

SCHOOL DISTRICT
OF
CALIFON BOROUGH

Califon Borough School District
Board of Education
Califon, Hunterdon County
New Jersey

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

Comprehensive Annual

Financial Report

of the

Califon Borough School District

Board of Education

Califon, New Jersey

For the Fiscal Year Ending June 30, 2011

Prepared by

Califon Borough School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

CALIFON PUBLIC SCHOOL

"Making Their Lives Extraordinary"

Kathleen M. Prystash, Ed.D.
Chief School Administrator/Principal

Susan Schaffner
Business Administrator/Board Secretary

October 15, 2011

Honorable President and Members of the Board of Education
Califon School District
Hunterdon, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Califon School District for the fiscal year, which 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. 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 general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES** Califon School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Califon Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular and special education for handicapped youngsters. The District completed the 2010-2011 fiscal year with an enrollment of 155 students, which is nine students more than the previous year's enrollment. The following details the changes in the student enrollment of the district over the last ten years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2010-2011	155	-.06
2009-2010	156	2.6
2008-2009	152	6.3
2007-2008	143	0.7
2006-2007	142	-0.7
2005-2006	143	2.1
2004-2005	140	-2.1
2003-2004	143	-0.7
2002-2003	144	-2.7
2001-2002	148	-5.1
2000-2001	156	-1.3
1999-2000	158	-1.3

2. **ECONOMIC CONDITION AND OUTLOOK** The Califon area is experiencing a period of limited development and expansion which is expected to continue. The limiting factor here is the relatively small size of Califon Borough and the impact of the Highlands Act which was enacted to prevent overdevelopment in the area. Consequently, enrollment is expected to remain relatively stable.

3. **MAJOR INITIATIVES**. Students in the Califon School District continue to do well in standardized testing. However, there are areas of focus that need to be addressed. The Califon School District has a sustained professional development program that address writing skills, differentiation, technology, math and data analysis. The Califon School District continues to enhance the education of our students through new and exciting programs in technology, math, science and language arts.

4. **INTERNAL ACCOUNTING CONTROLS** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The 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.

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

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

5. **BUDGETARY CONTROLS** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for the 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 reappropriation 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 generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. **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 and special revenue fund revenues for the fiscal year ended June 30, 2011 and the amount and percentage of increases in relation to prior year revenues.

Revenue	Amount	Increase/ (Decrease) from 2010	Percent of Increase Decrease
Local Sources	\$ 2,058,842	\$ 35,842	1.77%
State Sources	401,037	(84,614)	-17.42%
Federal Sources	<u>69,559</u>	<u>(55,628)</u>	<u>-44.44%</u>
TOTAL	\$ 2,529,438	\$ (104,400)	-3.96%

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

Expenditures	Amount	Increase (Decrease) from 2010	Percent of Increase (Decrease)
Current Expense: Instruction	\$ 1,056,541	\$ (49,752)	-4.50%
Undistributed Expenditures	<u>1,287,751</u>	<u>94,706</u>	<u>7.94%</u>
Total	\$ 2,344,292	\$ 5,938	0.25%
Debt Service	173,715	630	0.36%
Special Revenue	<u>63,863</u>	<u>(26,895)</u>	<u>-29.63%</u>
TOTAL	\$ 2,581,870	\$ (20,327)	-0.78%

8. **DEBT ADMINISTRATION** On September 7, 2006, the District issued \$1,935,000 Par Amount of School Bonds, Series 2006, maturing in varying amounts on August 15 of each year from 2007 through 2021. Consequently, at June 30, 2011, the District's outstanding debt was \$1,525,000. The net interest rate for this issue is 4.0503%. The proceeds of the Bonds were used to undertake the construction of an addition to and the renovation of the Califon Public School, as approved by the affirmative vote of the majority of the legal voters present and voting at a special School District held on September 27, 2005.
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 2. The District

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

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 Board selected the accounting firm of Ardito & Co., LLP CPA/RMA. In addition to meeting the requirements set forth in the state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's reports related specifically to the 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 Califon 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 operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,



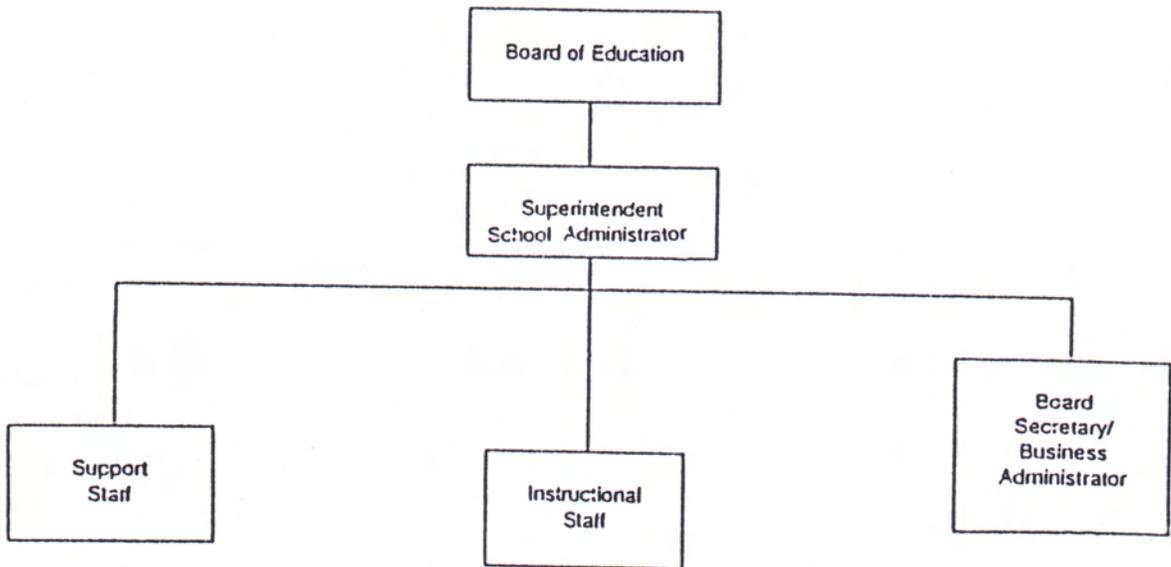
Kathleen M. Prystash, Ed. D.
Chief School Administrator



Susan Schaffner
School Business Administrator/Board Secretary

CALIFON PUBLIC SCHOOL
6 SCHOOL STREET
CALIFON, NEW JERSEY 07830
PHONE (908) 832-2828
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**Organizational Chart
(Unit Control)**



**CALIFON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2011

Members of the Board of Education

Term Expires

Kelly Galligan, <i>President</i>	2012
Carolyn Murin, <i>Vice-President</i>	2013
Alfred Turello	2014
Kim Schundler	2012
Timothy Ayers	2014

Other Officials

Dr. Kathleen M. Prystash, *Chief School Administrator*

Susan Schaffner, *School Business Administrator/Board Secretary*

Steffi-Jo DeCasas, *Treasurer*

Parker McCay P.A., *Attorneys at Law*

**CALIFON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

BOND COUNCIL

Wilentz Goldman & Spitzer P.A.
Woodbridge, New Jersey 07095

ARCHITECT

Feitlowitz and Kosten Architects
Livingston, New Jersey 07039

AUDIT FIRM

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

BOARD ATTORNEY

Parker McCay P.A.
1009 Lenox Drive
Building Four East, Suite 102A
Lawrenceville, New Jersey 08648

OFFICIAL DEPOSITORIES

PNC Bank
413 County Road 513
Califon, New Jersey 07830

Peapack-Gladstone Bank
P.O. Box 178
Gladstone, New Jersey 07934

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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

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

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

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Califon Borough School District
County of Hunterdon
Califon Borough, New Jersey 07830

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Califon Borough School District in the County of Hunterdon, 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 Califon Borough School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Califon Borough School District Board of Education in the County of Hunterdon, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2011, on our consideration of the Califon Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 9 through 9.8, and 38 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Date: October 15, 2011



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



ARDITO & Co., LLP

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

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

Honorable President and
Members of the Board of Education
Califon Borough School District
County of Hunterdon
Califon Borough, New Jersey 07830

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

Internal Control Over Financial Reporting

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

-Continued-

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

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Education of the Califon Borough School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 15, 2011.

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



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

Date: October 15, 2011

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

CALIFON BOROUGH SCHOOL DISTRICT

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

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

Financial Highlights

Key financial highlights for 2011 are as follows:

- ◆ In total, net assets decreased \$3,866, which represents a 1.6 percent decrease from 2010.
- ◆ General revenues accounted for \$2,058,842 in revenue or 81.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$476,860 or 18.8 percent of total revenues of \$2,535,702.
- ◆ Total assets of governmental activities decreased by \$107,440 as cash and cash equivalents decreased by \$42,541, receivables decreased by \$4,254, and capital assets decreased by \$60,582.
- ◆ The School District had \$2,539,568 in expenses; only \$476,860 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$2,008,500 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$2,291,790 in revenues and \$2,344,292 in expenditures. The General Fund's surplus balance decreased \$52,502 over 2010, compared to a budgeted decrease of \$101,971.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

CALIFON BOROUGH SCHOOL DISTRICT

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Special Revenue Fund.

CALIFON BOROUGH SCHOOL DISTRICT

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

Governmental Funds

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

The School District as a Whole

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

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

Table 1
Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Current and Other Assets	\$ 257,329	\$ 304,187
Capital Assets	<u>1,709,512</u>	<u>1,770,094</u>
Total Assets	<u>1,966,841</u>	<u>2,074,281</u>
Liabilities		
Long-Term Liabilities	1,556,457	1,666,457
Other Liabilities	<u>174,989</u>	<u>168,563</u>
Total Liabilities	<u>1,731,446</u>	<u>1,835,020</u>
Net Assets		
Invested in Capital Assets, Net of Debt	135,094	135,094
Restricted	10,103	39,952
Unrestricted	<u>90,301</u>	<u>64,318</u>
Total Net Assets	<u>\$ 235,498</u>	<u>\$ 239,364</u>

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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Total assets of governmental activities decreased by \$107,440 as cash and cash equivalents decreased by \$42,541, receivables decreased by \$4,254, and capital assets decreased by \$60,582. The decrease in cash was due to the spending of federal grants in advance of reimbursement in the amount of \$81,249.

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

Table 2
Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 3,357	\$ 18,966
Operating Grants and Contributions	473,503	613,987
General Revenues:		
Property Taxes	2,058,007	1,999,270
Investment Earnings	462	1,014
Other	<u>373</u>	<u>8,216</u>
Total Revenues	<u>2,535,702</u>	<u>2,641,453</u>
Program Expenses		
Instruction	1,431,257	1,544,512
Support Services:		
Tuition	134,435	59,117
Pupils and Instructional Staff	400,956	289,917
General Administration, School Administration, Business	176,378	297,385
Operations and Maintenance of Facilities	215,888	226,545
Pupil Transportation	103,765	57,766
Business-Type Activities	8,766	7,450
Interest and Fiscal Charges	<u>68,123</u>	<u>72,568</u>
Total Expenses	<u>2,539,568</u>	<u>2,555,260</u>
Increase in Net Assets	<u>\$ (3,866)</u>	<u>\$ 86,193</u>

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 81.2 percent of revenues for governmental activities for the Califon Borough School District for the fiscal year 2011.

Instruction comprises 56.4 percent of district expenses. Support services expenses make up 40.6 percent of the expenses.

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

Table 3

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Instruction	\$ 1,431,257	\$1,174,513	\$ 1,544,512	\$ 1,167,767
Support Services:				
Tuition	134,435	114,663	59,117	47,942
Pupils and Instructional Staff	400,956	273,319	289,917	209,978
General Administration, School				
Administration, Business	176,378	201,489	297,385	245,839
Operation and Maintenance of Facilities	215,888	184,137	226,545	183,722
Pupil Transportation	103,765	88,504	57,766	46,847
Business-Type Activities	8,766	2,502	7,450	(165)
Interest and Fiscal Charges	68,123	23,581	72,568	20,377
Total Expenses	<u>\$ 2,539,568</u>	<u>\$ 2,062,708</u>	<u>\$ 2,555,260</u>	<u>\$ 1,922,307</u>

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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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.

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

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District and unallocated depreciation.

The dependence upon tax revenues is apparent. Over 82.1 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 81.2 percent. The community, as a whole, is the primary support for the Califon Borough School District.

The School District's Funds

Information about the School District's major funds starts on page 12 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues/sources of \$2,529,438 and expenditures of \$2,581,870. The net change in fund balance for the year was most significant in the General Fund, an decrease of \$52,502. This was due to the planned use of surplus to balance the 2011 budget in the amount of \$39,849 and the liquidation of prior year encumbrances payable of \$62,122.

General Fund Budgeting Highlights

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

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

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$2,123,676, \$17,038 under original budgeted estimates of \$2,140,714. This was due to unrealized budgeted tuition revenue.

The General fund expenditures of the School District exceeded revenues by approximately \$63,389. This compares favorably to a 101,971 budgeted decrease due to planned use of surplus.

CALIFON BOROUGH SCHOOL DISTRICT

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

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Capital Assets

At the end of the fiscal year 2011, the School District had \$1,709,512 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2010 balances compared to 2010.

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

	<u>2011</u>	<u>2010</u>
Land	\$ 83,800	\$ 83,800
Land Improvements		
Buildings and Improvements	1,587,699	1,630,726
Machinery and Equipment	<u>38,013</u>	<u>55,568</u>
Totals	<u>\$ 1,709,512</u>	<u>\$ 1,770,094</u>

Overall capital assets decreased \$60,582 from fiscal year 2010 to fiscal year 2011, entirely due to depreciation expense.

Debt Administration

At June 30, 2011, the School District had \$1,731,029 as outstanding debt. Of this amount \$162,981 is for compensated absences, and \$1,525,000 is for general obligation bonds payable.

At June 30, 2011, the School District's overall legal debt margin was \$4,668,268 and the unvoted debt margin was \$3,143,268.

For the Future

The Califon Borough School District is in very good financial condition presently. A major concern is the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and state funding is decreased.

Califon Borough School District successfully passed the 2011-2012 school budget. It has been increasingly difficult to balance educational needs with increases in property tax rates. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. While history shows that the District generally supported the budget, budget defeats have become more prevalent in the recent past. This problem seems to be statewide and is not exclusive to the Califon Borough School District. The Califon Borough School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

CALIFON BOROUGH SCHOOL DISTRICT

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

9.7

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Susan Schaffner, School Business Administrator/ Board Secretary at Califon Borough School District, 6 School Street, Califon, NJ 07830, or E-mail at sschaffner@califonschool.org.

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.

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2011

	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
ASSETS	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTAL</u>
Cash and Cash Equivalents	\$ 161,297	\$ 151	\$ 161,448
Receivables, Net	95,346		95,346
Interfund Receivables		535	535
Restricted Assets:			
Capital Reserve Account - Cash	103		103
Capital Assets, Net (Note 4):	1,709,512		1,709,512
Total Assets	1,966,258	686	1,966,944
LIABILITIES			
Accounts Payable	375		375
Interfund Payables	535		535
Accrued Interest	23,094		23,094
Deferred Revenue	19,461		19,461
Noncurrent Liabilities (Note 5):			
Due Within One Year	131,524		131,524
Due Beyond One Year	1,556,457		1,556,457
Total Liabilities	1,731,446		1,731,446
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	135,094		135,094
Restricted for:			
Other Purposes	10,103		10,103
Unrestricted	89,615	686	90,301
Total Net Assets	\$ 234,812	\$ 686	\$ 235,498

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular	\$ 1,065,952		\$ 203,018		\$ (862,934)	\$ (862,934)
Special Education	328,712		48,344		(280,368)	(280,368)
Other Special Instruction	36,593		5,382		(31,211)	(31,211)
Support Services:						
Tuition	134,435		19,772		(114,663)	(114,663)
Student & Instruction Related Serv.	341,102		67,783		(273,319)	(273,319)
School Administrative Services	59,854		8,803		(51,051)	(51,051)
General and Business Admin. Serv.	176,378		25,940		(150,438)	(150,438)
Plant Operations and Maintenance	215,888		31,751		(184,137)	(184,137)
Pupil Transportation	103,765		15,261		(88,504)	(88,504)
Interest Expense	62,065		44,542		(17,523)	(17,523)
Unallocated Depreciation	6,058				(6,058)	(6,058)
Total Governmental Activities	2,530,802		470,596		(2,060,206)	(2,060,206)
Business-Type Activities:						
Food Service	8,766	\$ 3,357	2,907		\$ (2,502)	(2,502)
Total Business-Type Activities	8,766	3,357	2,907		(2,502)	(2,502)
Total Primary Government	\$ 2,539,568	\$ 3,357	\$ 473,503	-	\$ (2,060,206)	\$ (2,502) \$ (2,062,708)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net				\$ 1,928,764		\$ 1,928,764
Property Taxes, Levied for Debt Service Purposes,Net				129,243		129,243
Investment Earnings				462		462
Miscellaneous Income				373		373
Total General Revenues, Special Items, Extraor. Items and Transfers				2,058,842		2,058,842
Change in Net Assets				(1,364)	(2,502)	(3,866)
Net Assets—Beginning (As Restated)				236,176	3,188	239,364
Net Assets—Ending				\$ 234,812	\$ 686	\$ 235,498

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

FUND FINANCIAL STATEMENTS

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS					
Cash and Cash Equivalents	\$ 109,767		\$ 51,563	\$ 70	\$ 161,400
Receivables from Other Governments	14,097	\$ 81,249			95,346
Interfund Receivable	70,378	6,390			76,768
TOTAL ASSETS	<u>\$ 194,242</u>	<u>\$ 87,639</u>	<u>\$ 51,563</u>	<u>\$ 70</u>	<u>\$ 333,514</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable		\$ 375			\$ 375
Interfund Payable	\$ 6,925	70,378			77,303
Deferred Revenue	2,575	16,886			19,461
Total Liabilities	<u>9,500</u>	<u>87,639</u>	<u>-</u>	<u>-</u>	<u>97,139</u>
 Fund Balances:					
<u>Restricted for:</u>					
Capital Reserve Account	103				103
<u>Assigned to:</u>					
Year-End Encumbrances	29,416		\$ 53,838		83,254
General Fund-Designated for Subsequent Year's Expend.	10,000				10,000
Capital Fund			(2,275)		(2,275)
Debt Service Fund			\$ 70		70
<u>Unassigned:</u>					
General Fund	145,223				145,223
Total Fund Balances	<u>184,742</u>		<u>51,563</u>	<u>70</u>	<u>236,375</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 194,242</u>	 <u>\$ 87,639</u>	 <u>\$ 51,563</u>	 <u>\$ 70</u>	 <u>\$ 333,514</u>

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,563,739 and the accumulated depreciation is \$854,227.	\$ 1,709,512
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5)	(23,094)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5)	<u>(1,687,981)</u>
Net assets of governmental activities	<u>\$ 234,812</u>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 1,928,764			\$ 129,243	\$ 2,058,007
Miscellaneous	835				835
Total - Local Sources	1,929,599			129,243	2,058,842
State Sources	356,404	\$ 91		44,542	401,037
Federal Sources	5,787	63,772			69,559
Total Revenues	2,291,790	63,863		173,785	2,529,438
EXPENDITURES					
Current:					
Regular Instruction	761,156	46,247			807,403
Special Education Instruction	265,796				265,796
Other Special Instruction	29,589				29,589
Support services and undistributed costs:					
Tuition	108,704				108,704
Student and Instruction Related Services	258,199	17,616			275,815
School Administrative Services	48,398				48,398
Other Administrative Services	142,619				142,619
Plant Operations and Maintenance	174,567				174,567
Pupil Transportation	83,904				83,904
Unallocated Benefits	471,360				471,360
Debt Service:					
Principal				110,000	110,000
Interest and Other Charges				63,715	63,715
Capital Outlay			-		
Total Expenditures	2,344,292	63,863		173,715	2,581,870
Excess (Deficiency) of Revenues Over Expenditures	(52,502)			70	(52,432)
Net Change in Fund Balances	(52,502)			70	(52,432)
Fund Balance—July 1	237,244		51,563		288,807
Fund Balance—June 30	<u>\$ 184,742</u>		<u>\$ 51,563</u>	<u>70</u>	<u>\$ 236,375</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (52,432)

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

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

Depreciation Expense	\$ (60,582)	
Capital Outlays	<u> -</u>	(60,582)

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. 110,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 1,650

Change in Net Assets of Governmental Activities \$ (1,364)

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

JUNE 30, 2011

		Business-Type Activities- Enterprise Funds	
		Food Service	Totals
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 151	\$ 151
Interfund Receivable		535	535
Total Current Assets		<u>686</u>	<u>686</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment		600	600
Less Accumulated Depreciation		(600)	(600)
Total Noncurrent Assets		<u> </u>	<u> </u>
	Total Assets	<u>686</u>	<u>686</u>
LIABILITIES			
Current liabilities:			
Accounts Payable		<u> </u>	<u> </u>
Total Current Liabilities		<u> </u>	<u> </u>
	Total Liabilities	<u> </u>	<u> </u>
NET ASSETS			
Unrestricted		686	686
Total Net Assets		<u>\$ 686</u>	<u>\$ 686</u>

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

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

	Business-type Activities - Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 3,357	\$ 3,357
Total Operating Revenues	3,357	3,357
 Operating Expenses:		
Cost of Sales	3,843	3,843
Salaries	3,000	3,000
Other Purchased Professional Services	1,923	1,923
Total Operating Expenses	8,766	8,766
Operating Income (Loss)	(5,409)	(5,409)
 Nonoperating Revenues (Expenses):		
Federal Sources:		
Special Milk Program	2,907	2,907
Total Nonoperating Revenues (Expenses)	2,907	2,907
Income (Loss) Before Contributions and Transfers	(2,502)	(2,502)
Total Net Assets—Beginning	3,188	3,188
Total Net Assets—Ending	\$ 686	\$ 686

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended June 30, 2011

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 3,356	\$ 3,356
Payments to Employees and Suppliers	(8,765)	(8,765)
Net Cash Provided by (used for) Operating Activities	<u>(5,409)</u>	<u>(5,409)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Sources	3,171	3,171
Operating Subsidies and Transfers to Other Funds		
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>3,171</u>	<u>3,171</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,238)	(2,238)
Balances—Beginning of Year	2,389	2,389
Balances—End of Year	<u>\$ 151</u>	<u>\$ 151</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (5,409)	\$ (5,409)
Provided by (used for) Operating Activities:		
(Increase) Decrease in Accounts Receivable		
Increase (Decrease) in Accounts Payable		
Total Adjustments		
Net Cash Provided by (used for) Operating Activities	<u>\$ (5,409)</u>	<u>\$ (5,409)</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2011

	Unemployment Compensation <u>Trust Fund</u>	Scholarship Trust Fund	Agency <u>Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 10,010	\$ 80,015	\$ 21,270
Total Assets	<u>\$ 10,010</u>	<u>\$ 80,015</u>	<u>\$ 21,270</u>
LIABILITIES			
Accounts Payable			\$ 7,807
Payable to Student Groups			<u>13,463</u>
Total Liabilities			<u>\$ 21,270</u>
NET ASSETS			
Held in Trust for Scholarship Purposes		<u>\$ 80,015</u>	
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 10,010</u>		<u> </u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended June 30, 2011

	Unemployment Compensation <u>Trust</u>	Scholarship <u>Trust</u>
ADDITIONS		
Contributions:		
Miscellaneous		\$ 80,000
Plan Member	\$ 265	-
Total Contributions	<u>265</u>	<u>80,000</u>
Investment Earnings:		
Interest	-	15
Net Investment Earnings	<u>-</u>	<u>15</u>
Total Additions	<u>265</u>	<u>80,015</u>
DEDUCTIONS		
Scholarship Awards		-
Unemployment Claims	40,322	-
Total Deductions	<u>40,322</u>	<u>-</u>
Change in Net Assets	(40,057)	80,015
Net Assets—Beginning of the Year	<u>50,067</u>	<u>-</u>
Net Assets—End of the Year	<u>\$ 10,010</u>	<u>\$ 80,015</u>

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

Notes to Financial Statements

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity:

The Califon Borough School District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of five members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Califon Borough School District had an approximate enrollment at June 30, 2011, of 155 students.

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of Accounting

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. Accumulated vacation time must be used within the fiscal period and does not accrue. Sick leave benefits provide for ordinary sick pay that has been accumulated during employment by the board.

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

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

Deferred Revenue:

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

Accrued Liabilities and Long-Term Obligations:

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

CALIFON BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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

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

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

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

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

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

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	<u>\$161,551</u>	<u>\$111,295</u>	<u>\$272,846</u>
	<u>\$161,551</u>	<u>\$111,295</u>	<u>\$272,846</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$272,846 and the bank balance was \$395,062. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$273,754 was covered by federal depository insurances and \$121,308 was covered by collateral pool.

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 3: RECEIVABLES

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

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	\$8,310	\$8,310
Federal Aid	87,036	87,036
Other	-	-
Gross Receivable	<u>\$95,346</u>	<u>\$95,346</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$95,346</u></u>	<u><u>\$95,346</u></u>

NOTE 4: CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 83,800			\$ 83,800
Total Capital Assets Not Being Depreciated	<u>83,800</u>	-	-	<u>83,800</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Building Improvements	2,190,458			2,190,458
Machinery and Equipment	289,481			289,481
Total at Historical Cost	<u>2,479,939</u>	-	-	<u>2,479,939</u>
Less Accumulated Depreciation for:				
Building and Improvements	(548,855)	(53,904)		(602,759)
Equipment	(244,790)	(6,678)		(251,468)
Total Accumulated Depreciation	<u>(793,645)</u>	<u>(60,582)</u>		<u>(854,227)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>(793,645)</u>	<u>(60,582)</u>	-	<u>(854,227)</u>
Government Activity Capital Assets, Net	<u>\$ 1,770,094</u>	<u>\$ (60,582)</u>	<u>-</u>	<u>\$ 1,709,512</u>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 54,524
Unallocated	6,058
Total	<u>\$ 60,582</u>

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 5: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

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

	Balance			Balance	Amounts
	<u>7/1/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/11</u>	Due Within
					<u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 1,635,000		\$ 110,000	\$ 1,525,000	\$ 110,000
Other Liabilities:					
Compensated Absences Payable	162,981	\$ 21,524	(21,524)	206,029	21,524
Total Other Liabilities	\$ 1,797,981	\$ 21,524	\$ 88,476	\$ 1,731,029	\$ 131,524

On July 24, 2006, \$1,935,000 in Bonds were authorized pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented, (ii) a proposal adopted by the Board on August 8, 2005 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on September 27, 2005 and (iii) a resolution duly adopted by the Board on July 24, 2006, which sets forth the terms and sale of the Bonds.

On August 15, 2006 bonds were issued in the amount of \$1,935,000. Bond Proceeds and accrued interest were received on September 7, 2010 in the amount of \$1,939,766, of which \$4,766 was for accrued interest.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2011, it is not necessary for the Board to establish a liability for arbitrage rebate.

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 5: LONG-TERM OBLIGATIONS (Continued)

	Government Activities			Balance <u>6/30/11</u>
	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	
Bonds Payable	8/15/06	4%-4.25%	8/15/2021	\$ 1,525,000
Total Bonds				<u>\$ 1,525,000</u>

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2011, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 110,000	\$ 59,385	\$ 169,385
2013	115,000	54,885	169,885
2014	120,000	50,185	170,185
2015	125,000	45,285	170,285
2016	130,000	40,185	170,185
Thereafter	<u>925,000</u>	<u>118,279</u>	<u>1,043,279</u>
	<u>\$1,525,000</u>	<u>\$ 368,204</u>	<u>\$ 1,893,204</u>

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

NOTE 6: PENSION PLANS

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

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 6: PENSION PLANS (Continued)

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

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

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 6: PENSION PLANS (Continued)

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2011	\$20,069	100 %	-0-
6/30/2010	\$5,742	100	-0-
6/30/2009	\$7,128	100	-0-

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

During the fiscal year ended June 30, 2011, the State of New Jersey did contribute \$80,774 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$76,453 during the year ended June 30, 2011, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 7: POST-RETIREMENT BENEFITS

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 8: DEFERRED COMPENSATION

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

The Penn Mutual Life Insurance Company
American Funds - The Capital Group Companies
First Investors Corporation

NOTE 9: COMPENSATED ABSENCES

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. Accumulated vacation time must be used within the fiscal period and does not accrue. Sick leave benefits provide for ordinary sick pay that has been accumulated during employment by the board.

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

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

NOTE 10: RISK MANAGEMENT

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

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

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 10: RISK MANAGEMENT (Continued)

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 previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$265		\$40,322	\$10,010
2009-2010	\$2,407		\$55	\$50,067
2008-2009	\$2,744		\$2,774	\$47,715

NOTE 11: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

The Board is involved in lawsuits involving educational programing of a disabled student. In the event of an unfavorable outcome, the district estimates the potential liability to be approximately \$70,000.

NOTE 12: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$184,742 General Fund fund balance at June 30, 2011, \$29,416 is reserved for encumbrances; \$103 has been reserved in the Capital Reserve Account; \$10,000 has been reserved and is anticipated as revenue for the year ended June 30, 2012; and, \$145,223 is unreserved and undesignated.

NOTE 13: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Califon Borough School District Board of Education by inclusion in prior budgets, 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.

CALIFON BOROUGH SCHOOL DISTRICT

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

NOTE 13: CAPITAL RESERVE ACCOUNT - (Continued)

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

The Capital Reserve had no activity for the July 1, 2010 to June 30, 2011 fiscal year.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2011 (Exhibit B-1):

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 70,378	\$ 6,925
Special Revenue Fund	6,390	70,378
Enterprise Fund	535	
	<u>\$ 77,303</u>	<u>\$ 77,303</u>

The Special Revenue Fund owes the current fund for cash advances in anticipation of federal grant receipts. The general fund owes the enterprise fund for federal milk reimbursements received for the months of May and June 2011.

NOTE 15: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2011 is \$0.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

CALIFON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 1,928,764		\$ 1,928,764	\$ 1,928,764	
Tuition	23,400		23,400		\$ (23,400)
Miscellaneous	2,000		2,000	835	(1,165)
Total - Local Sources	<u>1,954,164</u>		<u>1,954,164</u>	<u>1,929,599</u>	<u>(24,565)</u>
State Sources:					
Equalization Aid	179,935	\$ (84,886)	95,049	95,049	
Special Education Aid	6,615	84,886	91,501	91,501	
Other State Aid			-	1,740	1,740
TPAF Pension (On-Behalf - Non-Budgeted)				80,774	80,774
TPAF Social Security (Reimbursed - Non-Budgeted)				76,453	76,453
Total State Sources	<u>186,550</u>	<u>-</u>	<u>186,550</u>	<u>345,517</u>	<u>158,967</u>
Federal Sources:					
Education Jobs Grant		5,787	5,787	5,787	
Total Federal Sources		<u>5,787</u>	<u>5,787</u>	<u>5,787</u>	
TOTAL REVENUES	<u>2,140,714</u>	<u>5,787</u>	<u>2,146,501</u>	<u>2,280,903</u>	<u>134,402</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	65,117	(7,826)	57,291	55,996	1,295
Grades 1-5 - Salaries of Teachers	391,313	5,776	397,089	397,046	43
Grades 6-8 - Salaries of Teachers	276,681	(27,278)	249,403	243,718	5,685

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	20,873	(468)	20,405	16,886	3,519
Purchased Professional-Educational Services	2,795	-	2,795	2,615	180
Other Purchased Services (400-500 series)	7,630	2,158	9,788	7,752	2,036
General Supplies	36,980	12,985	49,965	35,865	14,100
Textbooks	500	(500)	-	-	-
Other Objects	1,250	114	1,364	1,278	86
TOTAL REGULAR PROGRAMS - INSTRUCTION	803,139	(15,039)	788,100	761,156	26,944
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	141,706	(1,800)	139,906	139,906	
Other Salaries for Instruction	73,311	5,386	78,697	75,804	2,893
Other Purchased Services (400-500 series)	500	(450)	50	-	50
General Supplies	800	(125)	675	267	408
Textbooks	100	(75)	25		25
Total Resource Room/Resource Center	216,417	2,936	219,353	215,977	3,376
Pre-School Disabilities - Part Time:					
Salaries of Teachers	33,264	(650)	32,614	32,487	127
Other Salaries for Instruction	8,500	(550)	7,950	7,919	31
Other Purchased Services (400-500 series)	200	-	200	176	24
General Supplies	7,500	1,750	9,250	9,237	13
Total Pre-School Disabilities - Part Time	49,464	550	50,014	49,819	195
TOTAL SPECIAL EDUCATION - INSTRUCTION	265,881	3,486	269,367	265,796	3,571
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	13,117	(1,442)	11,675	11,025	650
General Supplies	250	-	250	214	36
Total Basic Skills/Remedial - Instruction	13,367	(1,442)	11,925	11,239	686

CALIFON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
School Sponsored Co/Extra Curricular Activities-Inst.:					
Salaries	9,153	2,400	11,553	9,840	1,713
Supplies and Materials	6,000	(4,569)	1,431	609	822
Total School Sponsored Co/Extra Curricular Activities-Inst.	15,153	(2,169)	12,984	10,449	2,535
School Sponsored Athletics-Instruction:					
Salaries	3,400	697	4,097	4,097	
Purchased Services (300-500 series)	3,900	(697)	3,203	2,530	673
Other Objects	1,300	-	1,300	1,274	26
Total School Sponsored Athletics-Instruction	8,600	-	8,600	7,901	699
TOTAL INSTRUCTION	1,106,140	(15,164)	1,090,976	1,056,541	34,435
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Special	49,759	48,802	98,561	98,181	380
Tuition to Priv. Sch. For the Disabled W/I State	19,637	(9,114)	10,523	10,523	-
Total Instruction	69,396	39,688	109,084	108,704	380
Health Services:					
Salaries	27,192	170	27,362	27,362	-
Purchased Professional and Technical Services	500	-	500	500	
Other Purchased Services (400-500 series)	100	(100)	-	-	
Supplies and Materials	1,700	(375)	1,325	1,170	155
Total Health Services	29,492	(305)	29,187	29,032	155
Other Supp. Services Students-Related Services:					
Salaries	34,614	(950)	33,664	33,660	4
Purchased Professional - Educational Services	19,600	12,242	31,842	31,575	267
Supplies and Materials	2,900	(557)	2,343	2,333	10
Total Other Supp. Services Students-Related Services	57,114	10,735	67,849	67,568	281

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	86,499	(1,557)	84,942	84,942	
Salaries of Secretarial and Clerical Assistants	25,928	165	26,093	25,951	142
Purchased Professional - Educational Services		3,343	3,343	3,342	1
Misc Purch Serv (Series 400-500 Other Than Residual Costs)	1,300	(1,040)	260	94	166
Supplies and Materials	2,000	(1,699)	301	146	155
Other Objects	150	(100)	50	-	50
Total Other Supp. Services Students-Regular	115,877	(888)	114,989	114,475	514
Educational Media Services/School Library:					
Salaries	30,790	4,422	35,212	35,212	
Other Purchased Services (400-500 series)	12,845	(3,717)	9,128	8,159	969
Supplies and Materials	3,000	2,401	5,401	3,355	2,046
Total Educational Media Services/School Library	46,635	3,106	49,741	46,726	3,015
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	748		748	398	350
Total Instructional Staff Training Services	748		748	398	350
Supp. Services - General Administration:					
Salaries	44,800	(1,093)	43,707	43,707	
Legal Services	2,500	11,352	13,852	13,571	281
Audit Fees	9,250	291	9,541	9,541	
Other Purchased Professional Services	1,940	(537)	1,403	1,402	1
Communications/Telephone	-	732	732	728	4
Other Purchased Services (400-500 series)	1,500	93	1,593	1,324	269
General Supplies	100	(100)	-	-	
Miscellaneous Expenditures	2,815	(500)	2,315	2,309	6
BOE Membership Dues and Fees	3,900	(1,893)	2,007	2,005	2
Total Supp. Services - General Administration	66,805	8,345	75,150	74,587	563

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Asst Principals/Prog. Dir.	44,800	(1,092)	43,708	43,708	-
Salaries of Secretarial and Clerical Assistants	5,018	(327)	4,691	4,690	1
Other Purchased Services (400-500 series)	100	(100)	-	-	-
Supplies and Materials	100	(100)	-	-	-
Total Support Services - School Administration	50,018	(1,619)	48,399	48,398	1
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	14,550	(325)	14,225	11,890	2,335
Total Required Maintenance for School Facilities	14,550	(325)	14,225	11,890	2,335
Other Operations and Maintenance of Plant:					
Salaries	77,212	(10,189)	67,023	66,568	455
Purchased Professional and Technical Services	1,100	-	1,100	1,001	99
Cleaning, Repair and Maintenance Services	12,950	(3,840)	9,110	7,696	1,414
Other Purchased Property Services	2,900	(2,900)	-	-	-
Insurance	27,700	(3,449)	24,251	24,251	-
Miscellaneous Purchased Services	100	(100)	-	-	-
General Supplies	9,500	(50)	9,450	8,985	465
Energy (Natural Gas)	18,000	(1,000)	17,000	16,674	326
Energy (Electricity)	25,000	(2,700)	22,300	21,847	453
Total Other Operations and Maintenance of Plant	174,462	(24,228)	150,234	147,022	3,212
Care and Upkeep of Grounds:					
Salaries	10,000	215	10,215	10,215	-
Purchased Professional and Technical Services	1,600	3,840	5,440	5,440	-
Total Care and Upkeep of Grounds	11,600	4,055	15,655	15,655	-
Student Transportation Services					
Salaries of Non-Instructional Aides	8,469	(1,040)	7,429	7,425	4
Contracted Services-Aid in Lieu of Payments-Non Public Sch.	950	6,834	7,784	6,699	1,085
Contracted Services(Oth.than Bet.Home & Sch.)-Vendors	5,330	(103)	5,227	3,098	2,129
Contracted Services(Spl.Ed.Students)-ESCs & CTSAs	41,350	28,082	69,432	66,682	2,750
Total Student Transportation Services	56,099	33,773	89,872	83,904	5,968

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Central Services:					
Salaries	8,469	(1,044)	7,425	7,425	
Purchased Professional Services	45,195	(73)	45,122	45,122	-
Purchased Technical Services	3,200	(10)	3,190	3,190	-
Misc Purch Serv (Series 400-500 Other Than Residual Costs)	200	(200)	-	-	-
Supplies and Materials	100	395	495	495	
Total Central Services	57,164	(932)	56,232	56,232	-
ALLOCATED BENEFITS					
Supp. Services - General Administration:					
Group Insurance	11,800	-	11,800	11,800	
Total Supp. Services - General Administration	11,800	-	11,800	11,800	
TOTAL ALLOCATED BENEFITS	11,800	-	11,800	11,800	-
UNALLOCATED BENEFITS					
Social Security Contributions	19,741	9,195	28,936	28,288	648
Other Retirement Contributions - Regular	18,654	1,415	20,069	20,069	
Workmen's Compensation	21,500	(1,299)	20,201	20,201	
Health Benefits	240,768	(125)	240,643	232,902	7,741
Tuition Reimbursement	6,000	2,482	8,482	7,228	1,254
Other Employee Benefits	6,000	-	6,000	5,445	555
TOTAL UNALLOCATED BENEFITS	312,663	11,668	324,331	314,133	10,198
On-behalf TPAF pension Contrib. (non-budgeted)				80,774	(80,774)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				76,453	(76,453)
TOTAL ON-BEHALF CONTRIBUTIONS				157,227	(157,227)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	324,463	11,668	336,131	483,160	(147,029)
TOTAL UNDISTRIBUTED EXPENDITURES	1,074,423	83,073	1,157,496	1,287,751	(130,255)

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
TOTAL GENERAL CURRENT EXPENSE	2,180,563	67,909	2,248,472	2,344,292	(95,820)
TOTAL EXPENDITURES	2,180,563	67,909	2,248,472	2,344,292	(95,820)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,849)	(62,122)	(101,971)	(63,389)	38,582
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(39,849)	(62,122)	(101,971)	(63,389)	38,582
Fund Balance, July 1	266,777		266,777	266,777	
Fund Balance, June 30	\$ 226,928	\$ (62,122)	\$ 164,806	\$ 203,388	\$ 38,582

CALIFON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 103	
Assigned to:					
Year-End Encumbrances				29,416	
Designated for Subsequent Year's Expenditures				10,000	
Unassigned:					
Unrestricted Fund Balance				<u>163,869</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				<u>203,388</u>	
 Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(18,646)</u>	
 Fund Balance per Governmental Funds(GAAP Basis)				<u><u>\$ 184,742</u></u>	

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1b

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND-EDUCATION JOBS FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Education Jobs Grant		\$ 5,787	\$ 5,787	\$ 5,787	
Total Federal Sources		5,787	5,787	5,787	
TOTAL REVENUES		\$ 5,787	\$ 5,787	\$ 5,787	
EXPENDITURES:					
Current Expense:					
ARRA:					
Salaries of Teachers Grades 1-5		\$ 5,376	\$ 5,376	\$ 5,376	
Social Security Contributions		411	411	411	
Total ARRA		5,787	5,787	5,787	
TOTAL EXPENDITURES		\$ 5,787	\$ 5,787	\$ 5,787	
Excess (Deficiency) of Revenues Over (Under) Expenditures					

CALIFON BOROUGH SCHOOL DISTRICT
**APPROPRIATIONS COMBINING SCHEDULE - FUNDS 11 AND 18
GENERAL FUND**

Line	Description	Account #	Fund 11/12/13 Approps	Fund 18 Approps	Schedule C-1 Total General Fund Approps
Undist. Expend.-Custodial Services					
2520	Grades 1-5 - Salaries of Teachers	11-120-100-101	\$ 391,670	\$ 5,376	\$ 397,046
12620	Social Security Contributions	11-000-291-220	27,877	411	28,288
TOTAL EXPENDITURES			\$ 419,547	\$ 5,787	\$ 425,334

CALIFON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND

Exhibit C-2

For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
State Sources		\$ 1,844	\$ 1,844	\$ 91	\$ (1,753)
Federal Sources	\$ 46,968	24,690	71,658	56,588	(15,070)
Total Revenues	46,968	26,534	73,502	56,679	(16,823)
EXPENDITURES:					
Instruction:					
Tuition	26,267	15,399	41,666	41,662	4
General Supplies		1,085	1,085	1,085	
Total Instruction	26,267	16,484	42,751	42,747	4
Support Services					
Purchased Professional - Technical Services	17,639	8,142	25,781	10,715	15,066
Other Purchased Services	3,062	1,908	4,970	3,217	1,753
Total Support Services	20,701	10,050	30,751	13,932	16,819
Total Expenditures	46,968	26,534	73,502	56,679	16,823
Total Outflows	\$ 46,968	\$ 26,534	\$ 73,502	\$ 56,679	\$ 16,823
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

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

For the Fiscal Year Ended June 30, 2011

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 2,280,903	\$ 56,679
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	7,248
Current Year Encumbrances	N/A	(64)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	29,533	N/A
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(18,646)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 2,291,790</u>	<u>\$ 63,863</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 2,344,292	\$ 56,679
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	7,248
Current Year Encumbrances	N/A	(64)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 2,344,292</u>	<u>\$ 63,863</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2011

	Title II Part A	Title IV	IDEA Basic	IDEA Preschool	ARRA IDEA Pre-School	REAP	Ch Ed	Totals
REVENUES								
State Sources							\$ 91	\$ 91
Federal Sources	\$ 3,062	\$ 64	\$ 38,575	\$ 1,975	\$ 1,112	\$ 11,800		56,588
TOTAL REVENUES	3,062	64	38,575	1,975	1,112	11,800	-	56,679
EXPENDITURES:								
Instruction:								
Tuition			38,575	1,975	1,112			41,662
General Supplies						1,085		1,085
Total Instruction			38,575	1,975	1,112	1,085		42,747
Support Services:								
Purchased Profess.-Tech. Serv.						10,715		10,715
Other Purchased Services	3,062	64					91	3,217
Total Support Services	3,062	64	-	-	-	10,715	91	13,932
TOTAL EXPENDITURES	3,062	64	38,575	1,975	1,112	11,800	91	56,679
Total Outflows	3,062	64	38,575	1,975	1,112	11,800	91	56,679
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)								

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2011

<u>Issue/Project Title</u>	<u>Approval</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2011</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Addition Construction & Renovations to Califon School	Voters	9/27/05	\$ 1,935,000	\$ 1,888,203	\$ -	\$ 46,797
Totals			<u>\$ 1,935,000</u>	<u>1,888,203</u>	<u>\$ -</u>	<u>\$ 46,797</u>
Accrued Interest on Bond Proceeds						4,766
Fund Balance						<u>\$ 51,563</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2011

Revenues and Other Financing

Sources

Refund of Prior Year Expenditures	-
Total Revenues	<u>-</u>

Expenditures and Other Financing

Uses:

Purchased professional and technical services	-
Construction services	<u>-</u>
Total Expenditures	<u>-</u>

Excess(deficiency) of revenues over(under) expenditures	-
---	---

Fund Balance - Beginning	<u>\$ 51,563</u>
--------------------------	------------------

Fund Balance - Ending	<u><u>\$ 51,563</u></u>
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CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS-BUDGETARY BASIS
NEW CONSTRUCTION & RENOVATIONS OF CALIFON SCHOOL

From Inception and for the Fiscal Year Ended June 30, 2011

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing				
Sources				
Bond Proceeds	\$ 1,935,000		\$ 1,935,000	\$ 1,935,000
Refund of Prior Year Expenditures	17,113		17,113	
Total Revenues	<u>1,952,113</u>	-	<u>1,952,113</u>	<u>1,935,000</u>
Expenditures and Other Financing				
Sources				
Purchased professional and technical serv.	\$ 259,509		259,509	292,600
Construction services	1,645,807		1,645,807	1,642,400
Total Expenditures	<u>1,905,316</u>	-	<u>1,905,316</u>	<u>1,935,000</u>
Excess(deficiency)of revenues over(under) expenditures	<u>\$ 46,797</u>	-	<u>\$ 46,797</u>	

Additional project information:

Project number	N/A
Grant Date	N/A
Bond Authorization Date	9/27/2005
Bonds Authorized	\$1,935,000
Bonds Issued	\$1,935,000
Original Authorized Cost	\$1,935,000
Additional Authorized Cost	N/A
Revised Authorized Cost	\$1,935,000

Percentage Increase over Original

Authorized Cost	N/A
Percentage Completion	94%
Original Target Completion Date	6/30/07
Revised Target Completion Date	9/30/07

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

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

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

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

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

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-1

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

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	SCHOLARSHIP FUNDS	AGENCY FUNDS		TOTALS
			STUDENT ACTIVITY	PAYROLL AGENCY	
ASSETS:					
Cash and Cash Equivalents	\$10,010	\$80,015	\$13,463	\$7,807	\$111,295
TOTAL ASSETS	\$10,010	\$80,015	\$13,463	\$7,807	\$111,295
LIABILITIES:					
Liabilities:					
Payroll Deductions				\$7,807	\$7,807
Payable to Student Groups			\$13,463		13,463
Total Liabilities			13,463	7,807	21,270
NET ASSETS					
Held in Trust for Scholarship Purposes		\$80,015			80,015
Held in Trust for Unemployment Claims and Other Purposes	\$10,010				10,010
TOTAL LIABILITIES AND NET ASSETS	\$10,010	\$80,015	\$13,463	\$7,807	\$111,295

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	HELEN APGAR TRUST SCHOLARSHIP FUND	TOTALS
ADDITIONS			
Contributions:			
Miscellaneous		\$ 80,000	\$ 80,000
Plan Member	\$ 265	-	265
Total Contributions	<u>265</u>	<u>80,000</u>	<u>80,265</u>
Investment Earnings:			
Interest	-	15	15
Net Investment Earnings	<u>-</u>	<u>15</u>	<u>15</u>
Total Additions	<u>265</u>	<u>80,015</u>	<u>80,280</u>
DEDUCTIONS			
Unemployment Claims	40,322	-	40,322
Total Deductions	<u>40,322</u>	<u>-</u>	<u>40,322</u>
Change in Net Assets	(40,057)	80,015	39,958
Net Assets—Beginning of the Year	<u>50,067</u>	<u>-</u>	<u>50,067</u>
Net Assets—End of the Year	<u>\$ 10,010</u>	<u>\$ 80,015</u>	<u>\$ 90,025</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-3

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

<u>ACTIVITY</u>	<u>BALANCE JUNE 30, 2010</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2011</u>
School Activity Funds	\$ 13,230	\$ 19,830	\$ 19,597	\$ 13,463
	<u>\$ 13,230</u>	<u>\$ 19,830</u>	<u>\$ 19,597</u>	<u>\$ 13,463</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-4

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

	<u>BALANCE</u> <u>JUNE 30, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,565	\$ 1,561,250	\$ 1,555,008	\$ 7,807
Total Assets	<u>\$ 1,565</u>	<u>\$ 1,561,250</u>	<u>\$ 1,555,008</u>	<u>\$ 7,807</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 1,565	\$ 621,974	\$ 615,732	\$ 7,807
Accrued Salaries and Wages		939,276	939,276	
Total Liabilities	<u>\$ 1,565</u>	<u>\$ 1,561,250</u>	<u>\$ 1,555,008</u>	<u>\$ 7,807</u>

LONG-TERM DEBT SCHEDULES

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2011**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2010</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2011</u>
			<u>DATE</u>	<u>AMOUNT</u>				
School Construction Bonds - Series 2006	08/15/06	1,935,000	08/15/11	\$ 110,000	4.00%	\$ 1,635,000	\$ 110,000	\$ 1,525,000
			08/15/12	115,000	4.00%			
			08/15/13	120,000	4.00%			
			08/15/14	125,000	4.00%			
			08/15/15	130,000	4.00%			
			08/15/16	140,000	4.00%			
			08/15/17	145,000	4.00%			
			08/15/18	150,000	4.00%			
			08/15/19	155,000	4.05%			
			08/15/20	165,000	4.05%			
			08/15/21	170,000	4.25%			
Total						<u>\$ 1,635,000</u>	<u>\$ 110,000</u>	<u>\$ 1,525,000</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive/ (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 129,243	\$ -	\$ 129,243	\$ 129,243	\$ -
State Sources:					
Debt Service Aid Type II	<u>44,542</u>	<u>-</u>	<u>44,542</u>	<u>44,542</u>	<u>-</u>
Total - State Sources	44,542	-	44,542	44,542	-
TOTAL REVENUES	<u>173,785</u>	<u>-</u>	<u>173,785</u>	<u>173,785</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Interest	63,785	-	63,785	63,715	(70)
Redemption of Principal	<u>110,000</u>	<u>-</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Total Regular Debt Service	<u>173,785</u>	<u>-</u>	<u>173,785</u>	<u>173,715</u>	<u>(70)</u>
TOTAL EXPENDITURES	<u>173,785</u>	<u>-</u>	<u>173,785</u>	<u>173,715</u>	<u>(70)</u>
Fund Balance, July 1					
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 70</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Califon Borough School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	59-60
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	65-68
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	69-72
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	73-74
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	75-79

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

**Califon Borough School District
Net Assets by Component,
Last Nine Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
	N/A								
Governmental activities									
Invested in capital assets, net of related debt		\$ 260,016	\$ 278,928	\$ 467,559	\$ 121,837	\$ 173,477	\$ 90,676	\$ 135,094	\$ 135,094
Restricted		37,248	8,509	72,766	72,766	103	103	39,952	10,103
Unrestricted		(50,220)	8,605	(246,498)	147,339	114,122	59,369	61,130	89,615
Total governmental activities net assets	-	\$ 247,044	\$ 296,042	\$ 293,827	\$ 341,942	\$ 287,702	\$ 150,148	\$ 236,176	\$ 234,812
Business-type activities									
Invested in capital assets, net of related debt		\$ 120	\$ 60						
Restricted		-	-						
Unrestricted		1,109	1,256	\$ 2,648	\$ 2,489	\$ 996	\$ 3,023	\$ 3,188	686
Total business-type activities net assets	-	\$ 1,229	\$ 1,316	\$ 2,648	\$ 2,489	\$ 996	\$ 3,023	\$ 3,188	\$ 686
District-wide									
Invested in capital assets, net of related debt		\$ 260,136	\$ 278,988	\$ 467,559	\$ 121,837	\$ 173,477	\$ 90,676	\$ 135,094	\$ 135,094
Restricted		37,248	8,509	72,766	72,766	103	103	39,952	10,103
Unrestricted		(49,111)	9,861	(243,850)	149,828	115,118	62,392	64,318	90,301
Total district net assets	-	\$ 248,273	\$ 297,358	\$ 296,475	\$ 344,431	\$ 288,698	\$ 153,171	\$ 239,364	\$ 235,498

Source: CAFR Schedule A-1

Califon Borough 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
Expenses								
Governmental activities								
Instruction								
Regular	\$ 950,429	\$ 990,699	\$ 1,063,266	\$ 1,056,288	\$ 1,142,196	\$ 1,116,540	\$ 1,186,911	\$ 1,065,952
Special education	195,451	235,674	249,260	241,871	280,822	286,664	300,879	328,712
Other special education	47,418	45,748	37,435	56,229	46,607	63,302	56,722	36,593
Support Services:								
Tuition	200,168	118,461	140,204	112,474	6,507	82,662	59,117	134,435
Student & instruction related services	145,835	184,799	194,021	246,496	423,618	286,426	284,161	341,102
General administrative services	261,222	232,851	292,808	326,514	319,230	309,256	297,385	176,378
School administrative services	36,284	12,660	13,713	5,957	6,457	6,842	5,756	59,854
Business administrative services								
Plant operations and maintenance	157,255	236,989	202,511	221,467	254,329	217,890	226,545	215,888
Pupil transportation	56,454	38,888	47,184	17,666	91,924	76,907	57,766	103,765
Interest Expense				68,236	74,660	70,686	66,510	62,065
Unallocated depreciation	3,538	3,537	3,537	3,537	11,308	6,058	6,058	6,058
Total governmental activities expenses	<u>2,054,054</u>	<u>2,100,306</u>	<u>2,243,939</u>	<u>2,356,735</u>	<u>2,657,658</u>	<u>2,523,233</u>	<u>2,547,810</u>	<u>2,530,802</u>
Business-type activities:								
Food service	5,104	6,186	4,872	6,873	8,722	5,181	7,450	8,766
Total business-type activities expense	<u>5,104</u>	<u>6,186</u>	<u>4,872</u>	<u>6,873</u>	<u>8,722</u>	<u>5,181</u>	<u>7,450</u>	<u>8,766</u>
Total district expenses	<u>\$ 2,059,158</u>	<u>\$ 2,106,492</u>	<u>\$ 2,248,811</u>	<u>\$ 2,363,608</u>	<u>\$ 2,666,380</u>	<u>\$ 2,528,414</u>	<u>\$ 2,555,260</u>	<u>\$ 2,539,568</u>
Program Revenues								
Governmental activities:								
Charges for services:								
Tuition				\$ 7,200	\$ 14,400	\$ 7,200	\$ 14,500	\$ -
Operating grants and contributions	481,423	496,326	494,090	567,979	743,714	580,693	610,838	470,596
Capital grants and contributions								
Total governmental activities program revenues	<u>481,423</u>	<u>496,326</u>	<u>494,090</u>	<u>575,179</u>	<u>758,114</u>	<u>587,893</u>	<u>625,338</u>	<u>470,596</u>
Business-type activities:								
Charges for services								
Food service	2,559	3,329	3,461	3,883	3,979	3,748	4,466	3,357
Operating grants and contributions	2,334	2,944	2,743	2,831	3,250	3,460	3,149	2,907
Capital grants and contributions	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>4,893</u>	<u>6,273</u>	<u>6,204</u>	<u>6,714</u>	<u>7,229</u>	<u>7,208</u>	<u>7,615</u>	<u>6,264</u>
Total district program revenues	<u>\$ 486,316</u>	<u>\$ 502,599</u>	<u>\$ 500,294</u>	<u>\$ 581,893</u>	<u>\$ 765,343</u>	<u>\$ 595,101</u>	<u>\$ 632,953</u>	<u>\$ 476,860</u>
Net (Expense)/Revenue								
Governmental activities	\$ (1,572,631)	\$ (1,603,980)	\$ (1,749,849)	\$ (1,781,556)	\$ (1,899,544)	\$ (1,935,340)	\$ (1,922,472)	\$ (2,060,206)
Business-type activities	(211)	87	1,332	(159)	(1,493)	2,027	165	(2,502)
Total district-wide net expense	<u>\$ (1,572,842)</u>	<u>\$ (1,603,893)</u>	<u>\$ (1,748,517)</u>	<u>\$ (1,781,715)</u>	<u>\$ (1,901,037)</u>	<u>\$ (1,933,313)</u>	<u>\$ (1,922,307)</u>	<u>\$ (2,062,708)</u>

Califon Borough 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
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes levied for general purposes, net	\$ 1,645,764	\$ 1,645,390	\$ 1,735,736	\$ 1,735,044	\$ 1,733,093	\$ 1,861,084	\$ 1,878,376	\$ 1,928,764
Taxes levied for debt service				48,500	98,231	120,266	120,894	129,243
Unrestricted grants and contributions								
Payments in lieu of taxes		-	-	-	-	-	-	-
Investment earnings	2,186	6,300	10,700	45,342	13,749	4,922	1,014	462
Miscellaneous income	13,764	1,288	1,198	785	231	17,773	8,216	373
Total governmental activities	<u>1,661,714</u>	<u>1,652,978</u>	<u>1,747,634</u>	<u>1,829,671</u>	<u>1,845,304</u>	<u>2,004,045</u>	<u>2,008,500</u>	<u>2,058,842</u>
Business-type activities:								
Investment earnings	-	-	-	-	-	-	-	-
Transfers								
Total business-type activities	<u>-</u>							
Total district-wide	<u>\$ 1,661,714</u>	<u>\$ 1,652,978</u>	<u>\$ 1,747,634</u>	<u>\$ 1,829,671</u>	<u>\$ 1,845,304</u>	<u>\$ 2,004,045</u>	<u>\$ 2,008,500</u>	<u>\$ 2,058,842</u>
Change in Net Assets								
Governmental activities	\$ 89,083	\$ 48,998	\$ (2,215)	\$ 48,115	\$ (54,240)	\$ 68,705	\$ 86,028	\$ (1,364)
Business-type activities	(211)	87	1,332	(159)	(1,493)	2,027	165	(2,502)
Total district	<u>\$ 88,872</u>	<u>\$ 49,085</u>	<u>\$ (883)</u>	<u>\$ 47,956</u>	<u>\$ (55,733)</u>	<u>\$ 70,732</u>	<u>\$ 86,193</u>	<u>\$ (3,866)</u>

Source: CAFR Schedule A-2

**Califon Borough School District
Fund Balances, Governmental Funds,
Last Nine Fiscal Years**

(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 597	\$ 82,130	\$ 93,225	\$ 73,971	\$ 99,093	\$ 20,078	\$ 37,565	\$ 102,074	\$ 39,519
Unreserved	4,381	61,862	84,390	95,340	144,193	202,369	129,022	135,170	145,223
Total general fund	<u>\$ 4,978</u>	<u>\$ 143,992</u>	<u>\$ 177,615</u>	<u>\$ 169,311</u>	<u>\$ 243,286</u>	<u>\$ 222,447</u>	<u>\$ 166,587</u>	<u>\$ 237,244</u>	<u>\$ 184,742</u>
All Other Governmental Funds									
Reserved	\$ 36,423								-
Unreserved, reported in:									
Special revenue fund	(321)								-
Capital projects fund				\$ (209,488)	\$ 108,531	\$ 51,475	\$ 51,563	\$ 51,563	\$ 51,563
Debt service fund					9,508	-	-	-	70
Permanent fund	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 36,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (209,488)</u>	<u>\$ 118,039</u>	<u>\$ 51,475</u>	<u>\$ 51,563</u>	<u>\$ 51,563</u>	<u>\$ 51,633</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Tax levy	\$ 1,335,193	\$ 1,531,273	\$ 1,645,764	\$ 1,645,390	\$ 1,735,736	\$ 1,783,544	\$ 1,831,324	\$ 1,981,350	\$ 1,999,270	\$ 2,058,007
Tuition charges						7,200	14,400	7,200	14,500	
Interest earnings										
Miscellaneous	13,775	26,384	15,950	7,588	11,898	46,127	13,980	22,695	9,230	835
State sources	381,222	388,696	445,963	430,677	449,580	542,146	621,951	517,028	485,651	401,037
Federal sources	32,539	33,107	35,460	65,649	44,510	25,833	121,763	63,665	125,187	69,559
Total revenue	1,762,729	1,979,460	2,143,137	2,149,304	2,241,724	2,404,850	2,603,418	2,591,938	2,633,838	2,529,438
Expenditures										
Instruction										
Regular Instruction	625,022	672,979	724,937	754,950	805,772	766,697	780,577	855,033	891,544	807,403
Special education instruction	140,909	115,350	155,626	187,165	196,358	182,849	216,937	234,802	239,826	265,796
Other special instruction	21,200	22,309	37,756	36,332	29,490	42,508	36,004	51,850	45,212	29,589
Vocational education				-	-	-	-	-	-	-
Other instruction	17,901	19,833								
Support Services:										
Tuition	47,718	177,334	159,382	94,078	110,448	85,028	5,027	67,707	47,121	108,704
Student & instruction related services	190,438	212,821	116,120	166,555	152,843	186,345	327,248	234,607	226,500	275,815
General administrative services	134,654	144,835								
School Administrative services	25,038	28,450	28,891	10,054	10,803	4,503	4,988	5,604	4,588	48,398
Business administrative services	44,819	55,220	207,995	184,923	230,664	246,837	246,607	253,307	237,041	142,619
Plant operations and maintenance	102,540	107,916	125,213	191,802	162,677	170,633	199,745	181,248	180,575	174,567
Pupil transportation	61,590	68,291	44,951	30,884	37,170	13,355	71,012	62,993	46,044	83,904
Unallocated employee benefits	272,971	311,101	379,211	440,450	499,291	575,954	561,867	439,350	471,645	471,360
Special Revenue	38,827	37,257		-	-	-	-	-	-	-
Capital outlay	9,496	30,764	23,720	18,488	224,000	1,624,647	69,724	89,023	-	-
Debt service						38,992	171,085	172,186	173,085	173,715
Total expenditures	1,733,123	2,004,460	2,003,802	2,115,681	2,459,516	3,938,348	2,690,821	2,647,710	2,563,181	2,581,870
Excess (Deficiency) of revenues over (under) expenditures	29,606	(25,000)	139,335	33,623	(217,792)	(1,533,498)	(87,403)	(55,772)	70,657	(52,432)
Other Financing Sources (uses)										
Bond Proceeds						1,935,000				
Transfers out										-
Total other financing sources (uses)	-	-	-	-	-	1,935,000	-	-	-	-
Net change in fund balances	\$ 29,606	\$ (25,000)	\$ 139,335	\$ 33,623	\$ (217,792)	\$ 401,502	\$ (87,403)	\$ (55,772)	\$ 70,657	\$ (52,432)
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	1.7%	6.5%	6.7%	6.8%	6.7%

Source: CAFR Schedule B-2

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Transpor.</u> <u>Reimburse.</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$ 671	\$ 11,639			\$ 351	\$ 12,661
2003	1,574	13,910		\$ 7,491	1,785	24,760
2004	2,186	10,764			3,000	15,950
2005	6,300		\$ 41		1,247	7,588
2006	10,700	1,198				11,898
2007	40,576			7,200	785	48,561
2008	13,749			14,400	231	28,380
2009	4,492			7,200	1,090	12,782
2010	1,014	4,955		14,500	9,467	29,936
2011	462				373	835

SOURCE: District Records

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

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2002	\$1,622,100	\$74,648,700	\$719,700	\$27,105	\$9,075,644	\$147,200	\$294,400	\$93,501,451	\$5,965,800	\$1,000,802	\$87,535,651	\$1.439	\$102,882,205
2003	1,463,800	75,741,600	719,700	27,105	9,075,644	147,200	294,400	94,568,072	5,965,800	1,132,823	88,602,272	1.621	122,887,251
2004	1,656,500	76,295,700	719,700	26,305	8,919,644	-	294,400	94,671,355	5,965,800	793,306	88,705,555	1.785	129,251,924
2005	1,536,100	75,688,800	1,439,500	28,805	8,919,644	-	294,400	94,308,844	5,727,500	674,095	88,581,344	1.857	142,173,630
2006	1,476,500	76,610,500	1,439,500	28,805	8,919,644	-	294,400	95,170,944	5,727,500	674,095	89,443,444	1.891	142,173,630
2007	2,924,500	140,218,500	2,521,300	31,208	14,603,700	396,100	475,700	171,600,647	9,088,000	1,341,639	162,512,647	1.083	154,287,774
2008	3,199,100	140,743,600	1,957,500	27,508	14,999,300	396,100	475,700	172,597,980	9,575,100	1,224,072	163,022,880	1.109	163,369,149
2009	3,024,300	141,995,300	1,957,500	27,508	16,220,700	396,100	475,700	174,986,362	9,575,100	1,314,154	165,411,262	1.153	164,844,456
2010	2,788,300	142,390,600	1,959,800	25,408	16,221,700	396,100	475,700	175,120,300	9,575,100	1,287,592	165,545,200	1.203	154,096,021
2011	2,366,500	143,408,000	1,959,800	25,408	16,167,100	396,100	475,700	175,400,433	9,575,100	1,026,725	165,825,333	1.223	156,748,253

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Califon Borough Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	North	Califon Borough	Library	Hunterdon County	
				Hunterdon Reg. High School				
2002	\$1.439	\$0.000	\$1.439	\$0.664	\$0.466	\$0.036	\$0.465	\$3.070
2003	\$1.621	\$0.000	\$1.621	\$0.651	\$0.595	\$0.034	\$0.489	\$3.390
2004	\$1.785	\$0.000	\$1.785	\$0.752	\$0.598	\$0.039	\$0.556	\$3.730
2005	\$1.857	\$0.000	\$1.857	\$0.810	\$0.627	\$0.041	\$0.555	\$3.890
2006	\$1.891	\$0.000	\$1.891	\$0.955	\$0.655	\$0.043	\$0.556	\$4.100
2007	\$1.053	\$0.030	\$1.083	\$0.499	\$0.381	\$0.025	\$0.312	\$2.300
2008	\$1.049	\$0.060	\$1.109	\$0.451	\$0.393	\$0.026	\$0.311	\$2.290
2009	\$1.080	\$0.073	\$1.153	\$0.458	\$0.384	\$0.025	\$0.308	\$2.328
2010	\$1.130	\$0.073	\$1.203	\$0.456	\$0.390	\$0.023	\$0.297	\$2.369
2011	\$1.145	\$0.078	\$1.223	\$0.475	\$0.396	\$0.023	\$0.301	\$2.418

Source: District Records and Municipal Tax Collector

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

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

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

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

Exhibit J-8

Taxpayer	2011			2000		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Country Square, Inc.	\$ 2,389,700	1	1.44%	\$ 1,350,000	2	1.84%
Wade Family Partnership, LP	1,815,500	2	1.10%			
Columbia Gas Transmission Corp.	1,531,500	3	0.93%	1,103,844	3	1.50%
Staiano Wood Products	1,324,500	4	0.80%	689,000	4	0.94%
United Telephone of NJ/Embarq	1,314,154	5	0.79%			
Individual Taxpayer #1	1,021,000	6	0.62%	1,494,800	1	2.04%
Individual Taxpayer #2	847,400	7	0.51%	551,800	7	0.75%
Individual Taxpayer #3	816,800	8	0.49%	536,900	8	0.73%
Individual Taxpayer #4	774,600	9	0.47%	452,900	9	0.62%
D & B Holding, LLC	753,700	10	0.46%			
Individual Taxpayer #1				362,300	10	0.49%
United National Bank				600,500	5	0.82%
Califon Lumber Company				583,700	6	0.80%
Total	\$ 12,588,854		7.61%	\$ 7,725,744		10.53%

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$1,335,193	\$1,335,193	100.00%	-
2003	\$1,531,273	\$1,531,273	100.00%	-
2004	\$1,645,764	\$1,645,764	100.00%	-
2005	\$1,645,390	\$1,645,390	100.00%	-
2006	\$1,735,736	\$1,735,736	100.00%	-
2007	\$1,735,044	\$1,735,044	100.00%	-
2008	\$1,733,093	\$1,733,093	100.00%	-
2009	\$1,861,084	\$1,861,084	100.00%	-
2010	\$1,878,376	\$1,878,376	100.00%	-
2011	\$1,928,764	\$1,928,764	100.00%	-

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

Note:

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2002	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2003	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2004	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2005	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2006	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2007	\$ 1,935,000	-0-	-0-	-0-	-0-	\$ 1,935,000	2.73%	\$1,858.79	
2008	\$ 1,840,000	-0-	-0-	-0-	-0-	\$ 1,840,000	2.58%	\$1,774.35	
2009	\$ 1,740,000	-0-	-0-	-0-	-0-	\$ 1,740,000	2.57%	\$1,677.92	
2010	\$ 1,635,000	-0-	-0-	-0-	-0-	\$ 1,635,000	2.41%	\$1,575.14	
2011	\$ 1,525,000	-0-	-0-	-0-	-0-	\$ 1,525,000	2.25%	\$1,469.17	

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

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2002	-0-	-0-	-0-	-0-	-0-
2003	-0-	-0-	-0-	-0-	-0-
2004	-0-	-0-	-0-	-0-	-0-
2005	-0-	-0-	-0-	-0-	-0-
2006	-0-	-0-	-0-	-0-	-0-
2007	\$ 1,935,000	-0-	\$ 1,935,000	1.19%	\$1,859
2008	\$ 1,840,000	-0-	\$ 1,840,000	1.13%	\$1,774
2009	\$ 1,740,000	-0-	\$ 1,740,000	1.05%	\$1,678
2010	\$ 1,635,000	-0-	\$ 1,635,000	0.99%	\$1,575
2011	\$ 1,525,000	-0-	\$ 1,525,000	0.92%	\$1,469

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

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

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

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

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Califon Borough	None	100.0%	None
Other debt			
North Hunterdon Regional School District	\$ 4,615,000	1.682%	\$ 77,622
Hunterdon County	99,997,478	0.656%	<u>655,554</u>
Subtotal, overlapping debt			733,176
Califon Borough School District Direct Debt *			<u>1,525,000</u>
Total direct and overlapping debt			<u><u>\$ 2,258,176</u></u>

Sources: Califon Borough Finance Officer, Hunterdon County Finance Office and Utility Authorities

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

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

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized valuation basis

2010	\$ 152,563,051
2009	154,682,746
2008	159,580,967
[A]	<u>\$ 466,826,764</u>

Average equalized valuation of taxable prope **[A/3]** \$ 155,608,921

Debt limit (3 % of average equalization value) **[B]** 4,668,268
 Net bonded school debt * **[C]** 1,525,000
 Legal debt margin **[B-C]** \$ 3,143,268

Fiscal Year

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$2,680,058	\$2,843,948	\$3,107,831	\$2,522,559	\$3,981,621	\$4,379,476	\$4,650,456	\$4,787,203	\$4,767,286	4,668,268
Total net debt applicable to limit	-	-	-	-	1,935,000	1,935,000	1,840,000	1,740,000	1,635,000	1,525,000
Legal debt margin	<u>\$2,680,058</u>	<u>\$2,843,948</u>	<u>\$3,107,831</u>	<u>\$2,522,559</u>	<u>\$2,046,621</u>	<u>\$2,444,476</u>	<u>\$2,810,456</u>	<u>\$3,047,203</u>	<u>\$3,132,286</u>	<u>\$3,143,268</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	48.60%	44.18%	39.57%	36.35%	34.30%	32.67%

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

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

* Includes authorized, but not issued

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2002	1,060	\$60,536,600	\$57,110 R	1.8%
2003	1,057	\$62,009,962	\$58,666 R	3.3%
2004	1,053	\$63,092,601	\$59,917 R	3.2%
2005	1,044	\$62,214,048	\$59,592 R	2.6%
2006	1,043	\$67,092,018	\$64,326 R	2.2%
2007	1,041	\$70,948,314	\$68,154 R	0.0%
2008	1,037	\$71,294,787	\$68,751 R	0.0%
2009	1,037	\$67,761,728	\$65,344 P	0.0%
2010	1,038	\$67,827,072	\$65,344 *	0.0%
2011	1,038 *	\$67,827,072	\$65,344 *	0.0% *

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* =Current data unavailable

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

Exhibit J-15

N/A

Employer	2011			2002		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
	-			-		
	-		0.00%	-		0.00%

Source:
No reliable information is available at the local or county level.

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

Exhibit J-16

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction										
Regular	15.5	10.8	10.6	13.9	13.2	13.0	13.1	11.7	11.7	13.0
Special education	4.4	3.3	4.3	4.0	5.5	6.5	6.2	7.2	7.2	8.0
Support Services:										
Student & instruction related services	2.7	2.9	2.7	3.2	3.1	3.1	2.9	3.2	3.2	3.2
General administrative services	1.0	1.8	1.0	1.3	1.1	1.0	1.0	1.0	1.0	1.0
School administrative services	0.8	-	0.8	-	0.3	0.1	0.1	0.1	0.1	0.1
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	1.3	1.3	1.3	1.3	2.0	2.0	2.0	2.0	2.0	2.0
Pupil transportation	1.5	1.5	0.8	0.4	1.0	-	-	-	-	-
Total	<u>28.2</u>	<u>22.6</u>	<u>22.5</u>	<u>25.1</u>	<u>27.2</u>	<u>26.7</u>	<u>26.3</u>	<u>26.2</u>	<u>26.2</u>	<u>28.3</u>

Source: District Personnel Records

Califon Borough School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Teacher/Pupil Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2002	148	1,730,619	11,693	11.70%	22	1:13.9	147.9	142.8	(5.13)	96.6%
2003	144	1,974,476	13,712	17.26%	22	1:13.5	144.2	139.6	(2.50)	96.8%
2004	143	1,980,082	13,847	0.99%	23	1:12.0	142.4	138.7	(1.25)	97.4%
2005	140	2,097,193	14,980	8.18%	25	1:11.5	139.5	135.1	(2.04)	96.8%
2006	143	2,250,028	15,734	5.04%	18	1:7.9	143.0	138.5	2.51	96.9%
2007	143	2,277,609	15,927	1.23%	18	1:7.9	142.2	137.2	(0.56)	96.5%
2008	143	2,462,680	17,222	8.13%	18	1:7.9	144.8	139.7	1.83	96.5%
2009	152	2,458,499	16,174	-6.08%	18	1:8.4	150.3	141.3	3.80	94.0%
2010	156	2,390,096	15,321	-5.28%	18	1:8.7	157.0	152.0	4.46	96.8%
2011	155	2,408,155	15,536	1.41%	19	1:8.2	147.6	141.6	(5.99)	95.9%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

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

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

Exhibit J-18

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>District Building</u>										
<u>Califon Public School</u>										
Square Feet	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404
Capacity (students)	155	155	155	155	155	155	155	155	155	155
Enrollment	148	144	143	140	143	143	143	152	156	155

Number of Schools at June 30, 2011

Source: District records, ASSA

Elementary/Middle = 1

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

CALIFON BOROUGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Nine Fiscal Years Ending June 30, 2011

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Elementary School	N/A	<u>19,285</u>	<u>\$ 28,286</u>	<u>\$ 86,882</u>	<u>\$ 39,744</u>	<u>\$ 16,098</u>	<u>\$ 34,394</u>	<u>\$ 14,683</u>	<u>\$ 15,537</u>	<u>\$ 11,890</u>	<u>\$ 247,514</u>
Total School Facilities		<u>19,285</u>	<u>28,286</u>	<u>86,882</u>	<u>39,744</u>	<u>16,098</u>	<u>34,394</u>	<u>14,683</u>	<u>15,537</u>	<u>11,890</u>	<u>247,514</u>
Other Facilities			<u>-</u>								
Grand Total		<u>19,285</u>	<u>\$ 28,286</u>	<u>\$ 86,882</u>	<u>\$ 39,744</u>	<u>\$ 16,098</u>	<u>\$ 34,394</u>	<u>\$ 14,683</u>	<u>\$ 15,537</u>	<u>\$ 11,890</u>	<u>\$ 247,514</u>

CALIFON BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2011

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY: SAIF		
Property-Blanket Building and Contents	\$ 250,000,000	\$ 1,000
Comprehensive General Liability	5,000,000	
Comprehensive Automobile Liability	5,000,000	500
Comprehensive Crime Coverage	50,000	
Comprehensive Crime Coverage-Excess Indemnity	-0-	
COMPUTERS AND SCHEDULED EQUIPMENT - Selective Insurance:		
Data Processing Equipment/AV	38,534	250
WORKER'S COMPENSATION-SAIF		
	5,000,000	
UMBERLLA POLICY - SAIF		
	15,000,000	
SCHOOL BOARD LEGAL LIABILITY - SAIF		
Directors and Officers Policy-Limit each Loss	5,000,000	
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET		
POSITION BOND - Selective Insurance Company:		
Business Administrator	5,000	
Treasurer	128,000	

SOURCE: District Records

Single Audit Section

N/A