

SCHOOL DISTRICT
OF
BOROUGH OF CHESILHURST

COMPREHENSIVE ANNUAL
Financial Report

of the

Borough of Chesilhurst Board of Education

Chesilhurst, New Jersey

For the Fiscal Year Ended June 30, 2011

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Borough of Chesilhurst Board of Education

Chesilhurst, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

Borough of Chesilhurst Board of Education

Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF CHESILHURST SCHOOL DISTRICT
TABLE OF CONTENTS**

INTRODUCTORY SECTION

<u>Exhibit</u>	<u>Page</u>
Letter of Transmittal	1-4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7

FINANCIAL SECTION

Independent Auditor's Report	8 - 9
Required Supplementary Information – Part I Management's Discussion and Analysis	10-17

Basic Financial Statements

A. District-wide Financial Statements:

A-1 Statement of Net Assets	18
A-2 Statement of Activities	19

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet	20
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	21
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	22

Proprietary Funds:

B-4 Statement of Net Assets	23
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	24
B-6 Statement of Cash Flows	25

Fiduciary Funds:

B-7 Statement of Fiduciary Net Assets	26
B-8 Statement of Changes in Fiduciary Net Assets	27

Notes to Basic Financial Statements	28-50
--	-------

Required Supplementary Information – Part II

C. Budgetary Comparison Schedule

C-1 Budgetary Comparison Schedule – General Fund	51-54
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	N/A
C-1b Education Jobs Fund Program – Budget and Actual	N/A
LEFT INTENTIONALLY BLANK	55
C-2 Budgetary Comparison Schedule – Special Revenue Fund	56

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF CHESILHURST SCHOOL DISTRICT
TABLE OF CONTENTS**

FINANCIAL SECTION (Continued)

<u>Exhibit</u>	<u>Page</u>
Notes to the Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	57
Other Supplementary Information	
D. School Based Budget Schedules (if applicable):	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund – Budgetary Basis	58
E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis	59
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues and Expenditures	N/A
F-2a Schedule(s) of Project Revenues and Expenditures	N/A
NOT USED	60-62
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Statement of Net Assets	63
G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	64
G-3 Combining Statement of Cash Flows	65
Internal Service Fund:	
G-4 Combining Statement of Net Assets	N/A
G-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
G-6 Combining Statement of Cash Flows	N/A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF CHESILHURST SCHOOL DISTRICT
TABLE OF CONTENTS**

FINANCIAL SECTION (Continued)

<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information (Continued)	
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Assets	66
H-2 Combining Statement of Changes in Fiduciary Net Assets	67
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	68
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	69
I. Long-Term Debt:	
I-1 Statement of Serial Bonds	N/A
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

STATISTICAL SECTION

Financial Trends

J-1 Net Assets by Component	70
J-2 Changes in Net Assets	71
J-3 Fund Balances, Governmental Funds	72
J-4 Changes in Fund Balances, Governmental Funds	73
J-5 General Fund Other Local Revenue By Source	74

Revenue Capacity

J-6 Assessed Value and Estimated Actual Value of Taxable Property	75
J-7 Direct and Overlapping Property Tax Rates	76
J-8 Principal Property Taxpayers*	77
J-9 Property Tax Levies and Collections	78

Debt Capacity

J-10 Ratio of Outstanding Debt by Type	79
J-11 Ratios of Net General Bonded Debt Outstanding	80
J-12 Ratios of Overlapping Governmental Activities Debt	81
J-13 Legal Debt Margin Information	82

Demographic and Economic Information

J-14 Demographic and Economic Statistics	83
J-15 Principal Employers	84

Operating Information

J-16 Full-time Equivalent District Employees by Function/Program	85
J-17 Operating Statistics	86
J-18 School Building Information	87
J-19 Schedule of Required Maintenance Expenditures by School Facility	88
J-20 Insurance Schedule	89

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE BOROUGH OF CHESILHURST SCHOOL DISTRICT
TABLE OF CONTENTS**

SINGLE AUDIT SECTION

K-1	Report on Internal Control over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90-91
K-2	Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 98-07	92-93
K-3	Schedule of Expenditures of Federal Awards - Schedule A	94
K-4	Schedule of Expenditures of State Financial Assistance - Schedule B	95
K-5	Notes to the Schedules of Awards and Financial Assistance	96-97
K-6	Schedule of Findings and Questioned Costs	98-104
K-7	Summary Schedule of Prior Audit Findings	105-106

INTRODUCTORY SECTION

BOROUGH OF CHESILHURST BOARD OF EDUCATION
CHESILHURST BOROUGH SCHOOL
511 Edwards Avenue
Chesilhurst, New Jersey 08089

Dr. Abdi H.Gass
Chief School Administrator
(856) 767-5451
FAX: (856) 719-1379

Dr. Frank Badessa
RSBA/Board Secretary
(856) 767-7447
FAX: (856) 767-1431

October 18, 2011

Honorable President and
Members of the Board of Education
Borough of Chesilhurst School District
Chesilhurst, New Jersey 08089

Dear Board Members:

The comprehensive annual financial report of the Borough of Chesilhurst Board of Education for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, P.L. 98-502 as amended by The Single Audit Act Amendments of 1996, P.L. 104-156 and the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* if federal grant expenditures exceed \$500,000 and the state Treasury Circular Letter 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid if state grant expenditures exceed \$500,000*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

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

Up through the 2008-2009 fiscal year, the District provided a full range of educational services appropriate to grade levels Pre-K through 6. These include regular as well as special education for special needs youngsters. Beginning in the 2009-2010 fiscal year, the District entered into a sending/receiving tuition agreement with Winslow Township Board of Education which included all students. The following details the changes in the student enrollment of the District prior to the 2009-2010 School year.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-11	Not-Available*	
2009-10	Not Available*	
2008-09	103	(.01%)
2007-08	104	(11.86%)
2006-07	118	(.84%)
2005-06	119	(21%)
2004-05	150	4%
2003-04	144	(.69%)
2002-03	145	(6%)
2001-02	154	(14%)

*Winslow Township Board of Education is the receiving district.

2. ECONOMIC CONDITION AND OUTLOOK:

The Chesilhurst Borough area is a rural community in Camden County and presently is not experiencing any significant development or expansion.

3. MAJOR INITIATIVES:

The academic performance of Chesilhurst students as measured by NJASK, despite numerous timely requests by the Chesilhurst Chief School Administrator and Business Administrator, was not provided by Winslow Township Board of Education (Winslow Township).

The Borough of Chesilhurst Board of Education continues to be in litigation with the Winslow Township Board of Education before the New Jersey Office of Administrative Law regarding monetary disputes related to enrollment, tuition and transportation costs. All matters remaining between the parties have been consolidated before Administrative Law Judge Patricia Kerins, who has ordered an independent audit to resolve the remaining financial disputes. On November 2, 2011, Gary Higgins, CPA was appointed to complete the independent audit. As a result of a referendum vote on November 8, 2011, the voters of the Borough of Chesilhurst decided to continue sending all Chesilhurst students to the Winslow public schools. As a result of the referendum outcome, issues now in need of attention include the proper use of the Shirley B. Foster school and administration building and the status of current employees of the Borough of Chesilhurst Board of Education.

4. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control process 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 process 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 awards and state financial assistance, the District also is responsible for ensuring that an adequate internal control process is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control process 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 process, including that portion related to federal awards 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 2010-2011 fiscal year is reflected in the financial section. This budget, as well as the 2011-2012 budget, was prepared by the Executive County Superintendent of Schools. This action was taken in anticipation of consolidating the operations of Chesilhurst with the Winslow Township School District. However, an administrative law judge, through a legal proceeding, rendered a decision that the ESC does not have the authority to consolidate districts but only to recommend consolidation to the Commissioner of Education. The final decision, as to consolidation, has not been made.

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

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect 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. These funds are explained in "Notes to the Financial Statements," Note 2.

7. CASH MANAGEMENT:

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

8. RISK MANAGEMENT:

The Board 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.

9. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board's Audit Committee selected Raymond Colavita, C.P.A., R.M.A., from the accounting firm of Nightlinger, Colavita and Volpa, P.A. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

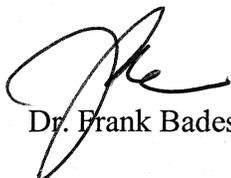
10. ACKNOWLEDGMENTS:

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

Respectfully submitted,



Dr. Abdi H. Gass, Chief School Administrator



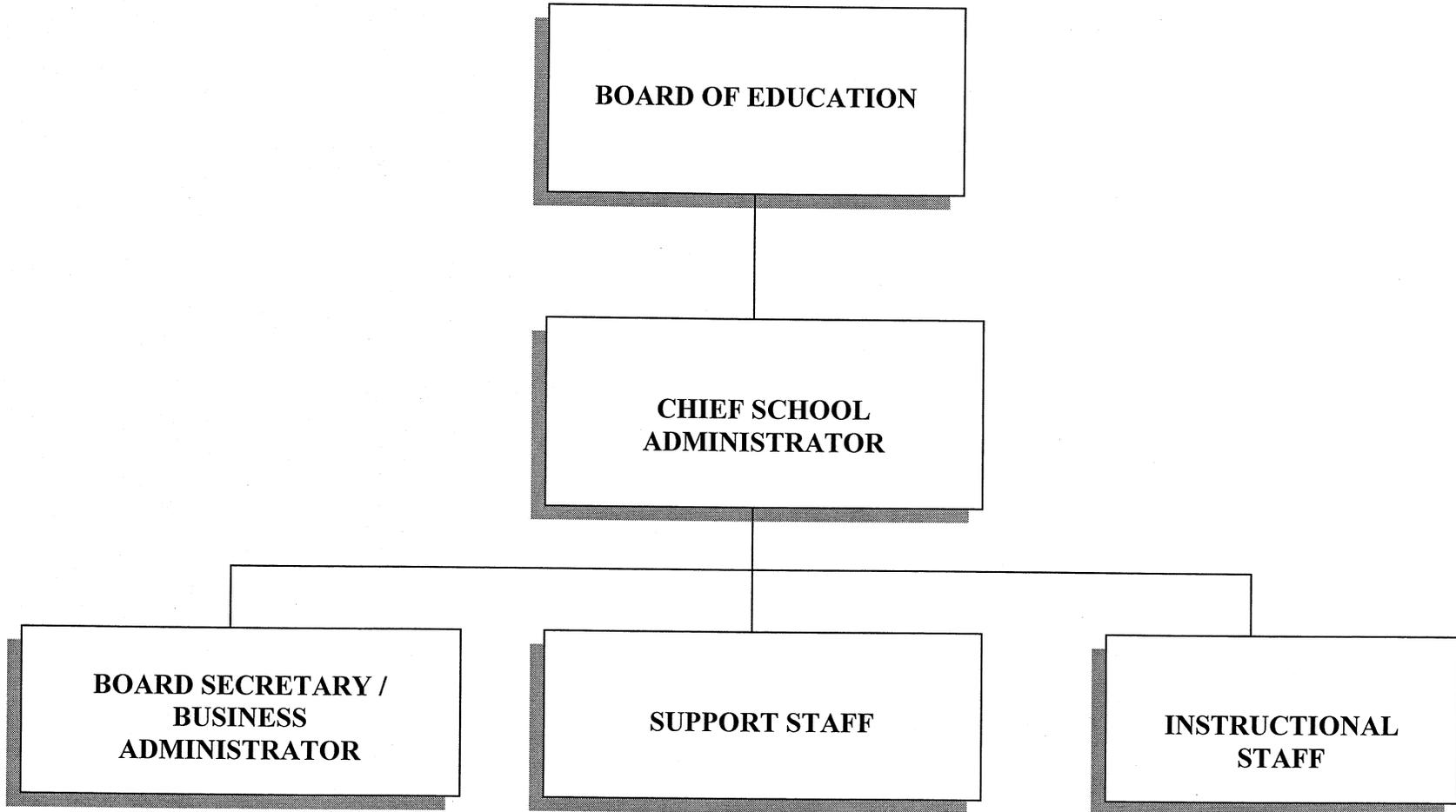
Dr. Frank Badessa, School Business Administrator/Board Secretary

BOROUGH OF CHESILHURST BOARD OF EDUCATION

Chesilhurst, New Jersey

ORGANIZATIONAL CHART

(UNIT CONTROL)



BOROUGH OF CHESILHURST BOARD OF EDUCATION
CHESILHURST, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2011

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Derek Kennedy, President	2014
Maria Littles, Vice President	2012
Andy Plaza	2014
Wayne Patterson	2014
Mary Tillmon	2013
Lisa Soto	2013
Pearl Saylor	2012
<u>OTHER OFFICIALS</u>	<u>Amount of Bond</u>
Dr. Abdi H. Gass, Chief School Administrator	
Dr. Frank Badessa, Board Secretary/Business Administrator	50,000
John Deserable, Treasurer	150,000
Rocky Peterson, Solicitor	

BOROUGH OF CHESILHURST SCHOOL DISTRICT
CONSULTANTS AND ADVISORS

AUDIT FIRM

Raymond Colavita, CPA, RMA
Nightlinger, Colavita and Volpa, P. A.
Certified Public Accountants
991 S. Black Horse Pike
P.O. Box 799
Williamstown, New Jersey 08094

ATTORNEY

Mr. Rocky Peterson
Hill Wallack LLP, Attorney's at Law
202 Carnegie Center, PO Box 5226
Princeton, New Jersey 08543

ARCHITECT

The Design Collaborative
414 Garden State Parkway
Cape May Court House, New Jersey 08210

OFFICIAL DEPOSITORY

TD Bank
1701 Route 70 East
Cherry Hill, New Jersey 08034

INSURANCE AGENCY

The Hardenbergh Insurance Agency, Inc
1000 Plaza At Main Street
Voorhees, New Jersey 08043

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

October 18, 2011

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Chesilhurst School District
County of Camden, New Jersey 08089

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 Borough of Chesilhurst School District in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Chesilhurst 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 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 and Regulatory Compliance, 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 also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

As explained in Note 19 to the financial statements, the District is involved in litigation through the New Jersey Office of Administrative Law to resolve a dispute between the Chesilhurst Board of Education, as sending District, and Winslow Township Board of Education, as receiving District, concerning prior and current tuition and other charges. These charges represent a significant dollar amount and depending on the outcome of the dispute, could result in a material deficit.

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

In accordance with Government Auditing Standards, we have also issued a report dated October 18, 2011 on our consideration of the Borough of Chesilhurst 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 Governments Auditing Standards and should be considered in assessing the results of our audit.

The management Discussion and Analysis and Budgetary Comparison Information on pages 10 through 17 and 51 through 56 are not a required part of the basic financial statements but are supplementary required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

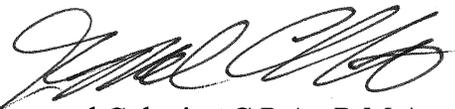
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Chesilhurst Board of Education's, basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual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

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, Single Audit Policy For Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information included in this comprehensive annual financial report designated as the Statistical Section in the table of contents, is presented for the purpose of additional analysis. This information has not been audited by us and accordingly, we express no opinion on this information.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.


Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

BOROUGH OF CHESILHURST SCHOOL DISTRICT
BOROUGH OF CHESILHURST

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

UNAUDITED

The discussion and analysis of Borough of Chesilhurst Public 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:

- ❖ General revenues accounted for \$3,256,597 in revenue or 97.1% 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 \$96,968 or 2.9% percent to total revenues of \$3,353,565.
- ❖ Total net assets of governmental activities increased by \$241,743 made up of net increases in cash and receivables. Capital assets decreased by \$23,887.
- ❖ The School District had \$3,312,175 in expenses and only \$96,968 of these expenses was offset by grants or contributions. General revenues (primarily state aid, federal aid and property taxes) of \$3,256,597, along with the use of fund balance, were adequate to provide for these programs.
- ❖ The General Fund had \$3,314,652 in revenues \$3,032,200 in expenditures and \$17,175 in net other financing uses. The General Fund's balance increased \$265,277 over 2010. This increase was the net result of the increase in state aid, combined with the decrease in tuition expenses.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Borough of Chesilhurst 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. In the case of Borough of Chesilhurst school district, the General Fund is by far the most significant fund.

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 helps 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, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ❖ **Business – Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense 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 (all) funds begins on page 20. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

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.

Enterprise Fund

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

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 comparative summary of the School District's net assets for the years ended in 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 526,093	\$ 415,002
Capital assets, net	228,222	252,109
Total Assets	<u>754,315</u>	<u>667,111</u>
Liabilities		
Long-term liabilities	20,730	20,730
Other liabilities	318,157	472,343
Total Liabilities	<u>338,887</u>	<u>493,073</u>
Net Assets		
Invested in capital assets, net of debt	228,222	252,109
Restricted	191,429	5,895
Unrestricted	(4,223)	(83,966)
Total net assets	<u>\$ 415,428</u>	<u>\$ 174,038</u>

Table 2 shows the changes in net assets from fiscal year's 2011 and 2010.

Table 2
Changes in Net Assets

	2011	2010
Revenues		
Programs revenues		
Charges for services	\$	\$
Operating grants and contributions	96,968	66,530
General Revenues		
Property taxes	791,164	791,164
Investment Income	1,657	3,250
Grants and entitlements	2,452,556	2,252,203
Other	28,395	
Total Revenues	3,370,740	3,113,147
Program Expenses		
Instruction		
Regular	56,088	56,088
Special Education		
Other Special Education		
Support Services		
Tuition	2,506,679	3,356,068
Pupils and instructional staff		18,912.00
General administration, school		
administration, business	206,322	258,299
Operations and maintenance of Facilities	68,290	76,720
Pupil Transportation	130,101	
Unallocated Employee Benefits/Business support	120,808	192,586
Unallocated Depreciation	23,534	23,534
Business-type activities	353	353
Total Expenses	3,112,175	3,982,560
	258,565	(869,413)
Less: Transfer to Charter School	(16,336)	(34,996)
Prior Year Adjustments	(839)	(27,529)
Decrease in net assets	\$ 241,390	\$ (931,938)

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. The District's total revenues were \$3,370,740 for the fiscal year ended June 30, 2011 of which \$3,273,772 was from governmental activities. Property taxes made up 24% percent of revenues for governmental activities for the Borough of Chesilhurst School District for fiscal year 2011. Federal, state and local grants accounted for 76%. The total cost of all programs and services was \$3,112,175. Instruction comprises 1.8% of District expenses.

Business-Type Activities

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

- ❖ Food service expenses exceeded revenues by \$353. This shortfall represents depreciation expense.
- ❖ As the district became a non-operating as of July 1, 2010, there were no operating revenues or expenses during the 2010-11 school year.

Governmental Activities

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

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Instruction	\$ 56,088	\$	\$ 56,088	\$ 56,088
Support services				
Tuition	2,506,679	2,506,679	3,356,068	3,356,068
Pupils and instructional staff		-	18,912	18,912
General administration, school administration, business	206,322	206,322	258,299	258,299
Operation and maintenance of facilities	68,290	68,290	76,720	76,720
Pupil Transportation	130,101	130,101		-
Unallocated Employee Benefits	120,808	79,928	192,586	126,056
Other	23,534	23,534	23,534	23,534
Total Expenses	<u>\$ 3,111,822</u>	<u>\$ 3,014,854</u>	<u>\$ 3,982,207</u>	<u>\$ 3,915,677</u>

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

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

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.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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.

Extracurricular activities includes expenses related to student activities provided by the School district which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

The School District has no debt obligations and, therefore has no related interest or fiscal charges associated with payment of debt.

Other includes unallocated depreciation.

The School District's Funds

Information about the School District's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund presented in the fund-based statements) had total revenues of \$3,370,740 and expenditures of \$3,088,288. The net positive change in fund balance for the year was anticipated by the Board and shows that the School District was able to meet current operating costs with no urgent need for additional funds.

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

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2010</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 821,216	24.36%	\$ 26,802	3.35%
State Sources	2,549,524	75.64%	542,561	67.71%
Federal Sources	-	0.00%	(311,770)	-38.91%
Total	\$ 3,370,740	100.0%	\$ 257,593	7.31%

The increase in Local Sources is attributed to increased miscellaneous revenue of \$28,395 combined with decreased interest earned of \$1,593.

The increase in State Sources is attributed to an increase in state Categorical Aids of \$542,379 and \$182 in other state grant aid.

There were no Federal Source Revenues received during the 2010-2011 school year.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2011.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease from 2010)</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 56,088	1.82%	\$ -	0%
Tuition	2,506,679		(849,389)	-25%
Undistributed expenditures	525,521	17.02%	(20,996)	-4%
Total	\$ 3,088,288	18.83%	\$ (870,385)	-22%

The status quo in Current – Instruction is attributed to the conversion of the district to a non-operating status, which was done during the 2009-2010 school year.

The decrease in Current – Undistributed Expenditures is attributed to the decrease in tuition to Winslow School District of \$849,389 and \$20,996 in various other line items.

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 modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2011, 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.

- ❖ Staffing changes based on student needs.
- ❖ Additional costs for student transportation both in regular education and special education.
- ❖ Accounting changes in maintenance and operations
- ❖ Changes in appropriations to prevent budget overruns.

While the District’s final budget for the general fund anticipated that revenues and expenditures would roughly equal, with the appropriation of \$5,895 in Fund Balance, the actual results for the year show a decrease of \$245,196.

- ❖ Actual revenues were \$30,052 more than expected, excluding on-behalf state pension and social security charges of \$40,880, due primarily to the increase in miscellaneous revenue of \$28,395, combined with the interest income of \$1,657.
- ❖ The actual expenditures were \$183,498 lower than expected due to tuition expenses of \$222,393 and \$1,985 in various other line items, offset by on-behalf state pension and social security charges of \$40,880.

Capital Assets

At the end of the fiscal year 2011, the School District had \$231,829 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2011 balances compared to 2010

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

	<u>2011</u>	<u>2010</u>
Land	\$ 74,000	\$ 74,000
Improvements	28,537	31,651
Building and Improvements	105,152	121,106
Machinery and Equipment	20,533	25,352
Totals	<u>\$ 228,222</u>	<u>\$ 252,109</u>

Overall capital assets decreased \$23,887 from fiscal year 2010 to fiscal year 2011, which reflects depreciation expenses for the year. There were no additions, retirements or adjustments during the year.

At June 30, 2011, the School District's overall legal debt margin was \$1,948,293, which is fully available for future authorizations.

For the Future

The operations of the Chesilhurst School District ended on June 30, 2009. While the District is non-operating, the major concern is the status of the shared services sending/receiving relationship between Chesilhurst and Winslow School District, as well as a lingering tuition dispute, being reviewed by the New Jersey Office of Fiscal Accountability and Compliance, as well as the Administrative Law Judge.

In conclusion, the Chesilhurst 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 Frank Badessa, School Business Administrator/Board Secretary at Borough of Chesilhurst Board of Education, 511 Edwards Avenue, Chesilhurst, NJ or email at Somlandrep@aol.com

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and Cash Equivalents	\$ 504,269	\$ 11,789	\$ 516,058
Due from State	1,509		1,509
Due from Other Funds	979		979
Insurance Claim Receivable	6,947		6,947
Inventory		600	600
Capital Assets, Net (Note 6):	226,632	1,590	228,222
Total Assets	<u>740,336</u>	<u>13,979</u>	<u>754,315</u>
LIABILITIES			
Accounts Payable	251,407		251,407
Cash Overdraft			
Due to Other Governments	8,416		8,416
Due to Other Funds	9,116		9,116
Deferred Revenue	49,218		49,218
Non-current Liabilities (Note 7):			
Due Beyond One Year	20,730		20,730
Total Liabilities	<u>338,887</u>		<u>338,887</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	226,632	1,590	228,222
Restricted for:			
Other Purposes	191,429		191,429
Unrestricted	(16,612)	12,389	(4,223)
Total Net Assets	<u>\$ 401,449</u>	<u>\$ 13,979</u>	<u>\$ 415,428</u>

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Regular	\$ 56,088	\$	56,088	\$	\$	
Support Services:						
Tuition	2,506,679			(2,506,679)		(2,506,679)
General and Business						
Administrative Services	183,915			(183,915)		(183,915)
Central Services	22,407			(22,407)		(22,407)
Plant Operations and Maintenance	68,290			(68,290)		(68,290)
Transportation	130,101			(130,101)		(130,101)
Unallocated Employee Benefits	120,808		40,880	(79,928)		(79,928)
Unallocated Depreciation	23,534			(23,534)		(23,534)
Total Governmental Activities	3,111,822		96,968	(3,014,854)		(3,014,854)
Business-type Activities:						
Food Service	353				(353)	(353)
Total business-type Activities	353				(353)	(353)
Total Primary Government	\$ 3,112,175	\$	\$ 96,968	(3,014,854)	(353)	(3,015,207)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				791,164		791,164
Federal and State Aid Not Restricted				2,452,556		2,452,556
Investment Earnings				1,657		1,657
Miscellaneous				28,395		28,395
Transfer to Charter School				(16,336)		(16,336)
Prior Year Revenue Adjustments				(839)		(839)
Total General Revenues, Special Items, Extraordinary Items and Transfers				3,256,597		3,256,597
Change in Net Assets				241,743	(353)	241,390
Net Assets—Beginning				159,706	14,332	174,038
Net Assets—Ending				\$ 401,449	\$ 13,979	\$ 415,428

The accompanying Notes to 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.

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Special</u>	<u>Total</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 434,488	\$ 52,025	\$ 486,513
State aid Receivable	1,509		1,509
Insurance Claim Receivable	6,947		6,947
Due from Other Funds	18,735		18,735
Total Assets	<u>\$ 461,679</u>	<u>\$ 52,025</u>	<u>\$ 513,704</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 251,407	\$	\$ 251,407
Due to Other Funds	9,116		9,116
Due to Other Governments		8,416	8,416
Deferred Revenue		49,218	49,218
Total Liabilities	<u>260,523</u>	<u>57,634</u>	<u>318,157</u>
Fund Balances:			
Restricted For:			
Excess Surplus	191,429		191,429
Unassigned, Reported In:	9,727		9,727
Special Revenue Fund (Deficit)		(5,609)	(5,609)
Total Fund Balances	<u>201,156</u>	<u>(5,609)</u>	<u>195,547</u>
Total Liabilities and Fund Balances	<u>\$ 461,679</u>	<u>\$ 52,025</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 (see Note 6).	226,632
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 7).	(20,730)
Net assets of Governmental Activities	<u>\$ 401,449</u>

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
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>Total Governmental Funds</u>
REVENUES			
Local Sources:			
Local Tax Levy	\$ 791,164	\$	\$ 791,164
Interest Earned	1,657		1,657
Miscellaneous	28,395		28,395
	<hr/>	<hr/>	<hr/>
Total - Local Sources	821,216		821,216
State Sources	2,493,436	56,088	2,549,524
	<hr/>	<hr/>	<hr/>
Total Revenues	3,314,652	56,088	3,370,740
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Instruction:			
Tuition		56,088	56,088
Support Services:			
Tuition	2,506,679		2,506,679
General Administrative Services	183,915		183,915
Central Services	22,129		22,129
Plant Operations and Maintenance	68,290		68,290
Transportation	130,101		130,101
Unallocated Benefits	120,808		120,808
Capital Outlay	278		278
	<hr/>	<hr/>	<hr/>
Total Expenditures	3,032,200	56,088	3,088,288
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	282,452	-	282,452
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Prior Year Adjustments	(839)		(839)
Transfers Out - Charter School	(16,336)		(16,336)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources and Uses	(17,175)		(17,175)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	265,277	-	265,277
Fund Balance—July 1	(64,121)	(5,609)	(69,730)
	<hr/>	<hr/>	<hr/>
Fund Balance—June 30	\$ 201,156	\$ (5,609)	\$ 195,547
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
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) \$ 265,277

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	\$	(23,534)	
Capital outlays			(23,534)
			(23,534)

In the statement of activities only the loss on fixed assets is reported.

Repayment of long-term debt 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.

Payment of accrued interest on long term debt is an expenditure in the government funds, but the payment reduces the liability in the statement of net assets and is not reported in the statement of activities.

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

Change in net assets of governmental activities (A-2) \$ 241,743

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities Enterprise Funds	
	Food Service	Totals
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 29,545	\$ 29,545
Inventory	600	600
Total Current Assets	30,145	30,145
Fixed Assets:		
Furniture, Machinery, & Equipment	18,100	18,100
Less Accumulated Depreciation	(16,510)	(16,510)
Total Fixed Assets	1,590	1,590
Total Assets	31,735	31,735
LIABILITIES AND FUND EQUITY:		
Current Liabilities:		
Due to Other Funds	17,756	17,756
Total Current Liabilities	17,756	17,756
Net Assets		
Invested in Capital Assets Net of Related Debt	1,590	1,590
Unrestricted (Deficit)	12,389	12,389
Total Net Assets (Deficit)	\$ 13,979	\$ 13,979

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
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	\$	\$
Total Operating Revenue:		
Operating Expenses:		
Depreciation	353	353
Total Operating Expenses	353	353
Operating Income (Loss)	(353)	(353)
Non-operating Revenues (Expenses):		
Federal Sources:		
Total Non-operating Revenues (Expenses)		
Income (Loss) before Contributions & Transfers	(353)	(353)
Transfers In (Out)		
Change in Net Assets	(353)	(353)
Total Net Assets—Beginning	14,332	14,332
Total Net Assets (Deficit) —Ending	\$ 13,979	\$ 13,979

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
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 Receivables	\$	\$
Net cash provided by (used for) operating activities		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources		
Federal Sources		
Operating Transfer In		
Net cash provided by (used for) non-capital financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends		
Net cash provided by (used for) investing activities		
Net increase (decrease) in cash and cash equivalents		
Balances—Beginning of Year	29,545	29,545
Balances—End of Year	\$ 29,545	\$ 29,545
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ (353)	\$ (353)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:		
Depreciation and Net Amortization	353	353
(Increase) Decrease in Accounts Receivable, Net		
Total Adjustments	0	0
Net Cash Provided by (Used For) Operating Activities	\$ (353)	\$ (353)

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Unemployment Compensation Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 490	\$ 9,199
Interfunds Receivable	9,116	
Total assets	<u>9,606</u>	<u>9,199</u>
LIABILITIES		
Payroll Deductions and Withholdings		5,223
Due to Student Groups		2,997
Interfund Payable		979
Total Liabilities		<u>\$ 9,199</u>
NET ASSETS		
Held in Trust for Scholarship Payments		
Held in Trust for Unemployment Claims and Other Purposes	\$ 9,606	

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

BOROUGH OF CHESILHURST BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Fund</u>
ADDITIONS	
Contributions:	
Plan Member	\$
District Contributions	36,181
Total Contributions	<u>36,181</u>
Investment Earnings:	
Interest	1
Net Investment Earnings	<u>1</u>
Total Additions	<u><u>36,182</u></u>
DEDUCTIONS	
Miscellaneous Deductions	
Unemployment Claims	36,017
Total Deductions	<u>36,017</u>
Change In Net Assets	165
Net Assets—Beginning of the Year	<u>9,441</u>
Net Assets—End of the Year	<u><u>\$ 9,606</u></u>

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

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Borough of Chesilhurst School District (District) is organized as a Type II school district under the Constitution of the State of New Jersey. The District operates under a locally elected Board form of government consisting of seven members. The District provides educational services as authorized by state and federal guidelines.

The District serves an area of 1.73 square miles. It is located in Camden County and provides education for all of Chesilhurst Borough's grades K through 12. The District operated one instructional building for grades K through 6 up to the 2008-09 school year. As of July 1, 2009, all students were attending the Winslow Township School District on a tuition basis.

A. Reporting Entity:

The Borough of Chesilhurst School District is a Type II district located in the State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of seven members elected to three-year terms. These terms are staggered so that three members' terms expire each year.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Borough of Chesilhurst 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 Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting 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).

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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* and GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Descriptions*.

A. Basis of Presentation:

The 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.

District-wide Statements: The statement of net assets and the statements of activities display information about 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different 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. Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) 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 and state formula aid, are presented as general revenues.

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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GOVERNMENTAL FUNDS

The focus of governmental fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The district reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all 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.

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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. The district currently had one completed capital project in the fund, which was closed out as of June 30, 2010.

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

PROPRIETARY FUNDS

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise (Food Service) Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the District 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; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund. As the District was a non-operating district during the 2010-11 school year, the food service fund was not maintained. Balances in the fund will remain until such time as a final decision is reached, regarding operation, consolidation or continued non-operating status.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

PROPRIETARY FUNDS (Cont'd)

Food Service Fund:

Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

FIDUCIARY FUNDS

Fiduciary Funds include Expendable Trust, Nonexpendable Trust and Agency Funds. The measurement focus of the Expendable Trust Funds is the same as for governmental funds. The measurement focus of the Nonexpendable Trust Funds is similar to Proprietary Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is a description of the Fiduciary Funds of the School District:

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

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

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

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

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting and Measurement Focus:

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 the New Jersey State 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 in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. 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 fund as described later. 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below.

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

A reconciliation of the general and special revenue funds from the budgetary basis of accounting (as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds) to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types is presented on Exhibit C-3.

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval and are approved by the board of school estimates. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. 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. 6:23-2(g). Transfers of appropriations may be made by School Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the School Board and under certain circumstances require approval by the County Superintendent of Schools.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Budgets/Budgetary Control: (Cont'd)

In addition to the appropriation of Fund Balance in the amount of \$5,895, the following material budget adjustments and transfers were made to/ (from) budgetary line items:

<u>Account Name</u>	<u>Amount</u>
Tuition	\$ (445,953)
Support Services - General Administration	169,371
Support Services – Central Services	22,133
Operations and Maintenance of Plant	55,302
Unallocated Employee Benefits	54,932
Transfer of Funds to Charter School	16,336

E. Encumbrances 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. There were no open encumbrances in the special revenue fund that would be 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.

F. Tuition Receivable:

Tuition charges are established by the Board of Education based on estimated costs. There were no tuition receivable contracts during the 2010-2011 school year.

G. Tuition Payable:

Tuition charges for the fiscal years 2007-08, 2008-09, 2009-10 and 2010-11 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined. Prior to the 2009-10 school year, only District students in Grades 7 through 12 were sent to The Winslow Township School District on a tuition basis. In the 2009-10 school year, all students grades K through 12 were sent to Winslow Township School district on a tuition basis. While tuition adjustments have been recorded as expenditures in the 2010-11 school year, they have not been paid due to the lack of supporting documentation. In addition, the 2011-12 Budget as prepared by the County Office of Education, includes unsupported tuition provisions of which supporting documentation was not available. (see Note 19)

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

H. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

I. Short-Term Interfund Receivables/Payables:

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

J. Assets, Liabilities and Equity:

Transactions

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

Inventories

On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011. The food service enterprise fund had a Supply inventory balance of \$600 at June 30, 2011. These supplies will remain on hand until such time as the non-operating status of the district is resolved.

Capital Assets

General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed prior to June 30, 2011 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Capital assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the statement of Net Assets. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J. Assets, Liabilities and Equity: (Cont'd)

Capital assets are depreciated in the district-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building	50
Building Improvements	20
Equipment	5-10

K. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or when such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the Statement of Net Assets. In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

L. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

M. 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.

N. Extraordinary and Special Items:

Extraordinary items are transactions or events, unusual in nature and infrequent in occurrence. Special items are transactions or events, 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

O. 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 not 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.

P. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Q. Comparative Data/Reclassifications:

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

R. Management Estimates:

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

S. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

T. 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.

U. 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.

V. Revenues – Exchange and Non-exchange 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 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.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Non-exchange 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 for 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 non-exchange transactions must also be available before it can be recognized.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

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

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

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

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit. In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school district.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Custodial Credit Risk

All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act and are classified as to credit risk by the following three categories described below.

Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the districts deposits may not be returned to it. Although the district does not have a formal policy regarding custodial credit risk, as described in Note 1: N.J.S.A. 17:9-41 et. Seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Protection Act.

The Board of Education designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

As of June 30, 2011, \$286,963 of the districts bank balance of \$536,963 was exposed to custodial credit risk.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account may be established by New Jersey school districts for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The district does not have a capital reserve account.

NOTE 5. TUITION CONTRACTS AND ADJUSTMENTS PAYABLE

The district sends students to the Winslow Township Board of Education school district on a tuition basis, of which invoices have been received and charged against the 2010-11 budget for tuition adjustments from the 2007-2008 and 2008-2009 school years.

While tuition billing adjustments received for the 2007-08 and 2008-09 school years were intended to be paid through the 2010-11 budget, these amounts are currently in dispute, due to the lack of necessary supporting documentation and will be paid when proper documentation is received and examined. The 2009-10 billing adjustment will be charged to the 2011-2012 budget and paid when the necessary supporting documentation is received and properly examined, based on audited tuition rates and enrollment.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6. FIXED ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not being depreciated:				
Land	\$ 74,000	\$ -	\$ -	\$ 74,000
Total capital assets not being depreciated	74,000			74,000
Building and building improvements	556,377			556,377
Site Improvements	62,285			62,285
Machinery and equipment	140,956			140,956
Totals at historical cost	759,618			759,618
Less accumulated depreciation for :				
Building and improvements	(435,271)	(15,954)		(451,225)
Site Improvements	(30,634)	(3,114)		(33,748)
Equipment	(117,547)	(4,466)		(122,013)
Total accumulated depreciation	(583,452)	(23,534)		(606,986)
Total capital assets being depreciated, net of accumulated depreciation	176,166	(23,534)		152,632
Government activities capital assets, net	\$ 250,166	\$ (23,534)	\$ -	\$ 226,632
				To A-1
Business-type activities - Equipment	\$ 18,100	\$ -		\$ 18,100
Less accumulated depreciation	(16,157)	(353)		(16,510)
Business-type activities capital assets, net	\$ 1,943	\$ (353)	\$ -	\$ 1,590
Depreciation expense was charged to governmental functions as follows:				
		Unallocated		\$ 23,534

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2011, the following changes occurred in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Long-term Portion
Governmental Activities:						
Bonds payable:						
General obligation debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total bonds payable	<hr/>					
Other Liabilities:						
Compensated absences payable	20,730			20,730		20,730
Total other liabilities	\$ 20,730	\$ -	\$ -	\$ 20,730	\$ -	\$ 20,730
	<hr/> To A-1 <hr/>					
Business-Type Activities:						
Compensated absences payable				\$ -	\$ -	\$ -

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

B. Bonds Authorized But Not Issued -- As of June 30, 2011, the District had no authorized but not issued bonds.

C. Capital Leases -- The District does not have any open capital leases as of June 30, 2011.

NOTE 8. OPERATING LEASES

The District has commitments to lease a copier under an operating lease that expires in 2013. The total amount of operating lease obligations initiated in the year ended June 30, 2009 was \$0. Future minimum scheduled lease payments are as follows, depending on continued operations:

Year ending June 30,	<u>Amount</u>
2012	\$ 2,102
2013	2,102
Total future minimum lease payments	<hr/> <u>\$ 4,204</u> <hr/>

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9. 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. Members contribute at a uniform rate.

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service, or under the disability provision of the System. Retirement benefits for age and service are available at age 60 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9. PENSION PLANS (CONT'D)

In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for a 12 month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also 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 2000, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced. Chapter 415, P.L. 1999 provides for a reduction in this rate of 3% for the calendar years 2000 and 2001 and for a contribution rate reduction of up to 2% of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year. Where a contribution is required from the Board of Education, the board is billed annually for its normal contribution plus any accrued liability. There is no accrued liability for the Public Employees' Retirement System as of June 30, 2009 since the requirements were fully funded by the State.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9. PENSION PLANS (CONT'D)

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>		<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>			<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/11	\$	14,380	100	%	\$	14,380
6/30/10		11,436	100			11,436
6/30/09		11,825	100			11,825

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year</u> <u>Funding</u>		<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>			<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/11	\$	32,868	100	%	\$	0
6/30/10		57,122	100			0
6/30/09		56,758	100			0

During the fiscal year ended June 30, 2011, the State of New Jersey contributed \$32,868 to the TPAF for normal and 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 \$8,012 during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund statements and schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or a disability retirement. 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.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, 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 2009.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 11. COMPENSATED ABSENCES

The District accounts for compensated absences 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 who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. Upon retirement and who have not less than ten (10) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the Districts' agreements with the various employee unions. Vacation days not used during the year may only be carried forward with approval from the Superintendent.

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

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

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of various 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:

Lincoln Investment Planning, Inc.
Washington National

NOTE 13. 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 13. RISK MANAGEMENT (CONT'D)

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ 27,539	\$	\$ 36,490	\$ 490
2009-2010	19,896		(32,509)	9,441
2008-2009	30,056	2,370	(18,036)	22,054
2007-2008	33,240	4,131	(39,127)	7,664

NOTE 14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 18,735	\$ 9,116
Unemployment Fund	9,116	
Food Service Fund		17,756
Payroll Fund		979
Total	\$ <u>27,851</u>	\$ <u>27,851</u>

NOTE 15. FUND BALANCE APPROPRIATED

General Fund - Of the \$201,156 balance in General Fund balance at June 30, 2011, \$0 is reserved for encumbrances; \$191,429 is reserved for excess surplus in accordance with N.J.S.A. 18AC:7F-7; of which \$0 has been appropriated and included as anticipated revenue for the year ending June 30, 2012 and \$9,727 represents unreserved and undesignated Fund Balance.

NOTE 16. LITIGATION

The District is from time to time involved in claims and lawsuits incidental to its operations. Per confirmation by the District's legal counsel, there are no pending litigations, claims, assessments of contingent liability against the District, except for the following.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 16. LITIGATION (CONT'D)

There is a matter, whereby the Chesilhurst Board of Education seeks to terminate its tuition arrangement with the Winslow Board of Education for grades Pre-K through Grade 6. The Winslow Board of Education, however, has communicated its intention to seek termination of the sending/receiving relationship for all Chesilhurst students grades Pre-k-12. The matter is pending, awaiting a decision from the Commissioner of Education and the Administrative Law Judge. Also see the related issue in Note 19 regarding the unrecorded asserted Tuition Adjustment and other claims.

NOTE 17. CALCULATION OF EXCESS SURPLUS

In accordance with *N.J.S.A.* 18A:7F-7, as amended, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. At June 30, 2011, there was no excess fund balance to be anticipated as revenue in the 2011-12 and \$191,429 to be anticipated as revenue in the 2012-13 budgets.

NOTE 18. DEFICIT FUND BALANCES

The District has a deficit fund balance of \$(5,609) in the Special Revenue Fund of as of June 30, 2011 as reported in the fund statements (modified accrual basis). *N.J.S.A.* 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school year, districts must record the last state aid payment as revenue, for budgeted purposes only, in the current budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the state is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the General and Special Revenue Fund balance deficits do not alone indicate that the district is facing financial difficulties.

The amount of the 19th and 20th State Aid payments that have not been reflected as revenue in the 2010-11 School Year is \$260,354.

Pursuant to *N.J.S.A.* 18A:22-44.2 any negative unreserved, undesignated general or special revenue fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District special revenue fund deficit in the GAAP funds statements of \$5,609 is equal to the last state aid payment.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 19. UNRECORDED ASSERTED TUITION ADJUSTMENTS AND OTHER CLAIMS

The Chesilhurst Board of Education is being billed for various tuition adjustments and other charges for the years ending June 30, 2008 through June 30, 2011, of which sufficient evidential support is not available. As a result, the Chesilhurst Board of Education has not recorded a substantial portion of the asserted claims as encumbrances or accounts payable and the matter is being pursued through the Administrative Law process, with an Assignment Judge, who has appointed an independent auditor to review the matters involved.

The 2010-11 and 2011-12 Chesilhurst Budgets were prepared by the Camden County Office of the Department of Education and included certain provisions for unidentified tuition charges that the Chesilhurst School District has declined to pay, due to a lack of supporting documentation.

Tuition and other charges in the amount of \$1,234,369, reflected in the 2010-2011 contract as "Balance of Expanded Sending Receiving District Agreement," in addition to other tuition adjustment charges from prior years, are presently in dispute. Payments related to these charges, if any, will be made at such time as proper supporting documentation is received and examined by the independent auditor appointed by the Administrative Law Judge.

There are also other charges that have been billed by the Winslow School District that the Chesilhurst Board of Education is disputing based on enabling statutory provisions and an assertion that the amounts in question represent double billing.

Due to the nature of the billings being considered unsubstantiated, unsupported by reliable enrollment data and or not possessing statutory provision, the actual amount of disputed charges is material.

NOTE 20. SUBSEQUENT EVENTS

As of the audit date, the status of the District is in a non-operating status. There are, however, court proceedings, previously described, involving the Board to reinstate the operation of the school and to pursue other sending/receiving relationships with other districts. While the outcome of the various disputes are not known, a final determination is anticipated during the 2011-12 fiscal year or later. Any monetary adjustments should be recorded in future fiscal years.

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Adjustments Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actua Favorable/ (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 791,164	\$	\$ 791,164	\$ 791,164	\$
Interest on investments				1,657	1,657
Miscellaneous				28,395	28,395
Total - Local Sources	791,164		791,164	821,216	30,052
State Sources:					
Categorical Special Education	92,363		92,363	92,363	
Equalization Aid	1,575,067		1,575,067	1,575,067	
Categorical Security Aid	49,817		49,817	49,817	
Adjustment Aid	594,184		594,184	594,184	
Categorical Transportation Aid	119,535		119,535	119,535	
Nonpublic Transportation		1,509	1,509	1,509	
On-behalf TPAF Post Retirement Medical Contribution				24,091	24,091
On-behalf TPAF Non-Contributory Ins				8,777	8,777
Reimbursement TPAF Social Security				8,012	8,012
Total - State Sources	2,430,966	1,509	2,432,475	2,473,355	40,880
TOTAL REVENUES	3,222,130	1,509	3,223,639	3,294,571	70,932
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Instruction:					
Tuition - Other LEAs Within the State - Regular	2,501,725	(508,475)	1,993,250	1,908,095	85,155
Tuition - Other LEAs Within the State - Special	673,300		673,300	536,062	137,238
Tuition - County Voc School Districts - Regular		32,500	32,500	32,500	
Tuition - CSSD and Regional Day Schools		2,000	2,000	2,000	
Tuition to Private Schools for Handicapped w/in State		5,251	5,251	5,251	
Tuition - State Facility		22,771	22,771	22,771	
Total Undistributed Expenditures - Instruction	3,175,025	(445,953)	2,729,072	2,506,679	222,393

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Adjustments Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actua Favorable/ (Unfavorable)</u>
EXPENDITURES: (Continued)					
Support Services General Administration:					
Salaries	\$	\$ 118,964	\$ 118,964	\$ 118,508	\$ 456
Legal Services		15,124	15,124	15,124	
Audit Fees	15,000	3,735	18,735	18,735	
Other Purchased Professional Services		15,680	15,680	15,680	
Communications/Telephone		5,854	5,854	5,854	
Other Purchased Services		585	585	585	
General Supplies		2,362	2,362	2,362	
BOE In-house Training/Meeting Supplies		50	50	50	
Miscellaneous Expenditures		4,366	4,366	4,366	
BOE Membership Dues and Fees		2,651	2,651	2,651	
Total Support Services General Administration	15,000	169,371	184,371	183,915	456
Support Services Central Services					
Salaries		18,868	18,868	18,864	4
Purchased Technical Services		3,165	3,165	3,165	
Other Objects		100	100	100	
Total Support Services Central Services		22,133	22,133	22,129	4
Increase in Maintenance Reserve					
Req. Maintenance for School Facilities:					
Cleaning, Repair, and Maintenance Services		24,319	24,319	24,307	12
Total Req. Maintenance for School Facilities:		24,319	24,319	24,307	12
Other Operation and Maintenance of Plant :					
Other Purchased Property Services		3,248	3,248	3,248	
Insurance	6,000	5,935	11,935	11,935	
General Supplies		24	24	24	
Energy (Natural Gas)	3,000	1,920	4,920	4,920	
Energy (Electricity)	4,000	19,856	23,856	23,856	
Other Operation and Maintenance of Plant :	13,000	30,983	43,983	43,983	
Total Operations and Maintenance of Plant Services	13,000	55,302	68,302	68,290	12
Undistributed Expenditures - Student Transportation Services:					
Contracted Services (not Home/School) - Vendors		77,333	77,333	77,333	
Contracted Services (Reg. Students) - ESC's		24,516	24,516	24,516	
Contracted Services (Home/school) - Joint Agreements		29,761	29,761	28,252	1,509
Total Student Transportation Services		131,610	131,610	130,101	1,509

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Adjustments Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actua Favorable/ (Unfavorable)</u>
EXPENDITURES: (Continued)					
Undistributed Expenditures: (Continued)					
Other Support Services:					
Increase in Current Expense Emergency Reserve	\$	\$	\$	\$	\$
Total Other Support Services					
Unallocated Benefits					
Social Security Contributions		528	528	524	4
Other Retirement Contributions		14,380	14,380	14,380	
Other Retirement Contributions - ERIP		7,643	7,643	7,643	
Unemployment Compensation	25,000	10,418	35,418	35,418	
Health Benefits		19,255	19,255	19,255	
Other Employee Benefits		2,708	2,708	2,708	
Total Unallocated Benefits	25,000	54,932	79,932	79,928	4
On-behalf TPAF Post Retirement Medical Contribution				24,091	(24,091)
On-behalf TPAF Non-Contributory Ins				8,777	(8,777)
Reimbursement TPAF Social Security				8,012	(8,012)
Total Undistributed Expenditures	3,228,025	(12,605)	3,215,420	3,031,922	183,498
TOTAL EXPENDITURES - CURRENT EXPENSE	3,228,025	(12,605)	3,215,420	3,031,922	183,498
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services					
Other Objects		278	278	278	
TOTAL CAPITAL OUTLAY EXPENDITURES		278	278	278	
TOTAL EXPENDITURES	3,228,025	(12,327)	3,215,698	3,032,200	183,498
Excess (Deficiency) of Revenues and Other Over (Under) Expenditures	(5,895)	13,836	7,941	262,371	254,430
Other financing sources (uses):					
Transfer of Funds to Charter Schools		(16,336)	(16,336)	(16,336)	
Prior Year Adjustments				(839)	(839)
Total other financing sources		(16,336)	(16,336)	(17,175)	(839)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(5,895)	(2,500)	(8,395)	245,196	253,591
Fund Balances, July 1	196,233		196,233	196,233	
Fund Balances, June 30	\$ 190,338	\$ (2,500)	\$ 187,838	\$ 441,429	\$ 253,591

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Adjustments</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to Actua</u> <u>Favorable/</u> <u>(Unfavorable)</u>
<u>RECAPITULATION OF FUND BALANCE:</u>					
Restricted Fund Balance:					
Excess surplus				\$ 191,429	
Unassigned Fund Balance					
				250,000	
				<u>441,429</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not Recognized on GAAP Basis				(240,273)	
				<u>201,156</u>	
Fund Balance per Governmental Funds (GAAP)				\$ 201,156	

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to Actual</u>
REVENUES:					
State Sources	\$ 56,088	\$	\$ 56,088	\$ 56,088	\$
Federal Sources					
Total Revenues	<u>56,088</u>		<u>56,088</u>	<u>56,088</u>	
EXPENDITURES:					
Instruction					
Tuition	56,088		56,088	56,088	
Total Instruction	<u>56,088</u>		<u>56,088</u>	<u>56,088</u>	
Total Expenditures	<u>56,088</u>		<u>56,088</u>	<u>56,088</u>	
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF CHESILHURST BOARD OF EDUCATION
BUDGET-TO-GAAP RECONCILIATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>Ref.</u>	<u>General Fund</u>	<u>Ref.</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 3,294,571	[C-2]	\$ 56,088
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				
Current Year				
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		260,354		5,609
State aid payment recognized for budgetary purposes, not recognized for GAAP statements		(240,273)		(5,609)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	\$ <u>3,314,652</u>	[B-2]	\$ <u>56,088</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 3,032,200	[C-2]	\$ 56,088
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				
Current Year				
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes				
Net transfers (outflows) to capital project fund and food service fund.				
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ <u>3,032,200</u>	[B-2]	\$ <u>56,088</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.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
SPECIAL REVENUE FUND - BUDGETARY BASIS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Preschool Education Aid	TOTALS	
		2011	2010
REVENUES:			
State Sources	\$ 56,088	\$ 56,088	\$ 56,088
Federal Sources			3,811
Total Revenues	56,088	56,088	59,899
EXPENDITURES:			
Instruction:			
Tuition	56,088	56,088	56,088
Total Instruction	56,088	56,088	56,088
Support Services:			
Other Salaries			2,859
Other Purchased Services			122
Supplies and Materials			830
Total Support Services			3,811
Total Expenditures	\$ 56,088	\$ 56,088	\$ 59,899

BOROUGH OF CHESILHURST SCHOOL DISTRICT
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

DISTRICT-WIDE TOTAL

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Tuition	\$ 56,088	\$ 56,088	
	<hr/>	<hr/>	
Total Instruction	56,088	56,088	
	<hr/>	<hr/>	
Support Services:			
	<hr/>	<hr/>	
Total Support Services			
	<hr/>	<hr/>	
Total Expenditures	\$ 56,088	\$ 56,088	
	<hr/> <hr/>	<hr/> <hr/>	

CALCULATION OF BUDGET AND CARRYOVER

Total 2010-11 Preschool Education Aid Allocation	\$ 56,088	(1)
Actual ECPA/PEA Carryover (June 30, 2010)	46,448	(2)
Add: Actual Transfer from General Fund 2010-11		
	<hr/>	
Total Preschool Education Aid Funds Available for 2010-11 Budget	102,536	(3)
Less: 2010-11 Budgeted Preschool Education Aid (including		
prior year budgeted carryover)	(56,088)	(4)
	<hr/>	
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2011	46,448	(5)
Add: June 30, 2011 Unexpended Preschool Education Aid	-	(6)
	<hr/>	
2010-11 Carryover - Preschool Education Aid	\$ 46,448	(7)
	<hr/>	
2010-11 Preschool Education Aid Carryover		
Budgeted for Preschool Programs in 2011-12		(8)
	<hr/> <hr/>	

PROPRIETARY FUND DETAIL STATEMENTS

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

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

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS:		
Current Assets:		
Cash	\$ 29,545	\$ 29,545
Inventories	600	600
Total Current Assets	<u>30,145</u>	<u>30,145</u>
Fixed Assets:		
Equipment	18,100	18,100
Accumulated Depreciation	(16,510)	(16,157)
Total Fixed Assets	<u>1,590</u>	<u>1,943</u>
Total Assets	<u>31,735</u>	<u>32,088</u>
LIABILITIES:		
Current Liabilities:		
Interfund Payable	17,756	17,756
Total Current Liabilities	<u>17,756</u>	<u>17,756</u>
NET ASSETS:		
Invested in Capital Assets, net of related debt	1,590	1,943
Unrestricted	12,389	12,389
Total Net Assets	<u>\$ 13,979</u>	<u>\$ 14,332</u>

BOROUGH OF CHESILHURST SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES:		
Local Sources:		
Daily Sales - Reimbursable Programs:		
School Lunch Program	\$	\$
School Breakfast Program		
Total Daily Sales - Reimbursable Programs	<u> </u>	<u> </u>
Daily Sales Non-Reimbursable Programs		
Total Operating Revenue	<u> </u>	<u> </u>
OPERATING EXPENSES:		
Salaries		
Cost of Sales		
Depreciation	353	353
Total Operating Expenses	<u>353</u>	<u>353</u>
Operating Loss	<u>(353)</u>	<u>(353)</u>
Non-Operating Revenues:		
Fixed Asset Adjustment		(3,628)
Total Non-Operating Revenues		<u>(3,628)</u>
Net Income before Operating Transfers	<u>(353)</u>	<u>(3,981)</u>
Operating Transfer In		
Net Income (Deficit)	<u>(353)</u>	<u>(3,981)</u>
Net Assets, July 1	14,332	18,313
Net Assets, June 30	<u>\$ 13,979</u>	<u>\$ 14,332</u>

BOROUGH OF CHESILHURST SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (353)	\$ (353)
Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities:		
Depreciation	353	353
Change in Assets and Liabilities:		
(Increase)/ Decrease in Accounts Receivable		15,525
Increase/ (Decrease) in Inventories		
Increase/(Decrease) in Accounts Payable		
Net Cash Used by Operating Activities	15,525	15,525
Cash Flows from Noncapital Financing Activities:		
Cash Received from State and Federal Reimbursements		
Operating Transfer In		
Net Cash Provided by Noncapital Financing Activities		
Cash Flows from Capital & Related Financing Activities;		
Purchase of Capital Asset		
Cash Flows from Investing Activities:		
Interest on Investments		
Net Decrease in Cash and Cash Equivalents		15,525
Cash and Cash Equivalents, July 1	29,545	14,020
Cash and Cash Equivalents, June 30	\$ 29,545	\$ 29,545

FIDUCIARY FUNDS DETAIL STATEMENTS

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 an/or other funds.

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

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

		<u>Expendable</u>	<u>Agency</u>		<u>Total</u>	
		<u>Trust</u>	<u>Student</u>	<u>Payroll</u>	<u>2011</u>	<u>2010</u>
		<u>Unemployment</u>	<u>Activity</u>			
		<u>Compensation</u>				
		<u>Insurance</u>				
ASSETS:						
Cash and Cash Equivalents	\$	490	\$ 2,997	\$ 6,202	\$ 9,689	\$ 8,402
Interfund Accounts Receivable		9,116			9,116	8,826
Total Assets	\$	9,606	\$ 2,997	\$ 6,202	\$ 18,805	\$ 17,228
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Claims Payable	\$		\$		\$	\$
Payroll Deductions and Withholdings				5,223	5,223	4,115
Due to Student Groups			2,997		2,997	2,993
Interfund Payable				979	979	979
Total Liabilities			2,997	6,202	9,199	8,087
Fund Balances:						
Reserved:						
Unemployment Compensation		9,606			9,606	9,441
Total Fund Balance		9,606			9,606	9,441
Total Liabilities and Fund Balances	\$	9,606	\$ 2,997	\$ 6,202	\$ 18,805	\$ 17,528

BOROUGH OF CHESILHURST SCHOOL DISTRICT
EXPENDABLE TRUST FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Unemployment Compensation Trust Fund</u>	<u>2011</u>	<u>Total 2010</u>
OPERATING REVENUES:			
Local sources:			
Plan Member Contributions	\$ -		\$ -
District Contributions	36,181	36,181	19,881
Interest on Investments	1	1	15
Total Operating Revenues	<u>36,182</u>	<u>36,182</u>	<u>19,896</u>
OPERATING EXPENSES:			
Miscellaneous Disbursements			
Unemployment Compensation Claims	36,017	36,017	32,509
Total Operating Expenses	<u>36,017</u>	<u>36,017</u>	<u>32,509</u>
Change in Net Assets	165	165	(12,613)
Net Assets, July 1	<u>9,441</u>	<u>9,441</u>	<u>22,054</u>
Net Assets, June 30	<u>\$ 9,606</u>	<u>\$ 9,606</u>	<u>\$ 9,441</u>

BOROUGH OF CHESILHURST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1,</u> <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 2,993	\$ 4	\$	\$ 2,997
Total Assets	<u>\$ 2,993</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,997</u>
LIABILITIES:				
Due to Student Groups	\$ 2,993	\$ 4	\$	\$ 2,997
Total Liabilities	<u>\$ 2,993</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,997</u>

There was no activity during the year.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1,</u> <u>2010</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>June 30,</u> <u>2011</u>
ASSETS:							
Cash and Cash Equivalents	\$ 5,094	\$	177,293	\$	176,185	\$	6,202
Total Assets	\$ 5,094	\$	177,293	\$	176,185	\$	6,202
LIABILITIES:							
Interfund Payable	\$ 979	\$		\$		\$	979
Payroll Deductions and Withholdings	4,115		177,293		176,185		5,223
Total Liabilities	\$ 5,094	\$	177,293	\$	176,185	\$	6,202

LONG-TERM DEBT SCHEDULES

N/A

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.

STATISTICAL SECTION

BOROUGH OF CHESILHURST SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ 374,471	\$ 257,395	\$ 276,996	\$ 283,288	\$ 260,428	\$ 251,632	\$ 250,166	\$ 226,632
Restricted	290,612	516,491	710,392	814,429	756,031	761,741	5,895	191,429
Unrestricted	145,812	(40,806)	(359,568)	120,824	115,179	74,290	(96,355)	(16,612)
Total Governmental Activities Net Assets	\$ 810,895	\$ 733,080	\$ 627,820	\$ 1,218,541	\$ 1,131,638	\$ 1,087,663	\$ 159,706	\$ 401,449
Business-Type Activities								
Invested in Capital Assets, Net of Related Debt	\$ 4,249	\$ 3,649	\$ 3,049	\$ 7,483	\$ 6,704	\$ 5,924	\$ 1,943	\$ 1,590
Unrestricted	(75,240)	21,176	(8,598)	(13,537)	(5,038)	12,389	12,389	12,389
Total Business-Type Activities Net Assets	\$ (70,991)	\$ 24,825	\$ (5,549)	\$ (6,054)	\$ 1,666	\$ 18,313	\$ 14,332	\$ 13,979
District-Wide								
Invested in Capital Assets, Net of Related Debt	\$ 378,720	\$ 261,044	\$ 280,045	\$ 290,771	\$ 267,132	\$ 257,556	\$ 252,109	\$ 228,222
Restricted	290,612	516,491	710,392	814,429	756,031	761,741	5,895	191,429
Unrestricted	70,572	(19,630)	(368,166)	107,287	110,141	86,679	(83,966)	(4,223)
Total District-Wide Net Assets	\$ 739,904	\$ 757,905	\$ 622,271	\$ 1,212,487	\$ 1,133,304	\$ 1,105,976	\$ 174,038	\$ 415,428

Source: CAFR Schedule A-1

BOROUGH OF CHESILHURST SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities								
Instruction								
Regular	\$ 673,247	\$ 693,147	\$ 782,594	\$ 807,300	\$ 878,483	\$ 900,735	\$ 56,088	\$ 56,088
Special Education	126,117	99,509	76,884	117,853	108,244	167,042		
Other Special Instruction	87,776	43,666	12,565	16,792	19,988	21,354		
Other Instruction	5,718	9,919	9,693					
Support Services								
Tuition	1,484,305	1,299,128	1,451,775	1,639,287	1,884,517	1,666,988	3,356,068	2,506,679
Student and Instruction Related Services	218,295	297,687	292,603	369,887	310,325	417,723	18,912	
General Administrative Services	219,398	147,613	153,040	146,946	174,689	152,340	209,453	183,915
School Administrative Services	9,019	17,268	17,144	8,483	15,247	16,377	14,917	
Central Services							33,929	22,407
Plant Operations and Maintenance	159,380	144,923	174,830	212,631	220,934	192,994	76,720	68,290
Pupil Transportation	161,780	174,149	174,748	144,888	205,734	191,857		130,101
Employee Benefits	339,620	392,881	409,761	31,456	23,433	36,505	192,586	120,808
Unallocated Depreciation and Amortization	42,237	12,748	12,748				23,534	23,534
Total Governmental Activities Expenses	3,526,892	3,332,638	3,568,385	3,495,523	3,841,594	3,763,915	3,982,207	3,111,822
Business-Type Activities								
Food Service	115,618	101,723	120,435	115,479	101,631	100,424	353	353
Total Business-Type Activities Expense	115,618	101,723	120,435	115,479	101,631	100,424	353	353
Total District Expenses	\$ 3,642,510	\$ 3,434,361	\$ 3,688,820	\$ 3,611,002	\$ 3,943,225	\$ 3,864,339	\$ 3,982,560	\$ 3,112,175
Program Revenues								
Governmental Activities								
Operating Grants and Contributions	\$ 477,859	\$ 467,274	\$ 554,348	\$ 469,990	\$ 431,207	\$ 207,896	\$ 66,530	\$ 96,968
Total Governmental Activities Program Revenues	477,859	467,274	554,348	469,990	431,207	207,896	66,530	96,968
Business-Type Activities								
Charges for Services								
Food Service	10,109	7,935	9,122	8,707	7,062	6,395		
Operating Grants and Contributions	42,881	45,256	40,939	57,376	57,289	60,676		
Total Business-Type Activities Program Revenues	52,990	53,191	50,061	66,083	64,351	67,071		
Total District Program Revenues	\$ 530,849	\$ 520,465	\$ 604,409	\$ 536,073	\$ 495,558	\$ 274,967	\$ 66,530	\$ 96,968
Net (Expense)/Revenue								
Governmental Activities	\$ (3,049,033)	\$ (2,865,364)	\$ (3,014,037)	\$ (3,025,533)	\$ (3,410,387)	\$ (3,556,019)	\$ (3,915,677)	\$ (3,014,854)
Business-Type Activities	(62,628)	(48,532)	(70,374)	(49,396)	(37,280)	(33,353)	(353)	(353)
Total District-Wide Net Expense	\$ (3,111,661)	\$ (2,913,896)	\$ (3,084,411)	\$ (3,074,929)	\$ (3,447,667)	\$ (3,589,372)	\$ (3,916,030)	\$ (3,015,207)
General Revenues and Other Changes in Net Assets								
Governmental Activities								
Property Taxes Levied for General Purposes, Net	\$ 726,581	\$ 689,923	\$ 857,170	\$ 853,814	\$ 781,162	\$ 791,164	\$ 791,164	\$ 791,164
Unrestricted Grants and Contributions	2,162,980	2,257,458	2,178,554	2,323,091	2,441,525	2,617,529	2,252,203	2,452,556
Investment Earnings	2,347	12,064	37,826	63,435	29,128	6,088	3,250	1,657
Miscellaneous Income	127,350	95,380	179,704	216,289	115,233	105,289		28,395
Fixed Asset Adjustment		(116,729)		21,264	21,985	61,877	1,338	
Compensated Absences			(325,741)					
Prior Year Adjustments				177,640			(25,239)	(839)
Transfers	(20,000)	(150,547)	(40,000)	(40,000)	(45,000)	(50,000)	(34,996)	(16,336)
Total Governmental Activities	2,999,258	2,787,549	2,908,777	3,616,254	3,322,048	3,531,947	2,987,720	3,256,597
Business-Type Activities								
Compensated Absences				3,678				
Previous Acquired Assets Not Reported				5,213			(3,628)	
Transfer	20,000	144,348	40,000	40,000	45,000	50,000		
Total Business-Type Activities	20,000	144,348	40,000	48,891	45,000	50,000	(3,628)	
Total District-Wide	\$ 3,019,258	\$ 2,931,897	\$ 2,948,777	\$ 3,665,145	\$ 3,367,048	\$ 3,581,947	\$ 2,984,092	\$ 3,256,597
Change in Net Assets								
Governmental Activities	\$ (49,775)	\$ (77,815)	\$ (105,260)	\$ 590,721	\$ (88,339)	\$ (24,072)	\$ (927,957)	\$ 241,743
Business-Type Activities	(42,628)	95,816	(30,374)	(505)	7,720	16,647	(3,981)	(353)
Total District-Wide	\$ (92,403)	\$ 18,001	\$ (135,634)	\$ 590,216	\$ (80,619)	\$ (7,425)	\$ (931,938)	\$ 241,390

Source: CAFR Schedule A-2

BOROUGH OF CHESILHURST SCHOOL DISTRICT
FUND BALANCES-GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2004	2005	2006	2007	2008	2009	2010	2011
General Fund								
Reserved	\$ 293,437	\$ 462,701	\$ 716,872	\$ 811,242	\$ 754,770	\$ 844,833	\$ 8,395	\$ 191,429
Unreserved	177,175	51,050	(5,428)	146,672	142,199	(6,562)	(72,516)	9,727
Total General Fund	<u>\$ 470,612</u>	<u>\$ 513,751</u>	<u>\$ 711,444</u>	<u>\$ 957,914</u>	<u>\$ 896,969</u>	<u>\$ 838,271</u>	<u>\$ (64,121)</u>	<u>\$ 201,156</u>
All Other Governmental Funds								
Reserved	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved, Reported in:								
Special Revenue Fund	(13,188)	(13,188)	(13,188)	(13,188)	(14,943)	(5,427)	(5,609)	(5,609)
Capital Projects Fund			3,187	3,187	3,187	3,187		
Total All Other Governmental Funds	<u>\$ (13,188)</u>	<u>\$ (13,188)</u>	<u>\$ (10,001)</u>	<u>\$ (10,001)</u>	<u>\$ (11,756)</u>	<u>\$ (2,240)</u>	<u>\$ (5,609)</u>	<u>\$ (5,609)</u>

Source: CAFR Schedule B-1

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS**

	2004	2005	2006	2007	2008	2009	2010	2011
Revenues								
Tax Levy	\$ 726,581	\$ 689,923	\$ 857,170	\$ 853,814	\$ 781,162	\$ 791,164	\$ 791,164	\$ 791,164
Interest Earnings	2,347	12,064	37,826	63,435	29,128	6,088	3,250	1,657
Miscellaneous	127,350	99,258	179,704	216,289	115,233	105,289		28,395
State Sources	2,423,447	2,503,111	2,514,272	2,589,501	2,737,269	2,681,693	2,006,963	2,549,524
Federal Sources	217,392	221,621	218,630	203,580	135,463	143,732	311,770	
Total Revenues	3,497,117	3,525,977	3,807,602	3,926,619	3,798,255	3,727,966	3,113,147	3,370,740
Expenditures								
Instruction								
Regular Instruction	673,247	693,147	782,594	779,304	767,808	792,730	56,088	56,088
Special Education Instruction	126,117	99,509	76,884	113,767	94,607	145,993		
Other Special Instruction	87,776	43,666	12,565	16,209	17,470	18,663		
Other Instruction	5,718	9,919	9,693					
Support Services								
Tuition	1,484,305	1,299,128	1,451,775	1,582,439	1,647,097	1,456,933	3,356,068	2,506,679
Student and Instruction Related Services	218,295	297,687	292,603	357,060	271,229	365,086	18,912	
General Administrative Services	219,398	147,613	153,040	141,849	152,680	133,144	209,453	183,915
School Administrative Services	9,019	17,268	17,144	8,189	13,326	14,314	14,917	
Central Services							33,929	22,129
Plant Operations and Maintenance	159,380	144,923	174,830	205,258	193,099	168,675	76,720	68,290
Pupil Transportation	161,780	174,149	174,748	139,863	179,815	167,681		130,101
Employee Benefits	35,447	36,363	46,240	30,365	20,481	31,906	192,586	
Unallocated Employee Benefits	304,173	356,518	363,521	435,586	459,779	412,120		120,808
Capital Outlay	13,200	12,401	11,085	7,900				278
Total Expenditures	3,497,855	3,332,291	3,566,722	3,817,789	3,817,391	3,707,245	3,958,673	3,088,288
Excess (Deficiency) of Revenues Over (Under) Expenditures	(738)	193,686	240,880	108,830	(19,136)	20,721	(845,526)	282,452
Other Financing Sources (Uses)								
Cancellation of Prior Year Payables				185,632				
Prior Year Adjustments							(25,239)	(839)
Payment of Prior Year Unrecorded Liabilities				(7,992)				
Transfers (Net)	(20,000)	(150,547)	(40,000)	(40,000)	(45,000)	(50,000)	(34,996)	(16,336)
Total Other Financing Sources (Uses)	(20,000)	(150,547)	(40,000)	137,640	(45,000)	(50,000)	(60,235)	(17,175)
Net Change in Fund Balances	\$ (20,738)	\$ 43,139	\$ 200,880	\$ 246,470	\$ (64,136)	\$ (29,279)	\$ (905,761)	\$ 265,277
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

BOROUGH OF CHESILHURST SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Prior Year Tuition	Prior Year Order Adjustment	Winslow Settlement	REDI Grant	Misc.	Total
2011	\$ 1,657	\$	\$	\$ 14,797	\$	\$	\$ 13,598	\$ 30,052
2010	3,250							3,250
2009	6,088		7,994		50,724		46,571	111,377
2008	29,128		8,439		50,724		56,070	144,361
2007	63,435			30,000	75,712		116,694	285,841
2006	37,826		10,263	73,714	87,001		8,726	217,530
2005	12,064		19,999	9,971	64,411		4,877	111,322
2004	2,330	25,811	10,457	32,543	25,216	21,112	12,228	129,697
2003			21,829	506			2,040	24,375
2002	4,761	33,748	16,839				61	55,409

Source: District Records

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utility ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2011	\$ 7,164,200	\$ 77,396,600	\$	\$	4,688,100	\$ 778,500	\$ 416,200	\$ 90,443,600	\$ 414,807	\$ 90,858,407	0.870	\$ 88,914,100 d
2010	7,328,200	76,505,800			4,606,100	778,500	416,200	89,634,800	555,379	90,190,179	0.877	88,914,100 d
2009	7,508,000	75,605,300			4,606,100	778,500	416,200	88,914,100	438,919	89,353,019	0.886	88,914,100
2008	* 7,328,200	74,505,300			4,801,700	778,500	416,200	87,829,900	385,910	88,215,810	0.891	82,130,332
2007	3,845,900	39,444,536			2,337,800	481,700	220,900	46,330,836	205,288	46,536,124	1.757	59,663,893
2006	3,820,100	38,234,136			2,337,800	596,800	220,900	45,209,736	218,116	45,427,852	1.883	58,493,642
2005	3,971,400	37,422,836			2,337,800	596,800	220,900	44,549,736	257,029	44,806,765	1.726	57,972,267
2004	4,113,000	36,881,336			2,337,800	596,800	220,900	44,149,836	298,899	44,448,735	1.593	52,651,901
2003	4,248,300	36,457,836			2,337,800	596,800	220,900	43,861,636	330,934	44,192,570	1.644	48,745,389
2002	4,309,500	36,029,336			2,336,800	596,800	220,900	43,493,336	280,443	43,773,779	1.542	46,390,185

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

c Tax rates have not been confirmed by the County Board of Taxation as of the date of the audit report.

d Estimate

BOROUGH OF CHESILHURST SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate Per \$100 of Assessed Value)

Year Ended June 30,	Borough of Chesilhurst Board of Education			Overlapping Rates			Total
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Lower Camden County Regional School District	Borough of Chesilhurst	Camden County	
2011	\$ 0.877		\$ 0.870		\$ 1.278	\$ 0.698	\$ 2.846
2010	0.877		0.877	c	1.183	0.571	2.631
2009	0.886		0.886		0.958	0.575	2.419
2008	0.891		0.891		0.756	0.593	2.240
2007	1.757		1.757		1.214	1.076	4.047
2006	1.883		1.883		0.903	1.051	3.837
2005	1.726		1.726		0.751	0.986	3.463
2004	1.593		1.593		0.652	0.980	3.225
2003	1.645		1.645		0.527	1.028	3.200
2002	1.542		1.542		0.431	1.027	3.000

(1) District dissolved

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 calculation.

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.

c Tax rates have not been confirmed by the County Board of Taxation as of the date of the audit report.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Fourth Garden Park	\$ 1,358,000	1.51%	\$	
Taxpayer #1	847,700	0.94%		
Taxpayer #2	665,600	0.74%		
Taxpayer #3	647,500	0.72%		
Taxpayer #4	530,200	0.59%		
Taxpayer #5	467,200	0.52%		Not Available
Taxpayer #6	436,600	0.48%		
Verizon	414,807	0.46%		
Taxpayer #8	403,000	0.45%		
Taxpayer #9	399,200	0.44%		
Total	<u>\$ 6,169,807</u>	<u>6.84%</u>	<u>\$</u>	<u></u>

Source: District CAFR & Municipal Tax Assessor

BOROUGH OF CHESILHURST SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	% of Levy	
2011	\$ 791,164	\$ *		\$
2010	791,164	790,325	99.89%	839
2009	791,164	474,698	60.00%	316,466
2008	781,162	592,066	75.79%	189,096
2007	853,814	853,814	100.00%	
2006	857,170	714,308	83.33%	142,862
2005	773,547	517,442	66.89%	256,105
2004	708,252	652,009	92.06%	56,243
2003	726,581	726,581	100.00%	
2002	674,919	674,919	100.00%	

* This amount was paid directly to Winslow Township Board of Education by the Borough of Chesilhurst and offset against school tax receivable.

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

Note:

BOROUGH OF CHESILHURST SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	
	General Obligation Bonds ^b	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Per Capita ^a			
2011	\$	\$	\$	\$	\$		\$	
2010								
2009								
2008								
2007								
2006								
2005								
2004								
2003								
2002								

N/A

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-13 for personal income and population data. These ratios are calculated using persona income and population for the prior calendar year.
- b Includes Early Retirement Incentive Plan (ERIP) refunding

BOROUGH OF CHESILHURST SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	<u>General Obligation Bonds</u>	<u>Deductions</u>	<u>Net General Bonded Debt Outstanding</u>		
2011	\$	\$	\$		\$
2010					
2009					
2008					
2007					
2006					
2005					
2004					
2003					
2002					

N/A

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-13.

If a district has resources that are restricted to repaying the principal of debt outstanding, these amounts should be shown in a separate column "Deductions" and be subtracted from the total, and the schedule should be named ratios of net general bonded debt outstanding.

BOROUGH OF CHESILHURST SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011

<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			
Borough of Chesilhurst	\$ 532,166	100%	\$ 532,166
Other debt			
Camden County	156,835,508	0.311%	487,191
Subtotal, Overlapping Debt			<u>1,019,357</u>
Borough of Chesilhurst School District Direct Debt			<u>-</u>
Total Direct and Overlapping Debt			<u><u>\$ 1,019,357</u></u>

Sources: Borough of Chesilhurst Finance Officer, Camden 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 Chesilhurst. 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.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Legal Debt Margin Calculation for Fiscal Year 2011

	Equalized Valuation Basis	
	2010	\$ 87,380,386
	2009	77,404,109
	2008	69,010,686
	[A]	\$ 233,795,181
	<hr/>	
Average Equalized Valuation of Taxable Property	[A/3]	\$ 77,931,727
Debt Limit (2.5% of Average Equalization Value)	[B]	1,948,293 ^a
Net Bonded School Debt	[C]	-
Legal Debt Margin	[B-C]	\$ 1,948,293

Fiscal Year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 1,022,761	\$ 1,085,627	\$ 1,159,906	\$ 1,225,570	\$ 1,319,316	\$ 1,491,597	\$ 1,711,952	\$ 1,806,710	\$ 1,876,293	\$ 1,948,293
Total Net Debt Applicable to Limit										
Legal Debt Margin	\$ 1,022,761	\$ 1,085,627	\$ 1,159,906	\$ 1,225,570	\$ 1,231,259	\$ 1,491,597	\$ 1,711,952	\$ 1,806,710	\$ 1,876,293	\$ 1,948,293
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	N/A									

Source: Abstract of Ratables

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population</u> ^a	<u>Personal Income</u> <u>(thousands</u> <u>of dollars)</u> ^b	<u>Per Capita</u> <u>Personal</u> <u>Income</u> ^c	<u>Unemployment</u> <u>Rate</u> ^d
2011	** 1,953	\$ 84,288,095	\$ 43,158	*
2010	** 1,940	82,489,692	42,520	** 15.8%
2009	1,936	79,921,952	41,282	15.1%
2008	1,917	79,241,112	41,336	9.9%
2007	1,892	75,778,384	40,052	7.5%
2006	1,883	72,465,372	38,484	8.2%
2005	1,861	67,234,208	36,128	6.2%
2004	1,806	62,895,756	34,826	7.3%
2003	1,742	58,665,334	33,677	8.2%
2002	1,657	53,817,703	32,479	7.9%

* Not Available at time of audit

** Estimate

Source:

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

^b Personal income

^c Per Capita

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<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	13.5	13.5	13.5	10.5	10.5	10.5	9.0	9.0		
Special Education	4.5	4.5	4.5	4.5	4.5	4.0	4.0	4.0		
Other Special Education	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0		
Vocational										
Other Instruction	1.5	1.5		1.5	1.5	1.5	1.0	1.0		
Support Services:										
Tuition										
Student & Instruction Related Services	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0		
General Administrative Services	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
School Administrative Services										
Business Administrative Services	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0		
Plant Operations and Maintenance	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0		
Pupil Transportation	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5		
Food Service	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0		
Total	<u>30.5</u>	<u>30.5</u>	<u>29.0</u>	<u>25.5</u>	<u>25.5</u>	<u>24.0</u>	<u>22.0</u>	<u>22.0</u>	<u>1.5</u>	<u>1.5</u>

Source: District Personnel Records

BOROUGH OF CHESILHURST SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2011	N/A	\$ N/A	\$ N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2009	103	3,783,818	36,736	-0.55%	15	6.87:1	103	99.20	-0.77%	96.31%
2008	104	3,841,594	36,938	16.25%	15	6.9:1	104	99.20	-11.28%	95.38%
2007	118	3,749,426	31,775	2.71%	15	7.9:1	117	111.50	-1.68%	95.30%
2006	109	3,372,032	30,936	37.91%	14	7.8 : 1	119	111.25	-8.46%	93.49%
2005	148	3,319,890	22,432	-13.74%	15	8.6 : 1	130	122.64	-8.45%	94.34%
2004	134	3,484,655	26,005	22.04%	14	9.6 : 1	142	133.30	-1.39%	93.87%
2003	146	3,111,093	21,309	21.89%	15	9.6 : 1	144	138.70	4.35%	96.32%
2002	181	3,164,302	17,482	107.83%	15	8.6 : 1	138	134.20	-16.36%	97.25%

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).

BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>District Building</u>										
<u>Elementary</u>										
Shirley B. Foster (1975)										
Square Feet	15,234	15,234	15,234	15,234	15,234	15,234	15,234	15,234	15,234	15,234
Capacity (students)	156	156	156	156	156	156	156	156	156	156
Enrollment	138	144	142	130	119	118	104	103	N/A	N/A
<u>Middle School</u>										
Square Feet										
Capacity (students)	N/A									
Enrollment										
<u>Other</u>										
Administration Building										
Square Feet	N/A									
Transportation										
Square Feet										
Maintenance Offices										
Square Feet										
Number of Schools at June 30, 2011										
Early Learning Center =	0									
Elementary =	1									
Middle School =	0									
Other =	0									

Source: District records, ASSA

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST TEN FISCAL YEARS
(UNAUDITED)

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

<u>School Facilities</u>	<u>Project # (s)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Shirley B. Foster Elem School	N/A	\$ 24,307	\$ 11,414	\$ 41,423	\$ 44,000	\$ 59,258	\$ 24,256	\$ 17,300	\$ 28,390	\$ 13,929	\$ 11,062
Total School Facilities		<u>24,307</u>	<u>11,414</u>	<u>41,423</u>	<u>44,000</u>	<u>59,258</u>	<u>24,256</u>	<u>17,300</u>	<u>28,390</u>	<u>13,929</u>	<u>11,062</u>
Other Facilities											
Grand Total		<u>\$ 24,307</u>	<u>\$ 11,414</u>	<u>\$ 41,423</u>	<u>\$ 44,000</u>	<u>\$ 59,258</u>	<u>\$ 24,256</u>	<u>\$ 17,300</u>	<u>\$ 28,390</u>	<u>\$ 13,929</u>	<u>\$ 11,062</u>

BOROUGH OF CHESILHURST SCHOOL DISTRICT
INSURANCE SCHEDULE

JUNE 30, 2011

UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
Comprehensive General Liability	\$ 5,000,000	
Comprehensive Automobile Liability	5,000,000	
Property & Auto Physical Damage	250,000,000	
Boiler & Machinery	100,000,000	
Comprehensive Crime Coverage		
Money and Securities (ea. Loss inside/outside)	50,000	
Blanket Dishonesty Bond		
Including Faithful Performance*	100,000	
ea. Person/\$500,000 per loss		
Computer Fraud	50,000	
Forgery and Alteration	50,000	
Environmental Impairment Liability	1,000,000/25,000,000	
	Fund Agg.	
Excess Liability (GL/AL)	5,000,000	
School Leaders Professional Liability	5,000,000/5,000,000	
	Agg.	
Worker's Compensation	Statutory	
Employer's Liability	5,000,000	

*Blanket bond positions are excluded.

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA*A Professional Association**Certified Public Accountants*

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

October 18, 2011

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

The Honorable President and
Members of the Board of Education
Borough of Chesilhurst School District
County of Camden, New Jersey 08089

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Chesilhurst School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Board of Education of the Chesilhurst School District basic financial statements and have issued our report thereon dated October 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified one deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above and labeled Finding 2011-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chesilhurst 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 and Regulatory Compliance, Department of Education, State of New Jersey, other than reported on the major state programs noted.

This report is intended solely for the information and use of the audit committee, management, the Chesilhurst Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association
Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

October 18, 2011

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

The Honorable President and
Members of the Board of Education
Chesilhurst Borough School District
County of Camden, New Jersey 08089

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Chesilhurst Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Chesilhurst Board of Education's compliance with those requirements.

In our opinion, the Board of Education of the Chesilhurst School District, in the County of Camden, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey OMB's Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items Finding 2011-1, 2011-2 and 2011-3.

Internal Control Over Compliance

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

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

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

This report is intended for the information and use of the audit committee, management, the Chesilhurst Board of Education, the New Jersey State Department of Education, 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. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2010			Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adj.	Repayment of Prior Years' Balances	Balance June 30, 2011		
				From	To	Accounts Receivable	Deferred Revenue	Due Grantor						Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Agriculture																
Passed-through State Department of Education:																
General Fund:																
U.S. Department of Education																
Passed-through State Department of Education:																
Special Revenue Fund:																
Title I, Part A	84.010A	NCLB0810-09	\$ 101,994	9/1/08	8/31/09	\$ (72,102)	\$ 5,482	\$	\$ 62,731	\$	6,659		\$ 2,770	\$		
Title I, Part A, Carryover	84.010A	NCLB0810-05	118,710	9/1/04	8/31/05			1,393							1,393	
Title I, SIA	84.010A	NCLB0810-09	5,018	9/1/08	8/31/09	(5,018)					5,018					
I.D.E.A. Part B - Basic	84.027	IDEA0810-09	35,000	9/1/08	8/31/09	(29,293)			29,293							
I.D.E.A. Part B - Basic, Carryover	84.027	IDEA0810-06	57,078	9/1/05	8/31/06			2,114							2,114	
I.D.E.A. Part B - Basic, Carryover	84.027	IDEA0810-05	56,563	9/1/04	8/31/05			4,793							4,793	
I.D.E.A. Part B - Preschool	84.173	IDEA0810-09	1,900	9/1/08	8/31/09	(1,900)	1,900		1,900		(1,900)					
Title IV Drug Free School Act	84.186A	NCLB0810-09	1,365	9/1/08	8/31/09	(1,365)	1,365		1,365		(1,365)					
Title VI	84.298	NCLB0810-00	2,543	9/1/99	8/31/00			116							116	
Title IIA, Innovative Program, Carryover	84.281	NCLB0810-09	11,838	9/1/08	8/31/09	(11,838)	8,412		11,838		(8,412)					
Title II Part D, Carryover	84.281	NCLB0810-09	851	9/1/08	8/31/09	(851)			851							
Total Special Revenue Fund						(122,367)	17,159	8,416	107,978		-				2,770 8,416	
Total Federal Financial Assistance						\$ (122,367)	\$ 17,159	\$ 8,416	\$ 107,978	\$	\$ -	\$	\$	\$	\$ 2,770 \$ 8,416	

The accompanying Notes to Financial Statements and Notes to the Schedules of Financial Assistance are an integral part of this schedule.
 These funds were not audited in accordance with OMB Circular A-133 since the total of all federal grant expenditures was less than \$500,000.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance June 30, 2010					Balance June 30, 2011			MEMO		
					(Accounts Receivable)	Deferred Revenue	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjust./ Repayment of Prior Year Balances	(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:															
General Fund															
Special Education Categorical Aid	11-495-034-5120-089	\$ 92,363	7/1/10	6/30/11	\$	\$	\$	83,127	\$ (92,363)	\$	\$	\$	*	(9,236)	\$ 92,363
Equalization Aid	11-495-034-5120-078	1,575,067	7/1/10	6/30/11				1,420,387	(1,575,067)				*	(154,680)	1,575,067
Security Aid	11-495-034-5120-084	49,817	7/1/10	6/30/11				44,835	(49,817)				*	(4,982)	49,817
Adjustment Aid	11-495-034-5120-085	594,184	7/1/10	6/30/11				534,762	(594,184)				*	(59,422)	594,184
Transportation Aid	11-495-034-5120-014	119,535	7/1/10	6/30/11				107,582	(119,535)				*	(11,953)	119,535
Additional Nonpublic Transportation Aid	10-495-034-5120-014	282	7/1/09	6/30/10	(282)			282							
Additional Nonpublic Transportation Aid	11-495-034-5120-014	1,509	7/1/10	6/30/11					(1,509)		(1,509)		*		1,509
TPAF Post Retirement Medical Contribution	11-495-034-5095-001	24,091	7/1/10	6/30/11				24,091	(24,091)				*		24,091
TPAF Non-contributory Insurance	11-495-034-5095-007	8,777	7/1/10	6/30/11				8,777	(8,777)				*		8,777
Reimbursed T.P.A.F. Social Security Cont.	11-495-034-5095-002	8,012	7/1/10	6/30/11				8,012	(8,012)				*		8,012
Total General Fund					(282)			2,231,855	(2,473,355)		(1,509)			(240,273)	2,473,355
Special Revenue Fund															
Preschool Education Aid	09-495-034-5120-086	54,274	7/1/08	6/30/09											
Preschool Education Aid	11-495-034-5120-086	56,088	7/1/10	6/30/11				50,479	(56,088)				*	(5,609)	56,088
Total Special Revenue Fund								46,448	(56,088)					(5,609)	56,088
Total State Financial Assistance					\$ (282)	\$ 46,448	\$	\$ 2,282,334	\$ (2,529,443)	\$	\$ (1,509)	\$ 46,448	\$	\$ (245,882)	\$ 2,529,443

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

BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2011

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$20,081 for the general fund and \$0 for the Special Revenue Fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

BOROUGH OF CHESILHURST SCHOOL DISTRICT
NOTES FOR SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE

JUNE 30, 2011

(Continued)

	<u>Federal</u>		<u>State</u>		<u>Total</u>
General Fund	\$ 0	\$	2,493,436	\$	2,493,436
Special Revenue Fund	0		56,088		56,088
Food Service Fund	<u>0</u>		<u>0</u>		<u>0</u>
Total Awards & Financial Assistance	\$ <u>0</u>	\$	<u>2,549,524</u>	\$	<u>2,549,524</u>

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

The Borough of Chesilhurst School District had no loan balances outstanding at June 30, 2011.

NOTE 6: OTHER

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

NOTE 7: ADJUSTMENTS

Schedule A reflects adjustments related to the cancellation of prior year balances in various Federal Grants. As of July 1, 2010, the Chesilhurst Board of Education became a Non-Operating District.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

Section II - Financial Statement Findings

Finding: 2011-4

As a result of significant disputed tuition and other charges, which are not fully determined and involved in the Administrative Law Process, the **District's ultimate financial position may result in a deficit** that is **not presently reflected in the financial statements**.

Criteria or specific requirement: Districts are not permitted to operate in a deficit position.

Context: The District was not able to acquire the necessary information to determine the proper tuition and other charges in dispute.

Effect: While the final outcome of the dispute regarding tuition and other charges is not known as of the audit date, the District could be in a deficit position at the conclusion of the Administrative Law process.

Cause: There is an ongoing dispute with the receiving district, regarding tuition and benefit costs. In addition, the budget was prepared by the County Office, as the budget submitted by the district was not

Recommendation:

The District should seek the guidance of the New Jersey Department of Education, as to addressing the final outcome of the dispute concerning tuition and other charges.

Management's response: The school district will fully address the matter once the related legal proceeding is complete.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

FEDERAL AWARDS NONE

Finding:

Information on the federal program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

STATE AWARDS

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085) and Special Education Aid (GMIS No. 495-034-5120-089)

Finding: 2011-1

Criteria or specific requirement: County Approval is required for budget transfers in excess of 10%

Condition: While the district was involved in a involuntary consolidation, along with a sending/receiving Memorandum of Agreement (MOA) with another district, numerous transfers over the 10% allowable limit were noted that were not approved by the County Office of education.

Questioned Costs: None

Context: NJSA 18A:22-8.1 requires the County Office approval for transfers in excess of 10%

Effect: Budget transfers over 10% were not approved by the County Superintendent.

Cause: There is an ongoing dispute with the receiving district, regarding tuition and benefit costs. In addition, the budget was prepared by the County Office, as the budget submitted by the district was not approved.

Recommendation: Where the District's report of current month and year to date transfers between advertised general appropriation accounts reflects a transfer from (or to certain accounts) that cumulatively exceed 10% of an advertised appropriation amount, such amount should be submitted for approval to the County Superintendent of Schools.

Management's response: The school district will fully address the matter once the related legal proceeding is complete.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085) and Special Education Aid (GMIS No. 495-034-5120-089)

Finding: 2011-2

Criteria or specific requirement: The on-roll status of students reported on the ASSA Application for State School Aid is to be verified.

Condition: As a result of the lack of supporting enrollment data, to be acquired from the receiving district, it was not possible to complete the required ASSA audit procedures.

Questioned Costs: None

Context: Without enrollment data, it is not possible to verify the ASSA report.

Effect: The information on the ASSA report was not verified and could be inaccurate.

Cause: The receiving district did not provide the on-roll information of students for verification.

Recommendation: At such time as the ASSA enrollment information is available from the receiving district, for the applicable school years, this information should be submitted for audit.

Management's response: The school district will comply completely when it is in receipt of the required documents

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Cost**

Information on the state program: Transportation Aid (GMIS No. 495-034-5120-014)

Finding: 2011-3

Criteria or specific requirement: The on-roll status of students reported on the DRTRS Eligibility Summary Report is to be verified.

Condition: As a result of the lack of supporting enrollment data, to be acquired from the receiving district, it was not possible to complete the required DRTRS audit procedures.

Questioned Costs: None

Context: Without enrollment data, it is not possible to verify the DRTRS report.

Effect: The information on the DRTRS report was not verified and could be inaccurate.

Cause: The receiving district did not provide the information required to verify the on-roll status of students.

Recommendation: At such time as DRTS enrollment information is available from the receiving district, for the applicable school years, this information should be submitted for audit.

Management's response: The school district will comply completely when it is in receipt of the required documents

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

This section identifies the status of prior - year findings related to the general - purpose financial statements and Federal and State awards that are required to be reported in accordance with Chapter 6.12 Government Auditing Standards, US OMB Circular A-133 (Section .315 (a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR - YEAR FINDINGS

STATE AWARDS

Finding: 2010-1

Condition

While the district was involved in a involuntary consolidation, along with a sending/ receiving Memorandum of Agreement (MOA) with another district, seven transfers over 10% allowable limit were noted, which did not appear to be submitted for approval to the County Superintendent of Schools.

Current Status -

Per discussion with the County Business Administrator, the County Office did not approve the transfers for the current or prior year.

Finding: 2010-2

Condition

Three line accounts were over-expended during the fiscal year at June 30 despite the Board Secretary's monthly reconciliation to the contrary (N.J.A.C. 6A:23-2.12). This was in part due to the absence of available funds provided by the County prepared and approved budget, based on a Memorandum of Agreement (MOA). In addition, there were unanticipated unemployment charges and unused vacation expense related to the conversion of the district from an operating to a non-operating status.

Current Status

This matter was resolved through transfers although the transfers were not approved.

**BOROUGH OF CHESILHURST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

This section identifies the status of prior - year findings related to the general - purpose financial statements and Federal and State awards that are required to be reported in accordance with Chapter 6.12 Government Auditing Standards, US OMB Circular A-133 (Section .315 (a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR - YEAR FINDINGS (Continued)

STATE AWARDS

Finding: 2010-5

Condition

As a result of the lack of supporting enrollment data, to be acquired from the receiving district, it was not possible to complete the required ASSA audit procedures.

Current Status

The matter has not been resolved due to the complexities with the disputes between the Chesilhurst Board of Education and Winslow Board of Education.

Finding: 2010-6

Condition

As a result of a lack of supporting enrollment data, to be acquired from the receiving district, it was not possible to complete the required DRTRS audit procedures.

Current Status

The matter has not been resolved due to the complexities with the disputes between the Chesilhurst Board of Education and Winslow Board of Education.