>\$ 6,164,430.26</b>	<b>\$ 6,366,360.25</b>	<b>\$ 6,648,940.15</b>	<b>\$ 6,863,628.76</b>	<b>\$ 6,890,864.91</b>

Source: CAFR Schedule A-1

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Changes in Net Assets,**  
**Last Eight Fiscal Years**  
*(accrual basis of accounting)*

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>								
Governmental activities:								
Instruction:								
Regular	\$ 1,223,645.42	\$ 1,332,412.07	\$ 1,472,431.08	\$ 1,620,483.78	\$ 1,736,292.61	\$ 1,615,564.56	\$ 1,721,378.47	\$ 1,658,534.07
Special education	61,117.77	114,511.83	159,128.66	165,478.60	173,801.79	162,554.16	100,478.31	106,538.91
Other instruction	16,125.71	25,573.58	26,665.08	34,052.36	34,593.57	38,107.91	39,072.93	42,915.25
Support Services:								
Tuition	348,715.68	295,586.12	293,580.97	291,155.89	266,425.21	215,332.16	296,689.36	487,763.25
Student & instruction related services	337,372.45	348,663.21	400,619.56	402,415.23	391,230.28	402,396.29	369,501.51	441,544.51
Other administrative services	208,189.16	192,343.56	76,842.50	84,621.54	114,585.06	109,273.73	105,014.09	101,847.61
School administrative services	133,838.59	99,213.45	85,005.70	95,768.80	95,347.66	130,016.72	152,969.02	131,229.17
Plant operations and maintenance	168,693.83	157,728.11	332,933.32	373,487.65	446,954.82	474,823.13	511,339.61	502,802.40
Pupil transportation	79,854.96	112,802.74	126,962.51	88,342.97	95,702.09	67,811.40	63,369.15	62,850.99
Special schools	420.14	2,226.23	2,803.38	5,286.04	6,121.27	7,796.84	3,143.00	4,954.60
Interest on long-term debt	65,122.95	254,225.91	229,080.01	219,080.00	208,580.01	197,080.00	184,580.00	171,080.00
Unallocated depreciation	38,626.00	41,093.80	270,907.78	261,997.27	283,061.78	306,382.29	281,161.78	279,610.78
Total governmental activities expenses	2,681,722.66	2,976,380.61	3,476,960.05	3,642,170.13	3,852,696.15	3,727,139.19	3,828,677.23	3,991,671.54
Business-type activities:								
Food service	79,706.22	66,198.34	82,295.77	95,959.18	95,296.75	97,786.33	100,193.44	105,050.40
Total business-type activities expenses	79,706.22	66,198.34	82,295.77	95,959.18	95,296.75	97,786.33	100,193.44	105,050.40
<b>Total district expenses</b>	<b>\$ 2,761,428.88</b>	<b>\$ 3,042,578.95</b>	<b>\$ 3,559,255.82</b>	<b>\$ 3,738,129.31</b>	<b>\$ 3,947,992.90</b>	<b>\$ 3,824,925.52</b>	<b>\$ 3,928,870.67</b>	<b>\$ 4,096,721.94</b>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Changes in Net Assets,**  
**Last Eight Fiscal Years**  
*(accrual basis of accounting)*

Exhibit J-2

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Program Revenues</b>								
Governmental activities:								
Charges for services:								
Pupil transportation	\$ 9,163.90	\$ 8,851.55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Support Services	287,373.89	300,092.00	99,937.06	153,834.63	193,807.72	228,979.15	233,625.87	202,823.95
Operating grants and contributions	296,537.79	308,943.55	314,774.03	396,390.89	397,651.91	280,739.33	289,122.24	244,112.80
Total governmental activities program revenues			414,711.09	550,225.52	591,459.63	509,718.48	522,748.11	446,936.75
Business-type activities:								
Charges for services:								
Food service	17,758.00	14,926.10	18,721.25	19,150.80	17,780.40	24,909.70	21,664.85	26,707.50
Operating grants and contributions	-	-	5,039.57	8,458.83	7,211.46	3,729.17	3,949.17	4,743.90
Total business-type activities program revenue	17,758.00	14,926.10	23,760.82	27,609.63	24,991.86	28,638.87	25,614.02	31,451.40
Total district program revenue	\$ 314,295.79	\$ 323,869.65	\$ 438,471.91	\$ 577,835.15	\$ 616,451.49	\$ 538,357.35	\$ 548,362.13	\$ 478,388.15
<b>Net (Expense)/Revenue</b>								
Governmental activities	\$ (2,385,184.87)	\$ (2,667,437.06)	\$ (3,062,248.96)	\$ (3,091,944.61)	\$ (3,261,236.52)	\$ (3,217,420.71)	\$ (3,305,929.12)	\$ (3,544,734.79)
Business-type activities	(61,948.22)	(51,272.24)	(58,534.95)	(68,349.55)	(70,304.89)	(69,147.46)	(74,579.42)	(73,599.00)
Total district-wide net expense	\$ (2,447,133.09)	\$ (2,718,709.30)	\$ (3,120,783.91)	\$ (3,160,294.16)	\$ (3,331,541.41)	\$ (3,286,568.17)	\$ (3,380,508.54)	\$ (3,618,333.79)

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Changes in Net Assets,**  
**Last Eight Fiscal Years**  
*(accrual basis of accounting)*

Exhibit J-2

	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Property taxes levied for general purposes, net	\$ 2,343,667.00	\$ 2,413,711.00	\$ 2,408,334.00	\$ 2,944,489.00	\$ 2,901,122.00	\$ 2,959,144.00	\$ 3,018,327.50	\$ 3,078,693.50
Taxes levied for debt service				454,572.00				
Unrestricted grants and contributions	34,403.00	24,441.33	41,924.82	38,697.77	39,809.54	34,369.50	20,207.17	-
Investment earnings	39,849.34	87,559.53	39,923.88	31,750.19	31,293.14	15,452.19	6,802.98	3,385.98
Miscellaneous income	105,357.15	305,379.49	405,774.14	490,244.59	561,246.72	560,182.38	558,048.52	564,184.44
Transfers	(47,154.16)	(48,628.00)	(67,608.00)	(67,346.00)	(63,419.07)	(62,853.60)	(64,654.30)	(69,274.00)
Extraordinary items:				(2,342.00)			(8,189.00)	(674.00)
Less on Disposal of Capital Assets								
Total governmental activities	2,476,112.33	2,782,463.35	2,828,348.84	3,890,065.55	3,470,052.33	3,506,294.47	3,530,542.87	3,576,315.92
Business-type activities:								
Investment earnings	11.50	7.65	28.61	-	-	-	-	-
Unrestricted grants and contributions	7,448.02	6,493.91	-	-	-	-	-	-
Transfers	47,154.16	48,628.00	67,608.00	67,346.00	63,419.07	62,853.60	64,654.30	69,274.00
Total business-type activities	54,613.68	55,129.56	67,636.61	67,346.00	63,419.07	62,853.60	64,654.30	69,274.00
Total district-wide	\$ 2,530,726.01	\$ 2,837,592.91	\$ 2,895,985.45	\$ 3,957,411.55	\$ 3,533,471.40	\$ 3,569,148.07	\$ 3,595,197.17	\$ 3,645,589.92
Changes in Net Assets	\$ 90,927.46	\$ 115,026.29	\$ (233,900.12)	\$ 798,120.94	\$ 208,815.81	\$ 286,873.76	\$ 224,613.75	\$ 31,581.13
Governmental activities	(7,334.54)	3,857.32	9,101.66	(1,003.55)	(6,885.82)	(9,925.12)	(4,325.00)	(4,325.00)
Business-type activities	\$ 83,592.92	\$ 118,883.61	\$ (224,798.46)	\$ 797,117.39	\$ 201,929.99	\$ 282,579.90	\$ 214,688.63	\$ 27,256.13

Source: CAFR Schedule A-2

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Fund Balances, Governmental Funds,**  
**Last Eight Fiscal Years**  
*(modified accrual basis of accounting)*

Exhibit J-3

	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund</b>								
Restricted								
Committed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 697,771.23
Assigned								66,247.53
Unassigned								251,297.16
Reserved	482,957.77	373,250.22	149,771.04	243,641.04	507,445.65	714,067.69	840,597.78	
Unreserved	97,277.75	199,768.40	95,409.00	247,423.30	258,180.30	254,832.34	277,488.00	
Total general fund	\$ 580,235.52	\$ 533,018.62	\$ 245,180.04	\$ 491,064.34	\$ 765,625.95	\$ 968,900.03	\$ 1,118,085.78	\$ 1,015,315.92
<b>All Other Governmental Funds</b>								
Restricted	\$ 41,191.32	\$ 32,339.18	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reported in Capital projects fund								
Debt service fund								0.25
Committed								
Assigned								
Unassigned								
Unreserved, reported in:								
Special revenue fund	(93.75)	(93.75)	(93.00)	(89.00)	(89.00)			
Capital projects fund	(5,093,225.37)	119,053.07	123,495.60	110,230.27	4,648.33	4,648.33		
Debt service fund	70,474.87	119,992.54	42,962.37	29,770.23	29,770.23	29,770.23	29,770.25	
Total all other governmental funds	\$ (4,981,652.93)	\$ 271,291.04	\$ 166,364.97	\$ 139,911.50	\$ 34,329.56	\$ 34,418.56	\$ 29,770.25	\$ 0.25

\* - FY 2011 was the first year of reporting under GASB 54 - Fund Balance Classifications

Source: CAFR Schedule B-1

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**

Exhibit J-4

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Tax Levy	\$ 2,206,395	\$ 2,254,108	\$ 2,343,657	\$ 2,413,711	\$ 2,408,334	\$ 3,399,061	\$ 2,901,122	\$ 2,959,144	\$ 3,018,328	\$ 3,078,694
Tuition						28,000	33,600	44,800	47,600	44,800
Miscellaneous	46,310	53,699	76,222	101,791	67,533	57,388	60,644	73,934	10,363	9,571
Slate sources	155,635	1,855,216	274,598	273,843	309,633	394,465	393,671	273,963	260,381	203,954
Federal sources	39,806	26,269	47,274	50,690	47,066	40,624	43,790	41,146	48,948	40,159
<b>Total revenue</b>	<b>2,448,146</b>	<b>4,189,292</b>	<b>2,741,711</b>	<b>2,840,035</b>	<b>2,832,566</b>	<b>3,919,538</b>	<b>3,432,827</b>	<b>3,392,987</b>	<b>3,385,820</b>	<b>3,377,177</b>
<b>Expenditures</b>										
<b>Instruction:</b>										
Regular instruction	856,803	890,125	883,014	975,418	1,071,583	1,106,103	1,138,895	1,161,805	1,227,407	1,197,894
Special education instruction	90,595	94,008	41,622	89,479	108,425	109,990	116,870	122,909	68,160	71,066
Other instruction	15,254	13,171	11,273	18,287	19,598	25,267	25,089	29,014	28,490	30,794
<b>Support Services:</b>										
Tuition	296,878	308,670	348,716	295,586	293,581	291,156	266,425	215,332	296,669	487,763
Student & instruction related services	241,902	256,262	272,939	274,968	307,242	299,195	289,692	310,682	269,364	335,941
General administrative services	113,572	114,300	113,042	115,783	67,062	69,542	69,339	75,531	69,339	65,286
School administrative services	87,184	96,218	94,542	71,881	20,991	26,256	23,645	23,809	24,709	25,335
Business administrative services	57,280	7,184	51,318	49,820	24,899	23,791	30,135	31,832	33,439	34,209
Plant operations and maintenance	123,975	120,680	142,370	135,538	258,549	247,036	287,270	315,118	359,900	356,797
Pupil transportation	83,172	94,063	79,855	111,185	124,956	86,132	93,349	65,669	60,806	60,049
Unallocated employee benefits	327,227	418,728	524,346	547,994	604,015	671,631	680,410	613,948	684,190	718,294
Special schools		492	294	1,592	1,905	3,531	161,982	5,499	2,131	3,351
Capital outlay	2,215	178,621	6,593,238	478,270	232,526	209,430	4,126	155,622	52,024	23,895
<b>Debt service:</b>										
Principal										
Interest and other charges			42,500	183,213	250,000	250,000	275,000	300,000	325,000	178,080
<b>Total Expenditures</b>	<b>2,298,057</b>	<b>2,592,502</b>	<b>9,199,069</b>	<b>3,349,014</b>	<b>3,619,412</b>	<b>3,632,761</b>	<b>3,689,509</b>	<b>3,629,850</b>	<b>3,692,708</b>	<b>3,938,753</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>150,089</b>	<b>1,596,790</b>	<b>(6,457,358)</b>	<b>(508,979)</b>	<b>(786,846)</b>	<b>286,777</b>	<b>(256,681)</b>	<b>(236,863)</b>	<b>(306,888)</b>	<b>(561,576)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in		29,810	83,165	213,224	407,050	6,315	489,080	503,080	520,728	498,310
Transfers out	(58,023)	(110,693)	(130,319)	(116,424)	(91,063)	(73,661)	(63,419)	(62,854)	(69,303)	(69,274)
Bond proceeds				5,696,000						
<b>Total other financing sources (uses)</b>	<b>(58,023)</b>	<b>(80,883)</b>	<b>(47,154)</b>	<b>5,792,800</b>	<b>315,987</b>	<b>(67,346)</b>	<b>425,661</b>	<b>440,226</b>	<b>451,426</b>	<b>429,036</b>
<b>Net change in fund balances</b>	<b>\$ 92,066</b>	<b>\$ 1,515,907</b>	<b>\$ (6,504,512)</b>	<b>\$ 5,283,821</b>	<b>\$ (470,859)</b>	<b>\$ 219,431</b>	<b>\$ 168,980</b>	<b>\$ 203,363</b>	<b>\$ 144,537</b>	<b>\$ (132,540)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.63%</b>	<b>6.38%</b>	<b>14.29%</b>	<b>13.85%</b>	<b>13.27%</b>	<b>14.48%</b>	<b>14.18%</b>	<b>13.49%</b>

Source: CAFR Schedule B-2

Exhibit J-5

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**General Fund Other Local Revenue by Source,**  
**Last Ten Fiscal Years**  
 Unaudited

Fiscal Year Ended June 30,	Interest on		Transportation	Miscellaneous	Totals	
		Investments				
2002	\$	30,190.72	\$	7,510.00	\$	45,940.57
2003		12,445.19		7,591.00		23,889.49
2004		4,924.19		9,163.90		21,856.51
2005		256.55		8,851.55		14,487.59
2006		16,469.05		-		44,078.47
2007		25,435.16		16,833.95		51,072.54
2008		31,293.14		14,743.07		60,643.93
2009		15,452.19		-		73,934.10
2010		6,802.98		-		10,562.89
2011		3,385.98		-		9,571.15

Source: District Records

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Assessed Value and Actual Value of Taxable Property,**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Regular	Q.Farm	Commercial	Industrial	Apartment	Total Assessed Value	Less Tax-exempt Property	Public Utilities	Net Valuation Taxable	Total District School Tax Rate	Estimated County Equalized Value
2002	\$ 102,745,700	\$ 2,495,664,800			\$ 70,968,800			\$ 2,669,379,300		\$ 1,252,080	\$ 2,670,631,380	0.085	\$ 3,454,904,524
2003	89,923,300	2,555,967,400			71,324,600			2,717,215,300		1,215,015	2,718,430,315	0.086	3,781,307,355
R 2004	232,747,200	5,025,598,300			131,064,700			5,389,410,200		1,637,010	5,391,047,210	0.045	4,296,557,857
2005	222,676,100	5,109,256,600			130,325,400			5,462,258,100		1,563,604	5,463,821,704	0.046	5,369,041,757
R 2006	353,117,500	7,967,792,300			188,042,800			8,508,952,600		1,452,764	8,510,405,364	0.035	6,748,907,439
2007	338,797,900	8,118,508,300			185,516,800			8,642,823,000		1,489,225	8,644,312,225	0.037	8,294,980,730
2008	289,371,000	8,227,657,900			185,516,800			8,702,545,700		1,482,856	8,704,028,556	0.034	8,719,496,278
2009	251,121,000	8,345,686,600			179,460,500			8,776,268,100		1,538,533	8,777,806,633	0.035	8,884,756,202
2010	180,701,000	8,470,871,600			181,827,500			8,833,500,100		1,556,647	8,835,056,747	0.035	8,674,083,164
R 2011	141,132,800	6,882,483,800			169,374,400			7,192,991,000		1,400,299	7,194,391,299	0.043	8,181,767,282

Source: County Abstract of Rates & Municipal Tax Assessor  
 R = Revaluation/Reassessment

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Direct and Overlapping Property Tax Rates,**  
**Last Ten Fiscal Years**  
*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	BOROUGH OF AVALON SCHOOL DISTRICT				Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct	County General	County Open Space	County Library	Other	Municipal Local Purpose	
2002	\$ 0.085	-	\$ 0.085	0.427	\$ 0.014	\$ 0.039	-	\$ 0.305	\$ 0.870
2003	0.086	-	0.086	0.410	0.015	0.042	-	0.307	0.860
2004	0.045	-	0.045	0.199	0.008	0.024	-	0.174	0.450
2005	0.046	-	0.046	0.204	0.011	-	-	0.199	0.460
2006	0.032	0.003	0.035	0.135	0.008	-	-	0.142	0.320
2007	0.032	0.005	0.037	0.147	0.011	-	-	0.155	0.350
2008	0.034	-	0.034	0.152	0.011	-	-	0.171	0.368
2009	0.035	-	0.035	0.164	0.011	-	-	0.183	0.393
2010	0.035	-	0.035	0.170	0.010	-	-	0.194	0.409
2011	0.043	-	0.043	0.207	0.012	-	-	0.238	0.500

Source: District Records and Municipal Tax Collector

**Exhibit J-8**

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Principal Property Tax Payers,**  
**Current Year and Eleven Years Ago**

Taxpayer	2011			2001		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
M. Rice	\$ 19,351,200	1	0.27%	\$ 4,830,300	4	0.18%
Avalon Hotel Company, LLC	15,956,500	2	0.22%	9,000,000	1	0.34%
MBM Estate, LLC	12,224,200	3	0.17%			
Jordan Realty, Inc	10,273,700	4	0.14%			
E. Hanway	10,045,100	5	0.14%			
Dilbert Incorporated	9,500,000	6	0.13%	6,375,000	2	0.24%
L. Cohen	9,497,500	7	0.13%	4,326,400	5	0.16%
D. Origlio	9,223,800	8	0.13%	3,965,300	7	0.15%
D. Sheehy	9,141,900	9	0.13%	4,097,400	6	0.16%
75th Street Beach, LLC	9,027,100	10	0.13%			
Accardi Family Partnership				5,340,000	3	0.20%
G. Zietz				3,665,100	8	0.14%
W. Graham				3,658,300	9	0.14%
H. Faulkner				3,588,500	10	0.14%
<b>Totals</b>	<b>\$ 114,241,000</b>		<b>1.59%</b>	<b>\$ 48,846,300</b>		<b>1.86%</b>
	<b>District Assessed Value</b>		<b>\$ 7,194,391,299</b>			<b>\$ 2,629,223,227</b>

Source: District CAFR & Municipal Tax Assessor

**BOROUGH OF AVALON 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		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 2,206,395.00	\$ 2,206,395.00	100%	-
2003	2,254,108.00	2,254,108.00	100%	-
2004	2,343,657.00	2,343,657.00	100%	-
2005	2,413,711.00	2,413,711.00	100%	-
2006	2,408,334.00	2,408,334.00	100%	-
2007	3,399,061.00	3,399,061.00	100%	-
2008	2,901,122.00	2,901,122.00	100%	-
2009	2,959,144.00	2,959,144.00	100%	-
2010	3,018,327.50	3,018,327.50	100%	-
2011	3,078,693.50	3,078,693.50	100%	-

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

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Ratios of Outstanding Debt by Type,**  
**Last Ten Fiscal Years**

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Capital Leases	Total District	Percentage of Personal Income	Per Capita Personal Income
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)				
2002	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 36,053	
2003	-	-	-	2,000,000	2,000,000	1.82%	36,492	
2004	-	-	-	4,005,103	4,005,103	0.97%	38,740	
2005	5,696,000		5,103	4,000,000	5,696,000	0.71%	40,316	
2006	5,446,000				5,446,000	0.78%	42,322	
2007	5,196,000				5,196,000	0.86%	44,575	
2008	4,921,000				4,921,000	0.94%	46,067	
2009	4,621,000				4,621,000	1.00%	46,329	
2010	4,296,000				4,296,000	Not available	Not available	
2011	3,946,000				3,946,000	Not available	Not available	

Source: District CAFR Schedules I-1

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Ratios of Net General Bonded Debt Outstanding,**  
**Last Ten Fiscal Years**

**Exhibit J-11**

Fiscal Year Ended June 30,	Governmental Activities			Percentage of Actual Taxable Value of Property	Per Capita Personal Income
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2002	\$ -	\$ -	\$ -	0.00%	\$ 36,053
2003	-	-	-	0.00%	36,492
2004	-	-	-	0.00%	38,740
2005	5,696,000	-	5,696,000	0.10%	40,316
2006	5,446,000	-	5,446,000	0.06%	42,322
2007	5,196,000	-	5,196,000	0.06%	44,575
2008	4,921,000	-	4,921,000	0.06%	46,067
2009	4,621,000	-	4,621,000	0.05%	46,329
2010	4,296,000	-	4,296,000	0.05%	Not available
2011	3,946,000	-	3,946,000	0.05%	Not available

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Direct and Overlapping Governmental Activities Bonded Debt,**  
**As of December 31, 2010**

**Exhibit J-12**

<u>Governmental Unit</u>	Bonded Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<b>Debt Repaid with Property Taxes</b>			
Borough of Avalon	\$ 42,857,826.47	100.00%	\$ 42,857,826.47
<b>Other Debt</b>			
County of Cape May	32,134,000.00	15.85%	5,094,201.34
Cape May County Municipal Utilities Authority	99,268,094.00	15.85%	15,736,965.76
Cape May County Bridge Commission	15,190,000.00	15.85%	2,408,069.91
Subtotal, Overlapping Debt			66,097,063.49
<b>Borough of Avalon School District Direct Debt</b>			<u>3,946,000.00</u>
<b>Total Direct and Overlapping Debt</b>			<u>\$ 70,043,063.49</u>

Sources:

- Borough of Avalon - 2010 Audit Report
- County of Cape May - 2010 Audit Report
- Cape May County Municipal Utilities Authority - 2010 Audit Report
- Cape May County Bridge Commission - 2010 Audit Report
- District Records

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Legal Debt Margin Information,**  
**Last Ten Fiscal Years**

**Exhibit J-13**

Equalized valuation basis	
2010	\$ 8,142,225,182
2009	8,608,404,218
2008	8,800,228,233
	<u>\$ 25,550,857,633</u>

Average equalized valuation of taxable property	\$ 8,516,952,544
Debt limit ( 3% of average)	255,508,576
Net bonded school debt	3,946,000
Legal debt margin	<u>\$ 251,562,576</u>

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 80,022,819	\$ 96,793,426	\$ 113,299,152	\$ 132,246,781	\$ 161,989,578	\$ 201,311,446	\$ 234,904,091	\$ 256,073,410	\$ 260,583,752	\$ 255,508,576
Total net debt applicable to limit	-	5,696,726	5,696,726	5,696,000	5,446,000	5,196,000	4,921,000	4,621,000	4,296,000	3,946,000
Legal debt margin	\$ 80,022,819	\$ 91,096,700	\$ 107,602,426	\$ 126,550,781	\$ 156,543,578	\$ 196,115,446	\$ 229,983,091	\$ 251,452,410	\$ 256,287,752	\$ 251,562,576

Total net debt applicable to the limit as a percentage of debt limit	0.00%	5.89%	5.03%	4.31%	3.36%	2.58%	2.09%	1.80%	1.65%	1.54%
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Source: Abstract of Ratables and District Records CAFR Schedule J-7

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Demographic and Economic Statistics,**  
**Last Ten Fiscal Years**

**Exhibit J-14**

Fiscal Year Ended June 30,	Population	Personal Income (thousands of dollars)	**		Unemployment Rate
			Per Capita Personal Income	Income	
2002	2,138	\$ 77,081,314	\$	36,053	7.7%
2003	2,157	78,713,244		36,492	8.0%
2004	2,136	82,748,640		38,740	5.5%
2005	2,105	84,865,180		40,316	2.7%
2006	2,112	89,384,064		42,322	2.8%
2007	2,092	93,250,900		44,575	2.7%
2008	2,088	96,187,896		46,067	3.3%
2009	2,087	96,688,623		46,329	4.8%
2010	Not available	Not available		Not available	5.1%
2011	Not available	Not available		Not available	Not available

\*\* County wide information

Source:

U.S. Department of Commerce, Bureau of Economic Analysis,  
 Regional Economic Information System; New Jersey Department of Labor,  
 Bureau of Labor Force Statistics; U.S. Bureau of Census, Population Division

**BOROUGH OF AVALON SCHOOL DISTRICT  
Principal Employers,**

**Exhibit J-15**

Employer	2009			2000		
	Year- Round Employees	Rank	Percentage of Total Employment	Year- Round Employees	Rank	Percentage of Total Employment
Sturdy Savings	106	1	10.23%	56	2	5.67%
Borough of Avalon	105	2	10.14%	105	1	10.63%
Golden Inn	80	3	7.72%	42	4	4.25%
Motor Boat Club	50	4	4.83%			
Avalon Real Estate Agency	40	5	3.86%	39	5	
Princeton Hotel/Sea Grille	35	6	3.38%	65	3	6.58%
Borough of Avalon School District	23	8	2.22%	28	7	2.83%
Ferguson & Deckert Realty	25	7	2.41%	25	6	2.53%
Rocking Chair Restaurant	15	9	1.45%			
Windrift Hotel	10	10	0.97%	22	8	2.23%
Marabella's Restaurant				10	10	1.01%
Coldwell Banker Realty				13	9	1.32%
<b>Totals</b>	<b>489</b>		<b>47.20%</b>	<b>405</b>		<b>37.04%</b>
<b>Total Employment</b>			<b>1,036</b>			<b>988</b>

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Full-time Equivalent District Employees by Function/Program,**  
**Last Ten Fiscal Years**

Exhibit J-16

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction:										
Regular instruction		13.0	13.0	13.0	12.0	12.0	12.0	13.0	12.0	13.0
Special education instruction										
Other special education instruction										
Vocational education										
Other instruction		2.0	2.0	2.0	3.0	1.0	1.0	1.0	1.0	1.0
Support Services:										
Tuition										
Student & instruction related services		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
General administrative services		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
School administrative services		1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Business administrative services					0.5	0.5	0.5	-	0.5	0.5
Plant operations and maintenance		2.0	2.0	2.0	2.0	3.5	3.5	3.0	3.0	3.0
Pupil transportation										
Food Service		1.0	1.0	1.0	1.0	1.0	1.0	1.5	1.5	1.5
<b>Total</b>		<b>23</b>	<b>22</b>	<b>23</b>						
		-								

Source: District Records, ASSA, Certified Staff Report

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Operating Statistics,**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	ASSA Enrollment	Operating Expenditures	Cost per Pupil	% Change	Teaching Staff	Pupil/Teacher Ratio Elementary School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2002	110	\$ 2,353,862	\$ 21,399	11.46%	21	1:5.10	107.3	102.1	-3.8%	95.2%
2003	95	2,493,530	26,248	22.66%	20	1:4.15	95.3	89.8	-11.2%	94.2%
2004	90	2,639,283	29,325	11.73%	21	1:4.14	89.7	84.7	-5.9%	94.4%
2005	76	2,736,159	36,002	22.77%	18	1:2.80	75.4	70.4	-15.9%	93.4%
2006	82	2,902,805	35,400	-1.67%	19	1:4.32	83.0	77.9	10.1%	93.9%
2007	82	2,949,251	35,966	1.60%	19	1:4.32	85.8	80.8	3.4%	94.2%
2008	77	3,038,447	39,460	9.71%	19	1:4.06	76.3	71.8	-11.1%	94.1%
2009	77	2,971,149	38,586	-2.21%	17	1:4.53	76.5	72.9	0.3%	95.3%
2010	69	3,124,604	45,284	17.36%	16	1:4.32	69.9	66.6	-8.6%	95.3%
2011	77	3,387,616	43,995	-2.85%	15	1:5.14	75.0	71.5	7.3%	95.3%

Source: District records, ASSA and Certificated Staff Report

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**School Building Information,**  
**Last Ten Fiscal Years**

**Exhibit J-18**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>District Buildings</b>										
<b>Elementary</b>										
Avalon School (1965)	18,870	18,870	18,870	49,962	49,962	49,962	49,962	49,962	49,962	49,962
Square Feet	144	144	144	159	159	159	159	159	159	159
Capacity (students)	95	95	77	82	83	86	77	77	69	77
Enrollment										

Number of Schools at June 30, 2011  
 Elementary - 1

Source: District Records, ASSA

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**General Fund**  
**Schedule of Required Maintenance for School Facilities,**  
**Last Ten Fiscal Years**  
*(Unaudited)*

**Undistributed Expenditures - Required Maintenance for School Facilities**

School Facilities	Project # (s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Avalon School - only building		\$ 81,139	\$ 34,137	\$ 39,061	\$ 39,932	\$ 57,573	\$ 35,380	\$ 46,931	\$ 52,934	\$ 61,682	\$ 65,061
Total School Facilities		81,139	34,137	39,061	39,932	57,573	35,380	46,931	52,934	61,682	65,061
Other Facilities		-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>		<b>\$ 81,139</b>	<b>\$ 34,137</b>	<b>\$ 39,061</b>	<b>\$ 39,932</b>	<b>\$ 57,573</b>	<b>\$ 35,380</b>	<b>\$ 46,931</b>	<b>\$ 52,934</b>	<b>\$ 61,682</b>	<b>\$ 65,061</b>

Source: District Records

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Insurance Schedule**  
**For the Fiscal Year Ended June 30, 2011**  
*(Unaudited)*

**Exhibit J-20**

Company	Type of Coverage	Amount of Coverage	Deductible
<b>New Jersey School Boards Association Insurance Group</b>			
<b>Package Policy</b>			
<b>I Property</b>			
	Blanket Real & Personal Property - per occurrence	\$ 300,000,000	\$ 5,000
	Blanket Extra Expense	50,000,000	5,000
	Blanket Valuable Papers	10,000,000	5,000
	Contingent Liability		
	Flood - per occurrence/NJSBAIG annual aggregate - Zone A & V	10,000,000	500,000
	Flood - per occurrence/NJSBAIG annual aggregate - All Other Zones	50,000,000	10,000
	Earthquake - per occurrence/NJSBAIG annual aggregate	50,000,000	
	Terrorism - per occurrence/NJSAIG annual aggregate	1,000,000	
<b>II Electronic Data Processing</b>			
	EDP Hardware/Software	250,000	1,000
<b>III Equipment Breakdown</b>			
	Combined Single Limit per Accident for Property Damage & Expense	100,000,000	5,000
<b>IV Crime</b>			
	Public Employee Dishonesty with Faithful Performance	250,000	1,000
	Moneys & Securities	25,000	500
	Forgery or Alteration	50,000	500
	Counterfeit Paper	50,000	500
	Public Officials Bond - Board Secretary	10,000	500
	Public Officials Bond - Board Treasurer	145,000	1,000
<b>V Comprehensive General Liability</b>			
	Bodily Injury and Property Damage	6,000,000	
	Bodily Injury from Products & Operations - Annual Aggregate	6,000,000	
	Sexual Abuse	6,000,000	
	Personal Injury & Advertising Injury - Per Occurrence/Annual Aggregate	6,000,000	
	Employee Benefit Liability - Per Claim/Annual Aggregate	6,000,000	
	Premises Medical Payments - Per Accident	10,000	
	Terrorism	1,000,000	
<b>VI Automobile</b>			
	Liability		
	Combined Single Limit	6,000,000	
<b>Workers Compensation</b>			
	Bodily Injury by Accident - Per Accident	2,000,000	
	Bodily Injury by Disease - Per Employee	2,000,000	
	Bodily Injury by Disease - Agreement Limit	2,000,000	
<b>Errors &amp; Omissions</b>			
	Coverage A		
	Limit of Liability - Each Policy Period	6,000,000	5,000
	Coverage B		
	Limit of Liability - Each Claim	100,000	5,000
	Each Policy Period	300,000	

Source: District records.

# **Single Audit Section**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **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**

The Honorable President and  
Members of Board of Education  
Borough of Avalon School District  
County of Cape May  
Avalon, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities. Each major fund and the aggregate remaining fund information of the Borough of Avalon Board of Education School District in the County of Cape May, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

### Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Borough of Avalon Board of Education's basic 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 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 for the information of the management of the Borough of Avalon Board of Education, the New Jersey State Department of Education (the cognizant audit agency), other state and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these parties.

*Ford, Scott & Associates, L.L.C.*

**FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS**



**Glen J. Ortman  
Certified Public Accountant  
Licensed Public School Accountant  
No. 853**

**November 1, 2011**

**BOROUGH OF AVALON SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2010	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) 06/30/2011	Deferred Revenue/ 06/30/2011	Due to Grantor June 30, 2011
<b>U.S. Department of Education</b>													
<b>Passed-Through State</b>													
<b>Department of Education</b>													
<b>Special Revenue Fund:</b>													
<b>Special Education Cluster (IDEA):</b>													
IDEA, Part B - Basic Regular	84.027	Flow Thru	9/1/10	\$ 22,182.00	\$ -	\$ -	\$ 1,179.00	\$ 18,986.00	\$ (21,344.00)	\$ -	\$ (3,196.00)	\$ 2,017.00	\$ -
IDEA, Part B - Basic Regular	84.027	Flow Thru	9/1/09	23,983.00	(5,100.00)	-	(1,179.00)	6,279.00	(565.00)	-	-	-	-
IDEA, Preschool	84.027	PS	9/1/10	565.00	(19,186.00)	-	-	19,186.00	-	-	(565.00)	-	-
IDEA, Part B, Basic ARRA	84.391		9/1/09	19,186.00	(24,286.00)	-	-	44,451.00	(21,909.00)	-	(3,761.00)	2,017.00	-
Total Special Education Cluster (IDEA)													
Small Rural School Achievement Program	85.358A	S358A100753	7/1/10	18,250.00	-	-	-	18,250.00	(18,250.00)	-	-	-	-
Total Special Revenue Fund					(24,286.00)	-	-	62,701.00	(40,159.00)	-	(3,761.00)	2,017.00	-
<b>U.S. Department of Agriculture</b>													
<b>Passed-Through State</b>													
<b>Department of Education</b>													
<b>Enterprise Funds:</b>													
Food Distribution Program	10.550		7/1/2010	1,377.82	-	-	-	1,377.82	(1,377.82)	-	-	-	-
<b>Child Nutrition Cluster:</b>													
National School Lunch Program	10.555		7/1/2009	2,058.54	(144.87)	-	-	144.87	-	-	-	-	-
National School Lunch Program	10.555		7/1/2010	3,066.00	-	-	-	3,066.00	(3,066.00)	-	-	-	-
Total Child Nutrition Cluster					(144.87)	-	-	3,210.87	(3,066.00)	-	-	-	-
Total Enterprise Funds					(144.87)	-	-	4,586.69	(4,443.82)	-	-	-	-
<b>Total Federal Financial Awards</b>				<b>\$</b>	<b>(24,430.87)</b>	<b>\$</b>	<b>\$</b>	<b>67,289.69</b>	<b>(44,602.82)</b>	<b>\$</b>	<b>(3,761.00)</b>	<b>2,017.00</b>	<b>\$</b>

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

**BOROUGH OF AVALON SCHOOL DISTRICT**  
Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Carryover (Forward) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year's Balances	Balance at June 30, 2011		MEMO
				Deferred Revenues (Accounts Receivable)	Due to Grantor					Accounts Receivable	Deferred Revenue	
<b>State Department of Education</b>												
General Fund:												
Non-Public Transportation Aid	11-100-034-5120-064	7/1/2010 - 6/30/2011	1,297.16									
Non-Public Transportation Aid	10-100-034-5120-064	7/1/2009 - 6/30/2010	1,187.00	(1,187.00)		1,187.00	(1,297.16)					
Reimbursed TPAF Social Security Contributions	10-495-034-5095-002	7/1/2009 - 6/30/2010	101,311.99	(8,915.91)		8,915.91						
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/2010 - 6/30/2011	110,861.64			105,915.69	(110,861.64)					
<b>Total General Fund</b>				(10,022.91)		116,018.59	(112,198.80)					
<b>State Department of Agriculture</b>												
Enterprise Fund:												
Child Nutrition Cluster:												
National School Lunch Program (State Share)	10-100-010-3360-067	7/1/2009 - 6/30/2010	295.50	(20.22)		20.22						
National School Lunch Program (State Share)	09-100-010-3360-067	7/1/2010 - 6/30/2011	263.66			263.66	(300.06)					
<b>Total Child Nutrition Cluster</b>				(20.22)		303.90	(300.06)					
<b>Total Enterprise Fund</b>				(20.22)		303.90	(300.06)					
<b>Total State Financial Assistance</b>				(10,022.13)		116,322.49	(112,498.86)					

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

**BOROUGH OF AVALON SCHOOL DISTRICT  
K-5 NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2011**

**NOTE 1. GENERAL**

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state award programs of the Board of Education, Borough of Avalon. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary of accounting with the exception of programs recorded in the enterprise funds, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) and 1(D) to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas GAAP reporting, revenue is not recognized until the subsequent year or when the 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. 18A:22-4.2*. For GAAP purposes that payment is not recognized until the subsequent 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 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. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis was zero for both the general fund and Special Revenue Fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>TPAF Pension</u>	<u>Total</u>
General Fund	\$ -	\$ 203,953.80	\$ (91,795.00)	\$ 112,158.80
Special Revenue Fund	40,159.00	-	-	40,159.00
Food Service Fund	<u>4,443.82</u>	<u>300.08</u>	<u>-</u>	<u>4,743.90</u>
	<u>\$ 44,602.82</u>	<u>\$ 204,253.88</u>	<u>\$ (91,795.00)</u>	<u>\$ 157,061.70</u>

The On-Behalf Pension Contributions made for the district by the State of New Jersey are recognized as revenue in the basic financial statements, but are not considered in the major program determination.

**BOROUGH OF AVALON SCHOOL DISTRICT  
K-5 NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2011  
(CONTINUED)**

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

Revenues and expenditures reported under 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 represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

**NOTE 6. ADJUSTMENTS**

The District has instances where a grant period overlaps fiscal years and the grant has not closed out as of the end of the current fiscal year. Both favorable and unfavorable differences incurred in the liquidation of encumbrances charged as budgetary basis expenditures in the prior year are included in the schedule(s) of financial assistance in a column entitled "Adjustments."