COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Borough of Dunellen Board of Education
Dunellen, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

Borough of Dunellen Board of Education
Finance Department

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

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INTRODUCTORY SECTION

DUNELLEN PUBLIC SCHOOLS

High Street and Lehigh Street
Dunellen, New Jersey 08812
Telephone: (732) 968-3226
Facsimile: (732) 968-3513

Mr. Pio Pennisi
Superintendent of Schools

Mr. Vincent J. Olivo
School Board Secretary/
Business Administrator

November 17, 2011

Honorable President and
Members of the Board of Education
Dunellen School District
Dunellen, New Jersey 08812

Dear Board Members:

The comprehensive annual financial report of the Dunellen School District (District) for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial positions and cash flows, where applicable, thereof for the year ended in conformity with the accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1.) REPORTING ENTITY AND ITS SERVICES: Dunellen School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Dunellen Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular and special education for handicapped youngsters. The District's enrollment as of October 15, 2010 was 1134 students. The following details the changes in student enrollment of the District over the last ten years:

Student Enrollment	
October 15, 2010	1134
October 15, 2009	1152
October 15, 2008	1101
October 15, 2007	1114
October 13, 2006	1104
October 15, 2005	1150
October 15, 2004	1135
October 15, 2003	1121
October 15, 2002	1114
October 15, 2001	1110

2. ECONOMIC CONDITION AND OUTLOOK: Although Dunellen was relatively stable for a number of years, the recession of 2008 continues to impact employment as it has the state and country. The Middlesex County unemployment rate as of March 10, 2011 was 8.7% while Dunellen's unemployment rate was higher at 12.9% with 533 people unemployed out of a total labor force of 4,139.

The equalized valuation of real property in 2007 had an increase of $104,076, 2008 had a slight increase of $15,000, 2009 had a large increase of $537,702, 2010 increased $200,000, and 2011 had a slight decrease of $31,000.

3. MAJOR INITIATIVES:

Student achievement on NJASK and HSPA continued to be a district focus for the 2010-2011 school year. The following strategies were implemented:

District

- Development and implementation of ½ day in-service days focusing on student achievement

Faber School

- Benchmark assessments in Language Arts and mathematics, to monitor students' progress throughout the year
- Use of common planning time to review and modify curriculum to ensure its alignment with the Core Curriculum Standards
- Regular meetings of teachers, to plan instruction for targeted students who have not attained proficiency
- Professional development for district staff members
- Monitoring of student attendance and problem solving communication with families regarding student tardiness

- Basic Skills instruction throughout the school day, to support students in Language Arts and mathematics
- After school test preparation course for students in grades three through five, to increase students' familiarity with the NJASK and provide students with additional practice time

Lincoln Middle School

- RIISA – Rutgers Institute for Improving Student Achievement – Math teachers to attend workshops as well as visits to school to personalize our needs to improve math scores in grades 5, 6, 7, & 8 for all students including those identified by subgroups in AYP.
- Utilize on line resources – Success Tracker – to identify student weakness, and assign additional on-line activities generated form the NJCCCS to strengthen student math skills.
- Every student has writing lab each day.
- Benchmark assessments to monitor student progress
- BSI Before/after school intervention for students in grades 6, 7, & 8 to provide additional support for NJ ASK in both language arts and math.
- Basic skills classes in both language arts and math are co-taught.
- Collaborate during team meetings, department meetings and in-service days with focus on NJ ASK scores to set goals and develop strategies to improve student performance in all disciplines.
- NJ ASK writing rubrics will be used in all disciplines in order for students to make the connection that the knowledge they have learned is to be applied across the curriculum.

Dunellen High School

- Adopting the goal of improving student writing as part of the district-wide professional development plan.
- Grade-level specific strategies developed through departmental meetings and analysis of standardized test scores.
- Emphasis in Grade 11 Math and English on prepping for the HSPA
- Inclusion of Rutgers students in the English classes to help prep for the HSPA
- Incorporating a collaborative professional learning plan that - after analysis of student data - will focus on helping teachers put together new strategies designed to produce better results.
- Administering the NJPASS to all 9th and 10th grade students to assist in identifying student deficiencies.

Increasing levels of communication between the district and parents continued as a major initiative for the 2010-11 school year with focus on expanding the use current hardware and software. The use of the district new "friendly" website was increase by encouraging staff and school groups to post events, meeting schedules, etc. Also, Administrators were required to use our "Instant Alert" messaging system for general announcements.

Outreach to the community was accomplished through opportunities for senior citizens to read with students, Community Service Projects as part of the high school graduation requirement and two senior luncheons. The district continued to work closely with the borough officials on the joint field house/senior center project and the renovated fields and track at Columbia Park. In addition, the building administration and the superintendent held monthly forums that provided opportunities for member of the community to voice any concerns.

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

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

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

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

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

7. DEBT ADMINISTRATION: As of June 30, 2011, there was district debt in the amount of $11,780,000 due to the sale of bonds. The 1994 bonds have been paid off. The refunding of $4,650,000 of the 1994 series bonds was executed on December 17, 1998 resulting in an average interest rate for the refunded bonds of 4.35%. There is $2,260,000 outstanding in debt left from this issue. Another successful referendum was held on December 9, 2003 that led to the sale of $10,420,000 in bonds at a rate of 4.1697% on February 15, 2004. There is $9,520,000 in debt left from this issue.

8. CASH MANAGEMENT: The investment policy of the District is guided in large part by State statute as detailed in "Notes to the Financial Statement", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected

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

9. 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.

10. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The firm of VM Associates, Inc. was selected by the Board. 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 Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04-OMB. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

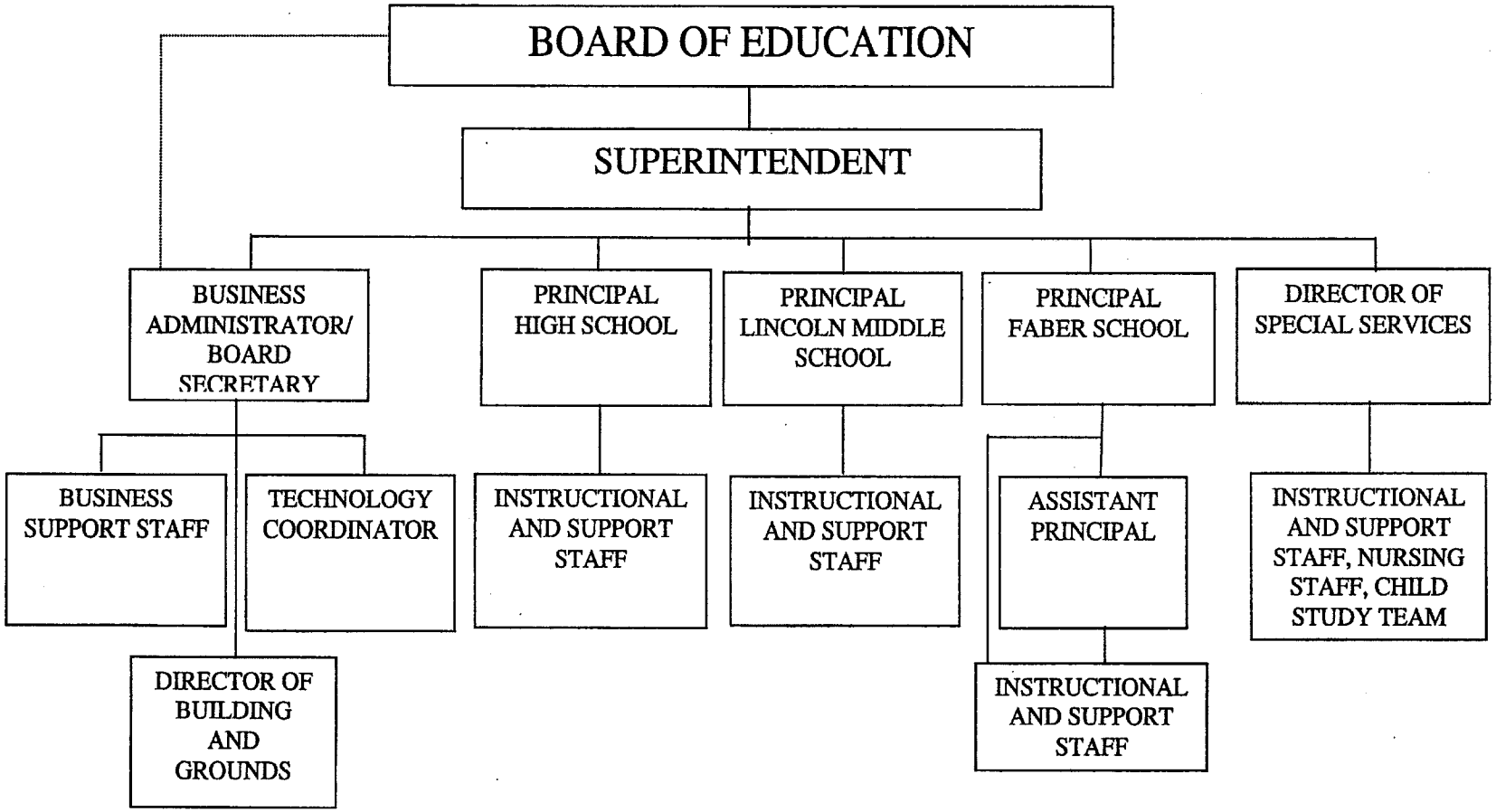
Respectfully submitted,

Mr. Pio Pennisi
Superintendent of Schools

Vincent J. Olivo
Business Administrator/
Board Secretary

VJO/ems

DUNELLEN BOARD OF EDUCATION TABLE OF ORGANIZATION



BOROUGH OF DUNELLEN BOARD OF EDUCATION
DUNELLEN, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2011

Members of the Board of Education		Term Expires
Phillip Heiney 221 Madison Avenue	President	2014
George Johnson Jr. 537 Fourth Street	Vice-President	2014
Peter Buccino 434 Fourth Street	Member	2013
Mr. Jeff Portik 448 Fourth Street	Member	2012
James Cody 339 Oak Parkway	Member	2013
Barbara McGuane 258 South Washington Avenue	Member	2014
John Paul Osborn 432 First Street	Member	2013
James Petrozelli 315 Jackson Avenue	Member	2012
Timothy Wenzel 320 Penfield Place	Member	2012

Other Officials
Mr. Pio Pennisi, Superintendent
Mr. Vincent J. Olivo, Business Administrator/Board Secretary
Michael T. Catapano, Treasurer of School Moneys
Marc Zitomer, Esq., Board Attorney

BOROUGH OF DUNELLEN

BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Audit Firm

VM Associates, Inc.
P.O. Box 397
Mt. Arlington, New Jersey 07856

Attorney

Schenck, Price, Smith & King, LLP
220 Park Avenue
P.O. Box 991
Florham Park, New Jersey 07932

Bond Counsel

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

Official Depository

Provident Savings Bank
P.O. Box 48
Jersey City, New Jersey 07303

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

VMA

VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Dunellen School District
County of Middlesex, New Jersey

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Dunellen School District as of and for the 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 Dunellen School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2011 on our consideration of the Borough of Dunellen School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on page 14 through 20 and budgetary comparison information on schedules C-1 and C-2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, 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.

Vincent M. Montanino
Public School Accountant
License No. CS000495

Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Dunellen School District financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter on page 1 and the District's financial statements, which begin on page 23.

FINANCIAL HIGHLIGHTS

- The District's net assets increased $6,444.37 as a result of this year's operations. Net assets of our business-type activities increased by $ 11,272.89, or 10.39 percent, and net assets of our governmental activities decreased by $17,717.26 or .20 percent.

- Total cost of all of the District's programs was $ 16,829,445.40 in 2010-2011 compared to $ 17,317,891.54 in 2009-2010.

- During the year, the District had expenses for governmental activities that were $ 17,717.26 more than the $16,396,563.91 generated in tax and other program revenues.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 23 and 24) provide information about the activities of the District as a whole and present a longer-term view on the District's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 16. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or *financial position*. Over time, *increases* or *decreases* in the District's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities: most of the District's basic services are reported here, including general administration. Local taxes, tuition and state and federal aid finance most of these activities.

- Business-type-activities: the District has one proprietary fund as shown on pages 31 to 33.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 18. The fund financial statements begin on page 27 and provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation on page 29.

Proprietary funds: when the District charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for the Unemployment Compensation Trust, Scholarship Funds and Agency Funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 35 and 36. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

The District's *combined* net assets changed from a year ago, de*creasing* from $8,965,913.95 to $8,959,469.58. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental and business-type activities as of June 30.

Table 1
Net Assets

	Governmental Activities		Business-type Activites		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	$ 651,690.24	$ 600,710.51	$ 114,468.96	$ 101,851.72	$ 766,159.20	$ 702,562.23
Capital Assets	20,562,038.35	21,521,878.41	5,351.74	6,696.09	20,567,390.09	21,528,574.50
Total Assets	21,213,728.59	22,122,588.92	119,820.70	108,547.81	21,333,549.29	22,231,136.73
Long-Term Debt Outstanding	11,923,521.66	12,726,669.38			11,923,521.66	12,726,669.38
Other Liabilities	450,558.05	538,553.40	-	-	450,558.05	538,553.40
Total Liabilities	12,374,079.71	13,265,222.78	-	-	12,374,079.71	13,265,222.78
Net Assets:						
Invested in Capital Assets, Net of Debt	8,782,038.35	8,990,699.20	5,351.74	6,696.09	8,787,390.09	8,997,395.29
Restricted	460,281.67	273,486.23			460,281.67	273,486.23
Unrestricted (Deficit)	(402,671.14)	(406,819.29)	114,468.96	101,851.72	(288,202.18)	(304,967.57)
Total Net Assets	$ 8,839,648.88	$ 8,857,366.14	$ 119,820.70	$ 108,547.81	$ 8,959,469.58	$ 8,965,913.95

Net assets of the District's governmental activities decreased .20 percent. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased $4,148.15. Restricted net assets, those restricted mainly for capital projects increased by $186,795.44. The investment in capital assets, net of debt category decreased $208,660.85.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activites		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services	$ 58,656.20	$ -	$ 216,232.57	$ 243,177.38	$ 274,888.77	$ 243,177.38
Operating Grants and Contributions	2,551,155.98	3,010,279.09	210,204.55	208,878.71	2,761,360.53	3,219,157.80
General Revenues:						
Property Taxes	9,092,796.77	8,820,338.78			9,092,796.77	8,820,338.78
Tuition		45,321.83			-	45,321.83
Federal and State Aid	4,638,896.32	4,808,702.52			4,638,896.32	4,808,702.52
Interest and Investment Earnings	5,302.07	7,672.37			5,302.07	7,672.37
Other General Revenues	49,756.57	61,162.85	-	-	49,756.57	61,162.85
Total Revenues	16,396,563.91	16,753,477.44	426,437.12	452,056.09	16,823,001.03	17,205,533.53
Program Expenses Including Indirect Expenses						
Instruction:						
Regular	7,170,731.21	7,131,892.22			7,170,731.21	7,131,892.22
Special	1,638,542.58	2,093,027.61			1,638,542.58	2,093,027.61
Other Instruction	583,818.23	612,702.37			583,818.23	612,702.37
Support services:						
Tuition	1,040,496.07	1,074,639.63			1,040,496.07	1,074,639.63
Student and Instruction Related Services	1,866,129.97	1,849,549.42			1,866,129.97	1,849,549.42
School Administrative Services	950,705.35	956,704.80			950,705.35	956,704.80
General and Business Administrative Services	816,683.62	865,221.76			816,683.62	865,221.76
Plant Operations and Maintenance	1,380,279.25	1,288,643.80			1,380,279.25	1,288,643.80
Pupil Transportation	465,087.66	461,997.15			465,087.66	461,997.15
Charter Schools	7,109.00	-			7,109.00	-
Interest on Long-Term Debt	494,698.23	560,559.81			494,698.23	560,559.81
Business-Type Activities:						
Food Services	-	-	415,164.23	422,952.97	415,164.23	422,952.97
Total Expenses	16,414,281.17	16,894,938.57	415,164.23	422,952.97	16,829,445.40	17,317,891.54
Increase (Decrease) in Net Assets	$ (17,717.26)	$ (141,461.13)	$ 11,272.89	$ 29,103.12	$ (6,444.37)	$ (112,358.01)

THE DISTRICT'S FUNDS
Governmental Activities
Table 3
Information below compares revenues and expenditures for all governmental fund types for 2010-2011 and 2009-2010.

Revenues by Source:	2010-2011	2009-2010	% Change
Local Tax Levy	$ 9,587,495.00	$ 9,380,899.00	2.20%
Tuition Charges	58,656.20	45,321.83	100.00%
Interest Earned to Investments	5,302.07	7,672.37	-30.89%
Miscellaneous	49,756.57	61,162.85	-18.65%
Total - Local Sources	9,701,209.84	9,495,056.05	2.17%
State Sources	6,055,624.61	5,707,717.68	6.10%
Federal Sources	639,729.46	1,550,703.71	-58.75%
Total Revenues	16,396,563.91	16,753,477.44	-2.13%

Expenditures by Function:	2010-2011	2009-2010	% Change
Current:			
Regular Instruction	4,563,906.83	4,589,422.37	-0.56%
Special Education	1,214,298.27	1,678,213.32	-27.64%
Other Instruction	501,435.78	530,744.87	-5.52%
Support Services and Undistributed Costs:			
Tuition	1,040,496.07	1,074,639.63	-3.18%
Student and Instruction Related Services	1,376,199.68	1,366,656.24	0.70%
School Administrative Services	697,583.86	703,173.41	-0.79%
General and Business Administrative Services	648,880.93	682,531.42	-4.93%
Plant Operations and Maintenance	1,279,871.73	1,242,528.59	3.01%
Pupil Transportation	459,206.01	456,695.93	0.55%
Employee Benefits	3,171,078.44	3,047,740.21	4.05%
Capital Outlay	7,768.00	8,815.24	-11.88%
Capital Outlay-Debt Service Assessment	50,056.00		100.00%
Charter School	7,109.00		100.00%
Debt Service:			
Principal	745,000.00	740,000.00	0.68%
Interest on Long-Term Debt	508,243.01	539,840.76	-5.85%
Total Expenditures	$16,271,133.61	$16,661,001.99	-2.34%

Business-type Activities

District's major Enterprise Funds consist of the Food Service. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement or capital maintenance, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net assets.

Table 4

	Food Service
Total Assets	$ 119,820.70
Net Assets	119,820.70
Change in Net Assets	11,272.89
Return on Ending Total Assets	9.41%
Return on Ending Net Assets	9.41%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
Table 5

Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-Type Activites		Totals	
	2011	2010	2011	2010	2011	2010
Land	$ 76,250.00	$ 76,250.00	$ -	$ -	$ 76,250.00	$ 76,250.00
Land Improvements	262,239.60	262,239.60			262,239.60	262,239.60
Buildings	16,088,454.27	16,080,686.27			16,088,454.27	16,080,686.27
Machinery and Equipment	296,607.56	296,607.56	22,585.05	22,585.05	319,192.61	319,192.61
Construction-in-Progress	15,102,700.86	15,102,700.86	-	-	15,102,700.86	15,102,700.86
Subtotal	31,826,252.29	31,818,484.29	22,585.05	22,585.05	31,848,837.34	31,841,069.34
Accumulated Depreciation	(11,264,213.94)	(10,296,605.88)	(17,233.31)	(14,544.61)	(11,281,447.25)	(10,311,150.49
Totals	$ 20,562,038.35	$ 21,521,878.41	$ 5,351.74	$ 8,040.44	$ 20,567,390.09	$ 21,529,918.85

This year's major additions in the Governmental Activities included $7,768.00 in construction projects.

More detailed information about the District capital assets is presented in Note II:C. to the basic financial statements

DEBT

At year – end the District had total debt of $ 11,923,521.66 outstanding versus $ 12,726,669.38 last year – a decrease of 6.31 percent – as shown in Table 6.

Outstanding Debt, at year –end
Table 6

	Governmental Activities	
	2011	2010
Serial Bonds	$ 11,780,000.00	$ 12,525,000.00
Capital Leases	-	6,179.21
Compensated Absences	143,521.66	195,490.17
	$ 11,923,521.66	$ 12,726,669.38

An analysis of District Debt is presented in Note III:B. to the basic financial statements.

BUDGETS

The significant variances between the originally adopted budget for the fiscal year 2010-2011, and the final budget were caused by the treatment of encumbrances that are added to the original budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator, Vincent J. Olivo, Dunellen School District, Dunellen, New Jersey 08812.

BASIC FINANCIAL STATEMENTS

SECTION A

DISTRICT – WIDE FINANCIAL STATEMENTS

Exhibit A-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 208,607.88	$ 99,357.70	$ 307,965.58
Receivables, Net	210,765.86	9,701.79	220,467.65
Inventory		5,409.47	5,409.47
Restricted Assets:			
Capital Reserve Account - Cash	1.00		1.00
Maintenance Reserve-Cash	232,315.50		232,315.50
Capital Assets, Net:	20,562,038.35	5,351.74	20,567,390.09
Total Assets	21,213,728.59	119,820.70	21,333,549.29
LIABILITIES			
Accounts Payable	118,874.57	-	118,874.57
Bond Interest Payable	221,581.93		221,581.93
Payable to State Government	1,116.00		1,116.00
Deferred Revenue	108,985.55		108,985.55
Noncurrent Liabilities :			
Due Within One Year	805,000.00		805,000.00
Due Beyond One Year	11,118,521.66	-	11,118,521.66
Total Liabilities	12,374,079.71	-	12,374,079.71
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	8,782,038.35	5,351.74	8,787,390.09
Restricted For:			
Debt Service	1.09		1.09
Other Purposes	460,280.58		460,280.58
Unrestricted	(402,671.14)	114,468.96	(288,202.18)
Total Net Assets	$ 8,839,648.88	$119,820.70	$ 8,959,469.58

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

Exhibit A-2

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:							
Instruction:							
Regular	$ 7,170,731.21	$ 58,656.20	$ 706,021.54	$ -	$ (6,406,053.47)	$ -	$ (6,406,053.47)
Special Education	1,638,542.58		721,979.85		(916,562.73)		(916,562.73)
Other	583,818.23		48,265.19		(535,553.04)		(535,553.04)
Support Services:							
Tuition	1,040,496.07		167,237.85		(873,258.22)		(873,258.22)
Student and Instruction Related Services	1,866,129.97		244,005.67		(1,622,124.30)		(1,622,124.30)
School Administrative Services	950,705.35		74,405.52		(876,299.83)		(876,299.83)
General and Business Administrative Services	816,683.62		59,457.76		(757,225.86)		(757,225.86)
Plant Operations and Maintenance	1,380,279.25		29,071.65		(1,351,207.60)		(1,351,207.60)
Pupil Transportation	465,087.66		6,012.72		(459,074.94)		(459,074.94)
Charter Schools	7,109.00				(7,109.00)		(7,109.00)
Interest on Long-Term Debt	494,698.23	-	494,698.23		-		-
Total Governmental Activities	16,414,281.17	58,656.20	2,551,155.98	-	(13,804,468.99)	-	(13,804,468.99)
Business-Type Activities:							
Food Service	415,164.23	216,232.57	210,204.55			11,272.89	11,272.89
Total Business-Type Activities	415,164.23	216,232.57	210,204.55	-	-	11,272.89	11,272.89
Total Primary Government	$ 16,829,445.40	$ 274,888.77	$ 2,761,360.53	$ -	$ (13,804,468.99)	$ 11,272.89	$ (13,793,196.10)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					$ 8,543,395.00		$ 8,543,395.00
Property Taxes, Levied for Debt Service Principal					549,401.77		549,401.77
Federal and State Aid Not Restricted					4,638,896.32		4,638,896.32
Investment Earnings					5,302.07		5,302.07
Miscellaneous Income					49,756.57		49,756.57
Total General Revenues, Special Items, Extraordinary Items and Transfers					13,786,751.73	-	13,786,751.73
Change in Net Assets					(17,717.26)	11,272.89	(6,444.37)
Net Assets—Beginning					8,857,366.14	108,547.81	8,965,913.95
Net Assets—Ending					$ 8,839,648.88	$ 119,820.70	$ 8,959,469.58

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

SECTION B

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

Exhibit B-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 171,378.72	$ 37,228.07	$ 1.09	$ 208,607.88
Receivables From Other Governments	134,252.38	65,073.00		199,325.38
Tuition Receivable	3,640.00			3,640.00
Other		7,800.48		7,800.48
Restricted Cash and Cash Equivalents	232,316.50	-	-	232,316.50
Total Assets	$ 541,587.60	$ 110,101.55	$ 1.09	$ 651,690.24
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 118,874.57	$ -	$ -	$ 118,874.57
Payable to State Government		1,116.00		1,116.00
Deferred Revenue	-	108,985.55		108,985.55
Total Liabilities	118,874.57	110,101.55		228,976.12
Fund Balances:				
Restricted for:				
Capital Reserve Account	1.00			1.00
Maintenance Reserve Account	232,315.50			232,315.50
Excess Surplus-Current Year	46,134.92			46,134.92
Excess Surplus -- Prior Year Designated for Subsequent Year's Expenditures	17,193.05			17,193.05
Assigned to:				
Year End Encumbrances	111,600.16			111,600.16
Designated for Subsequent Year's Expenditures	53,035.95			53,035.95
Debt Service Fund			1.09	1.09
Unassigned:				
General Fund	(37,567.55)	-	-	(37,567.55)
Total Fund Balances	422,713.03	-	1.09	422,714.12
Total Liabilities and Fund Balances	$ 541,587.60	$ 110,101.55	$ 1.09	

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

The District has financed capital assets through the issuance of serial bonds. The adjustment to net assets for the accrual of interest expense is	(221,581.93)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $31,826,252.29 and the accumulated depreciation is $11,264,213.94 .	20,562,038.35
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.	(11,923,521.66)
Net assets of governmental activities	$ 8,839,648.88

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

Exhibit B-2

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Local Tax Levy	$ 8,543,395.00	$ -	$ 1,044,100.00	$ 9,587,495.00
Tuition Charges	58,656.20			58,656.20
Interest Earned on Investments	5,302.07			5,302.07
Miscellaneous	18,741.90	31,014.67	-	49,756.57
Total - Local Sources	8,626,095.17	31,014.67	1,044,100.00	9,701,209.84
State Sources	5,841,001.61	5,480.00	209,143.00	6,055,624.61
Federal Sources	12,327.39	627,402.07	-	639,729.46
Total Revenues	14,479,424.17	663,896.74	1,253,243.00	16,396,563.91
EXPENDITURES				
Current:				
Regular Instruction	4,368,374.07	195,532.76		4,563,906.83
Special Education Instruction	910,057.88	304,240.39		1,214,298.27
Other Instruction	477,765.33	23,670.45		501,435.78
Support Services and Undistributed Costs:				
Tuition	1,040,496.07			1,040,496.07
Student and Instruction Related Services	1,275,912.54	100,287.14		1,376,199.68
School Administrative Services	697,583.86			697,583.86
General and Business Administrative Services	648,880.93			648,880.93
Plant Operations and Maintenance	1,279,871.73			1,279,871.73
Pupil Transportation	459,206.01			459,206.01
Unallocated Benefits	3,138,680.44	32,398.00		3,171,078.44
Transfer to Charter School	7,109.00			7,109.00
Capital Outlay		7,768.00		7,768.00
Capital Outlay-Debt Service Assessment	50,056.00			50,056.00
Debt Service:				
Principal			745,000.00	745,000.00
Interest and Other Charges	-	-	508,243.01	508,243.01
Total Expenditures	14,353,993.86	663,896.74	1,253,243.01	16,271,133.61
Excess (Deficiency) of Revenues Over Expenditures	125,430.31	-	(0.01)	125,430.30
Net Change in Fund Balances	125,430.31	-	(0.01)	125,430.30
Fund Balance—July 1	297,282.72	-	1.10	297,283.82
Fund Balance—June 30	$ 422,713.03	$ -	$ 1.09	$ 422,714.12

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

Exhibit B-3

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
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)		$ 125,430.30
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	$ (967,608.06)	
Capital outlays	7,768.00	
		(959,840.06)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		751,179.21
In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-)		
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The difference in accrued interest is an addition in the reconciliation. (+)		
Interest paid	508,243.01	
Interest accrued	(494,698.23)	
		13,544.78
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+).		51,968.51
Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)		-
Change in net assets of governmental activities		$ (17,717.26)

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

PROPRIETARY FUNDS

Exhibit B-4

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 99,357.70	$ 99,357.70
Accounts Receivable	9,701.79	9,701.79
Inventories	5,409.47	5,409.47
Total Current Assets	114,468.96	114,468.96
Noncurrent Assets:		
Furniture, Machinery and Equipment	22,585.05	22,585.05
Less Accumulated Depreciation	(17,233.31)	(17,233.31)
Total Noncurrent Assets	5,351.74	5,351.74
Total Assets	119,820.70	119,820.70
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	5,351.74	5,351.74
Unrestricted	114,468.96	114,468.96
Total Net Assets	$ 119,820.70	$ 119,820.70

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

Exhibit B-5

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	$ 136,965.14	$ 136,965.14
Daily Sales - Non-Reimbursable Programs	79,206.43	79,206.43
Miscellaneous	61.00	61.00
Total Operating Revenues	216,232.57	216,232.57
Operating Expenses:		
Cost of Sales	213,829.80	213,829.80
Salaries	130,602.12	130,602.12
Employee Benefits	32,140.83	32,140.83
Purchased Property Service	10,518.00	10,518.00
Other Purchased Services	20,845.15	20,845.15
General Supplies	5,883.98	5,883.98
Depreciation	1,344.35	1,344.35
Total Operating Expenses	415,164.23	415,164.23
Operating (Loss)	(198,931.66)	(198,931.66)
Nonoperating Revenues :		
State Sources:		
State School Lunch Program	5,233.52	5,233.52
State School Breakfast Program	-	-
Federal Sources:		
National School Lunch Program	164,869.08	164,869.08
School Breakfast Program	23,197.22	23,197.22
Food Distribution Program	16,904.73	16,904.73
Total Nonoperating Revenues	210,204.55	210,204.55
Change in Net Assets	11,272.89	11,272.89
Total Net Assets—Beginning	108,547.81	108,547.81
Total Net Assets—Ending	$ 119,820.70	$ 119,820.70

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

Exhibit B-6

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 216,232.57	$ 216,232.57
Payments to Employees	(130,602.12)	(130,602.12)
Payments for Employee Benefits	(32,140.83)	(32,140.83)
Payments to Suppliers	(251,573.52)	(251,573.52)
Net Cash (Used For) Operating Activities	(198,083.90)	(198,083.90)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	5,574.21	5,574.21
Federal Sources	206,835.51	206,835.51
Net Cash Provided By Non-Capital Financing Activities	212,409.72	212,409.72
Net Increase in Cash and Cash Equivalents	14,325.82	14,325.82
Balances—Beginning of Year	85,031.88	85,031.88
Balances—End of Year	$ 99,357.70	$ 99,357.70
Reconciliation of Operating (Loss) to Net Cash (Used For) Operating Activities:		
Operating (Loss)	$ (198,931.66)	$ (198,931.66)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used For) Operating Activities:		
Depreciation	1,344.35	1,344.35
(Increase) in Inventories	(496.59)	(496.59)
Total Adjustments	847.76	847.76
Net Cash (Used For) Operating Activities	$ (198,083.90)	$ (198,083.90)

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

FIDUCIARY FUNDS

Exhibit B-7

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Scholarship Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ 227.11	$ 79,030.95
Total Assets	$ 227.11	$ 79,030.95
LIABILITIES		
Payable to Student Groups		$ 75,693.58
Payroll Deductions and Withholdings	-	3,337.37
Total Liabilities	-	$ 79,030.95
NET ASSETS		
Reserved for Scholarships	$ 227.11	

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

Exhibit B-8

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	Private Purpose Scholarship Fund
ADDITIONS	
Contributions:	
Other	$ 3,040.00
Total Contributions	3,040.00
Investment Earnings:	
Interest	2.92
Total Additions	3,042.92
DEDUCTIONS	
Scholarships Awarded	3,440.00
Miscellaneous Expenses	-
Total Deductions	3,440.00
Change in Net Assets	(397.08)
Net Assets—Beginning	624.19
Net Assets—Ending	$ 227.11

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

NOTES TO BASIC FINANCIAL STATEMENTS

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Borough of Dunellen 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 District is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Reporting Entity

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

The 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 the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary and one senior high school located in Dunellen, NJ. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basic Financial Statements- Government-Wide Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

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 and, excluding equipment, with County Superintendent approval.

Special Revenue Fund – The Special Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

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

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

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Proprietary Fund Type

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

Enterprise 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 the 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 are comprised of the Food Service Fund.

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:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants entitlements and donations.

Government 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. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Ad Valorem (Property) Taxes are susceptible to accrual as under 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 moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Appropriation of prior year encumbrances in the amount of $79,627.96 were made during the year ended June 30, 2011. The significant budget transfers and amendments approved in the school year are presented on Exhibit C-1.

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of 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.

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

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Exhibit C-3.

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Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including 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. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. 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.

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents 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.

3. Inventories

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

Enterprise fund inventories are valued at cost, which approximates market, using the first–in–first–out (FIFO) method.

4. Capital Assets

Capital assets purchased or acquired with an original cost of $2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006.

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

5. 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 in which 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 noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

6. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned. See Note I(F) regarding the special revenue fund.

7. Long – term Obligations

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 noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

8. 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 appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates

Note I: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements

The District elected to implement GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions,* in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable-includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted- includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed- includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned- includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned- includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

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Note II: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

At June 30, 2011 the Borough of Dunellen's School District cash and cash equivalent's amounted to $1,112,936.94. Of this amount, $250,000.00 was covered by federal depository insurance (F.D.I.C.) and $862,936.94 by a collateral pool maintained by the banks as required by GUDPA.

At June 30, 2011 the Borough of Dunellen School District did not participate in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Borough of Dunellen School District will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of June 30, 2011, none of the Borough of Dunellen School District's cash and cash equivalents was exposed to custodial credit risk.

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Borough of Dunellen School District to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any school district may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the school district;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the school district or bonds or other obligations of local unit or units within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by school district;

(6) Local government investment pools:

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The District did not have any investments at June 30, 2011.

Interest Rate Risk: The District does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District did not have any investments at June 30, 2011.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. The District did not have any investments at June 30, 2011.

B. Interfund Receivables and Payables

As of June 30, 2011, there were no interfund receivables or payables.

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 76,250.00	$ -	$ -	$ 76,250.00
Construction in Progress	15,102,700.86	-	-	15,102,700.86
Total Capital Assets Not Being Depreciated	15,178,950.86	-	-	15,178,950.86
Land Improvements	262,239.60			262,239.60
Buildings and Improvements	16,080,686.27	7,768.00		16,088,454.27
Machinery and Equipment	296,607.56	-	-	296,607.56
Totals at Historical Cost	16,639,533.43	7,768.00	-	16,647,301.43
Less Accumulated Depreciation For:				
Land Improvements	(225,721.24)	(15,973.16)		(241,694.40)
Buildings and Improvements	(9,828,912.97)	(940,774.99)		(10,769,687.96)
Machinery and Equipment	(241,971.67)	(10,859.91)	-	(252,831.58)
Total Accumulated Depreciation	(10,296,605.88)	(967,608.06) (1)	-	(11,264,213.94)
Net Capital Assets Being Depreciated	6,342,927.55	(959,840.06)	-	5,383,087.49
Governmental Activities Capital Assets, Net	$ 21,521,878.41	$ (959,840.06)	$ -	$20,562,038.35
Business - Type Activities:				
Equipment	$ 22,585.05	$ -	$ -	$ 22,585.05
Less Accumulated Depreciation	(15,888.96)	(1,344.35)	-	(17,233.31)
Business - Type Activities Capital Assets, Net	$ 6,696.09	$ (1,344.35)	$ -	$ 5,351.74

(1) Depreciation expense was charged to governmental functions as follows:

Instruction	$ 910,063.42
Special Education	47,898.07
Other Instruction	302.42
Student and Instruction Related Services	5,006.16
School Administrative Services	2,480.49
General and Business Administrative Services	225.00
Pupil Transportation	1,632.50
	$ 967,608.06

Note III: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copying equipment under operating leases which expire in 2015. Total operating lease payments made during the year ended June 30, 2011 were $10,190.64. Future minimum lease payments are as follows:

Year Ended	Amount
June 30, 2012	$ 2,732.20
June 30, 2013	3,278.64
June 30, 2014	3,278.64
June 30, 2015	1,366.10
Total future minimum lease payments	$ 10,655.58

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions		Ending Balance	Amounts Due Within One Year
Governmental Activities:						
Long - Term Debt:						
Serial Bonds	$ 12,525,000.00	$ -	$ (745,000.00)		$ 11,780,000.00	$805,000.00
Total Debt Payable	12,525,000.00	-	(745,000.00)	(1)	11,780,000.00	805,000.00
Other Liabilities:						
Compensated Absences	195,490.17	6,027.75	(57,996.26)		143,521.66	-
Capital Leases	6,179.21	-	(6,179.21)		-	-
Total Other Liabilities	201,669.38	6,027.75	(64,175.47)	(2)	143,521.66	-
Governmental Activities						
Long - Term Liabilities	$ 12,726,669.38	$ 6,027.75	$ (809,175.47)		$ 11,923,521.66	$805,000.00

(1) Paid by Debt Service Fund
(2) Paid by General Fund

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures

B. Long – Term Liabilities (Continued)

1. Bonds Payable

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

Serial Bonds outstanding as of June 30, 2011 consisted of the following:

Description	Interest Rate	Due Date	Maturity Date	Amount Issued	Amount Outstanding
School Bonds of 1998	4.35%	8/1	8/1/14	4,650,000.00	$ 2,260,000.00
School Bonds of 2004	Various	8/1	7/15/29	10,420,000.00	9,520,000.00
				$15,070,000.00	$11,780,000.00

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

Year ending June 30,	School Bond of 1998 Principal	School Bond of 1998 Interest	School Bond of 2004 Principal	School Bond of 2004 Interest	Total
2012	$ 555,000.00	$ 86,238.75	$ 250,000.00	$ 389,078.75	$ 1,280,317.50
2013	560,000.00	61,987.50	250,000.00	379,078.75	1,251,066.25
2014	565,000.00	37,518.75	300,000.00	368,078.75	1,270,597.50
2015	580,000.00	12,615.00	350,000.00	355,078.75	1,297,693.75
2016			395,000.00	340,178.75	735,178.75
2017			415,000.00	323,978.75	738,978.75
2018			435,000.00	306,978.75	741,978.75
2019			455,000.00	289,178.75	744,178.75
2020			475,000.00	270,578.75	745,578.75
2021			500,000.00	251,078.75	751,078.75
2022			520,000.00	230,353.75	750,353.75
2023			545,000.00	208,388.13	753,388.13
2024			570,000.00	185,391.25	755,391.25
2025			600,000.00	160,885.00	760,885.00
2026			630,000.00	134,747.50	764,747.50
2027			660,000.00	107,335.00	767,335.00
2028			690,000.00	78,475.00	768,475.00
2029			725,000.00	48,052.50	773,052.50
2030	-	-	755,000.00	16,232.50	771,232.50
	$ 2,260,000.00	$ 198,360.00	$ 9,520,000.00	$ 4,443,148.13	$ 16,421,508.13

2. Bonds Authorized But Not Issued

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

Note IV: Detailed Disclosure Regarding Fund Equity

A. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L.2004, C.73 (S1701),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 balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The restricted fund balance-excess surplus at June 30, 2011 is $63,327.97. The reserved fund balance of $17,193.05 has been appropriated in the fiscal year 2011-2012 and $46,134.92 will be appropriated in the fiscal year 2012-2013.

B. Capital Reserve Account

A capital reserve account was established by the Borough of Dunellen Board of Education by inclusion of $1.00 on October 17, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The LRFP balance of local support costs of uncompleted capital projects at June 30, 2011 is $1,064,435.00

C. Maintenance Reserve Account

New Jersey Statute 18A:7G-9 permits districts to accumulate funds for the required maintenance of a facility in accordance with the Educational Facilities Construction and Financing Act (EFCFA). The balance may only be increased through an appropriation in the annual general fund budget certified for taxes. Upon completion of a school facilities project, districts are required to submit a plan for the maintenance of that facility. As of June 30, 2011, the District has reserved $232,315.50 for maintenance.

Note IV: Detailed Disclosure Regarding Fund Equity (Continued)

D. Deficit Fund Balances

The Borough of Dunellen School District does not have a deficit fund balance in the Special Revenue Fund 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 budget year, district must record the last two state aid payments as revenue, for budget purposes only, in the current school 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 two state aid payments in the subsequent fiscal year, the school district can not recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last two state aid payments, the Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general 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 statue and regulation nor in need of corrective action. The District deficit in the GAAP funds statements of $37,567.55 is equal to (or) is less than the last two state aid payments.

Note V: Pension Plans

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost sharing plan with special funding situations as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The PERS is considered a cost sharing multiple-employer defined benefit plan.

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

Note V: Pension Plans (Continued)

Description of Systems (Continued)

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

Retirement Benefits

For PERS and TPAF employees, the benefits will be 1/55 of the average of the three highest years compensation for each year of service. However, for PERS and TPAF who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service.

Significant Legislation

Chapter 89, P.L. 2008, effective November 1, 2008, increased TPAF and PERS retirement age. If a person becomes a member on or after November 1, 2008 that person must be at least 62 years of age in order to retire without reduction in their retirement allowance.

Chapter 99, P.L. 2009, effective March 17, 2009 gives local PERS employers the option to defer 50% of their contributions in fiscal year 2009 the normal and accrued liability and pay 50 percent of the certified amount as determined by the actuary or pay the full 100% certified amount.

Contribution Requirements – Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.50 percent for TPAF and PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

During the year ended June 30, 2010, for TPAF, annual pension cost equals annual required contribution. For PERS, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

Note V: Pension Plans (Continued)

Contributions – Actual

The District's total payroll for the year ended June 30, 2011 was $8,166,683.06 and covered payroll was $6,415,855.00 for TPAF and $999,889.00 for PERS. Contributions to the TPAF and the PERS for the last three years ended June 30, 2011 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

		TPAF	Percent of Covered Payroll	PERS	Percent of Covered Payroll
Employees	6/30/09	355,020.36	5.57%	52,864.63	5.54%
	6/30/10	379,295.70	5.53%	57,150.31	5.63%
	6/30/11	354,858.47	5.53%	55,796.79	5.58%
Board of Education	6/30/09			102,493.00	10.73%
	6/30/10			78,808.00	7.76%
	6/30/11			145,455.00	14.54%
State of New Jersey	6/30/09	420,507.00	6.60%		
	6/30/10	433,503.00	6.32%		
	6/30/11	455,838.00	7.10%		

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $486,433.61 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

Note VI: Post-Retirement Medical 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 on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010 there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

Note VI: Post-Retirement Medical Benefits (Continued)

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

The Reporting and Disclosure Requirements Promulgated by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans* are not applicable for the District.

The District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf.

Note VII: Risk Management

The District is a member of the New Jersey School Board Association Insurance Group (the "Group").

The Group is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost workers' compensation coverage for member school districts in order to keep local property taxes at a minimum. The District pays an annual assessment to the Group and should it be determined that payments received by the Group are deficient, additional assessments may be levied. Additionally, the Group maintains a contract of excess insurance with a commercial reinsuror to secure the payment of benefits.

The Borough of Dunellen School District continues to carry commercial insurance coverage for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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.

Note VIII: Compensated Absences

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after 15 years of service.

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

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

Note IX: Contingent Liabilities

The Borough of Dunellen School District is a defendant in a few lawsuits, none of which is unusual for a Board of Education of its size. Additional liabilities, if not covered by insurance, should not be material in amount.

Note X: Subsequent Events

The Borough of Dunellen School District's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of audit.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

SECTION C

BUDGETARY COMPARISON SCHEDULES

Exhibit C-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:						
Local Sources:						
Local Tax Levy		$ 8,543,395.00	$ -	$ 8,543,395.00	$ 8,543,395.00	$ -
Tuition		62,000.00	-	62,000.00	58,656.20	(3,343.80)
Interest Earned on Investments		15,000.00	-	15,000.00	5,302.07	(9,697.93)
Miscellaneous		-	-	-	18,741.90	18,741.90
Total - Local Sources		8,620,395.00	-	8,620,395.00	8,626,095.17	5,700.17
State Sources:						
Equalization Aid		4,431,149.00	-	4,431,149.00	4,431,149.00	-
Special Education Aid		251,601.00	-	251,601.00	251,601.00	-
Extraordinary Aid		-	-	-	127,523.00	127,523.00
TPAF Wage Freeze Aid					13,622.00	13,622.00
TPAF Pension (On-Behalf - Non-Budgeted)			-		455,838.00	455,838.00
TPAF Social Security (Reimbursed - Non-Budgeted)		-	-	-	486,433.61	486,433.61
Total State Sources		4,682,750.00	-	4,682,750.00	5,766,166.61	1,083,416.61
Federal Sources:						
Medical Assistance Program		5,143.00	-	5,143.00	12,327.39	7,184.39
Total - Federal Sources		5,143.00	-	5,143.00	12,327.39	7,184.39
Total Revenues		13,308,288.00	-	13,308,288.00	14,404,589.17	1,096,301.17
EXPENDITURES:						
Current Expense:						
Regular Programs - Instruction						
Preschool - Salaries of Teachers	105-100-101	$ 42,493.00	$ 29,417.19	$ 71,910.19	$ 71,910.19	$ -
Kindergarten - Salaries of Teachers	110-100-101	294,495.00	$ (55,916.50)	238,578.50	238,578.50	-
Grades 1-5 - Salaries of Teachers	120-100-101	1,412,422.00	62,689.28	1,475,111.28	1,475,111.28	-
Grades 6-8 - Salaries of Teachers	130-100-101	744,009.00	(8,725.10)	735,283.90	735,283.90	-
Grades 9-12 - Salaries of Teachers	140-100-101	1,652,125.00	(53,305.09)	1,598,819.91	1,598,819.91	-
Regular Programs - Home Instruction:						
Salaries of Teachers	150-100-101	8,500.00	4,044.35	12,544.35	12,544.35	-
Other Salaries for Instruction	150-100-106	1,500.00	(1,500.00)	-	-	-
Purchased Professional-Educational Services	150-100-320	-	7,214.22	7,214.22	7,214.22	-
Regular Programs - Undistributed Instruction						
Other Salaries for Instruction	190-100-106	-	7,078.17	7,078.17	7,078.17	-
Purchased Professional-Educational Services	190-100-320	10,030.00	(1,823.50)	8,206.50	8,206.50	-
Other Purchased Services (400-500 series)	190-100-500	3,000.00	(3,000.00)	-	-	-
General Supplies	190-100-610	147,584.00	61,065.04	208,649.04	129,493.93	79,155.11
Textbooks	190-100-640	87,528.00	674.97	88,202.97	84,133.12	4,069.85
Other Objects	190-100-800	220.00	(220.00)	-	-	-
TOTAL REGULAR PROGRAMS - INSTRUCTION		4,403,906.00	47,693.03	4,451,599.03	4,368,374.07	83,224.96
SPECIAL EDUCATION - INSTRUCTION						
Behavioral Disabilities:						
Salaries of Teachers	209-100-101	73,727.00	(794.50)	72,932.50	72,932.50	-
Other Salaries for Instruction	209-100-106	20,471.00	530.00	21,001.00	21,001.00	-
General Supplies	209-100-610	2,200.00	(1,692.44)	507.56	507.56	-
Textbooks	209-100-640	100.00	(100.00)	-	-	-
Total Behavioral Disabilities		96,498.00	(2,056.94)	94,441.06	94,441.06	-
Multiple Disabilities:						
Salaries of Teachers	212-100-101	52,480.00	24,580.94	77,060.94	75,092.23	1,968.71
Other Salaries for Instruction	212-100-106	16,413.00	(15,815.76)	597.24	-	597.24
General Supplies	212-100-610	1,910.00	(1,683.03)	226.97	226.97	-
Textbooks	212-100-640	329.00	(329.00)	-	-	-
Total Multiple Disabilities		71,132.00	6,753.15	77,885.15	75,319.20	2,565.95
Resource Room/Resource Center:						
Salaries of Teachers	213-100-101	568,577.00	(105,673.09)	462,903.91	458,834.91	4,069.00
Other Salaries for Instruction	213-100-106	102,061.00	49,397.39	151,458.39	151,458.39	-
General Supplies	213-100-610	4,224.00	283.90	4,507.90	4,507.90	-
Textbooks	213-100-640	377.00	(223.95)	153.05	153.05	-
Total Resource Room/Resource Center		675,239.00	(56,215.75)	619,023.25	614,954.25	4,069.00

Exhibit C-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Autism:						
Salaries of Teachers	214-100-101	55,668.00	(21.74)	55,646.26	54,279.38	1,366.88
Other Salaries for Instruction	214-100-106	20,663.00	(20,663.00)	-	-	-
General Supplies	214-100-610	1,472.00	(1,293.87)	178.13	152.14	25.99
Total Autism		77,803.00	(21,978.61)	55,824.39	54,431.52	1,392.87
Preschool Disabilities - Full-Time:						
Salaries of Teachers	216-100-101	39,426.00	13,399.50	52,825.50	50,856.79	1,968.71
Other Salaries for Instruction	216-100-106	12,808.00	7,212.11	20,020.11	20,020.11	-
General Supplies	216-100-610	-	119.92	119.92	34.95	84.97
Total Preschool Disabilities - Full-Time		52,234.00	20,731.53	72,965.53	70,911.85	2,053.68
TOTAL SPECIAL EDUCATION - INSTRUCTION		972,906.00	(52,766.62)	920,139.38	910,057.88	10,081.50
Basic Skills/Remedial - Instruction						
Salaries of Teachers	230-100-101	64,587.00	31,210.82	95,797.82	95,727.80	70.02
General Supplies	230-100-610	1,110.00	(628.31)	481.69	99.84	381.85
Total Basic Skills/Remedial - Instruction		65,697.00	30,582.51	96,279.51	95,827.64	451.87
Bilingual Education - Instruction						
Salaries of Teachers	240-100-101	104,060.00	(360.00)	103,700.00	103,700.00	-
General Supplies	240-100-610	386.00	399.37	785.37	785.37	-
Total Bilingual Education - Instruction		104,446.00	39.37	104,485.37	104,485.37	-
School-Spon. Cocurricular Actvts. - Inst.						
Salaries	401-100-100	96,480.00	602.59	97,082.59	97,082.59	-
Purchased Services (300-500 series)	401-100-500	5,500.00	(5,500.00)	-	-	-
Supplies and Materials	401-100-600	2,367.00	(599.60)	1,767.40	1,767.40	-
Other Objects	401-100-800	2,865.00	(2,219.00)	646.00	646.00	-
Total School-Spon. Cocurricular Actvts. - Inst.		107,212.00	(7,716.01)	99,495.99	99,495.99	-
Other Instructional Programs - Instruction						
Salaries	402-100-100	131,706.00	(4,418.00)	127,288.00	127,288.00	-
Purchased Services (300-500 series)	402-100-500	28,169.00	(13,432.53)	14,736.47	11,330.80	3,405.67
Supplies and Materials	402-100-600	28,466.00	(11,940.47)	16,525.53	16,525.53	-
Other Objects	402-100-800	7,228.00	(416.00)	6,812.00	6,812.00	-
Transfers to Cover Deficit (Agency Funds)	402-100-930	22,000.00	(6,000.00)	16,000.00	16,000.00	-
Total Other Instructional Programs - Instruction		217,569.00	(36,207.00)	181,362.00	177,956.33	3,405.67
Total Instruction		5,871,736.00	(18,374.72)	5,853,361.28	5,756,197.28	97,164.00
Undistributed Expenditures - Instruction:						
Tuition to Other LEAs Within the State - Special	000-100-562	84,456.00	(5,599.00)	78,857.00	78,857.00	-
Tuition to County Voc. School Dist. - Regular	000-100-563	12,800.00	-	12,800.00	12,800.00	-
Tuition to CSSD & Regional Day Schools	000-100-565	421,423.00	(107,561.20)	313,861.80	313,861.80	-
Tuition to Private Schools for the Disabled - Within State	000-100-566	381,125.00	105,288.27	486,413.27	486,413.27	-
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S	000-100-567	58,458.00	61,124.00	119,582.00	119,582.00	-
Tuition - State Facilities	000-100-568	10,000.00	18,982.00	28,982.00	28,982.00	-
Total Undistributed Expenditures - Instruction:		968,262.00	72,234.07	1,040,496.07	1,040,496.07	-
Undistributed Expend. - Attend. & Social Work						
Salaries	000-211-100	234,966.00	(7,970.09)	226,995.91	226,995.91	-
Supplies and Materials	000-211-600	8,085.00	(6,636.81)	1,448.19	1,448.19	-
Total Undistributed Expend. - Attend. & Social Work		243,051.00	(14,606.90)	228,444.10	228,444.10	-

Exhibit C-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Health Services						
Salaries	000-213-100	104,029.00	(812.36)	103,216.64	101,981.12	1,235.52
Purchased Professional and Technical Services	000-213-300	6,000.00	47,078.14	53,078.14	53,078.14	-
Supplies and Materials	000-213-600	5,389.00	(2,192.00)	3,197.00	3,197.00	-
Total Undistributed Expenditures - Health Services		115,418.00	44,073.78	159,491.78	158,256.26	1,235.52
Undist. Expend. - Other Supp. Serv. Students - Related Serv.						
Purchased Professional - Educational Services	000-216-320	203,712.00	7,248.15	210,960.15	210,960.15	-
Supplies and Materials	000-216-600	1,227.00	2,077.65	3,304.65	1,003.77	2,300.88
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.		204,939.00	9,325.80	214,264.80	211,963.92	2,300.88
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.						
Purchased Professional - Educational Services	000-217-320	-	234.00	234.00	234.00	-
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.		-	234.00	234.00	234.00	-
Undist. Expend. - Other Supp. Serv. Students-Reg.						
Salaries of Other Professional Staff	000-218-104	202,765.00	(6,105.00)	196,660.00	196,660.00	-
Salaries of Secretarial and Clerical Assistants	000-218-105	46,674.00	(3,898.62)	42,775.38	42,775.38	-
Other Purchased Prof. and Tech. Services	000-218-390	9,165.00	(1,384.08)	7,780.92	7,780.92	-
Supplies and Materials	000-218-600	3,805.00	(796.22)	3,008.78	3,008.78	-
Other Objects	000-218-800	560.00	65.92	625.92	625.92	-
Total Undist. Expend. - Other Supp. Serv. Students-Reg.		262,969.00	(12,118.00)	250,851.00	250,851.00	-
Undist. Expend. - Other Supp. Serv. Students-Special						
Salaries of Other Professional Staff	000-219-104	196,982.00	(22,343.75)	174,638.25	174,638.25	-
Salaries of Secretarial and Clerical Assistants	000-219-105	53,711.00	(593.65)	53,117.35	53,117.35	-
Purchased Professional - Educational Services	000-219-320	9,100.00	6,809.75	15,909.75	15,909.75	-
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	000-219-592	3,000.00	(2,397.98)	602.02	602.02	-
Supplies and Materials	000-219-600	3,991.00	244.04	4,235.04	4,235.04	-
Other Objects	000-219-800	2,052.00	(1,438.00)	614.00	614.00	-
Total Undist. Expend. - Other Supp. Serv. Students-Spl.		268,836.00	(19,719.59)	249,116.41	249,116.41	-
Undist. Expend. - Improvement of Inst. Serv.						
Salaries of Supervisor of Instruction	000-221-102	57,502.00	(42,969.00)	14,533.00	14,533.00	-
Salaries of Other Professional Staff	000-221-104	5,280.00	(132.00)	5,148.00	5,148.00	-
Salaries of Secr and Clerical Assist.	000-221-105	35,784.00	(18,577.98)	17,206.02	17,206.02	-
Purchased Prof- Educational Services	000-221-320	15,800.00	(14,288.37)	1,511.63	1,511.63	-
Supplies and Materials	000-221-600	1,631.00	(1,631.00)	-	-	-
Other Objects	000-221-800	800.00	(589.28)	210.72	210.72	-
Total Undist. Expend. - Improvement of Inst. Serv.		116,797.00	(78,187.63)	38,609.37	38,609.37	-
Undist. Expend. - Edu. Media Serv./Sch. Library						
Salaries	000-222-100	133,106.00	(7,976.00)	125,130.00	125,130.00	-
Salaries of Technology Coordinators	000-222-177	1,120.00	(575.00)	545.00	545.00	-
Purchased Professional and Technical Services	000-222-300	-	-	-	-	-
Other Purchased Services (400-500 series)	000-222-500	-	-			-
Supplies and Materials	000-222-600	18,657.00	(5,894.52)	12,762.48	12,762.48	-
Total Undist. Expend. - Edu. Media Serv./Sch. Library		152,883.00	(14,445.52)	138,437.48	138,437.48	-
Undist. Expend. - Instructional Staff Training Serv.						
Purchased Professional - Educational Service	000-223-320	2,000.00	-	2,000.00	-	2,000.00
Total Undist. Expend. - Instructional Staff Training Serv.		2,000.00	-	2,000.00	-	2,000.00
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	218,575.00	1,813.16	220,388.16	220,388.16	-
Legal Services	000-230-331	30,000.00	(7,171.61)	22,828.39	22,828.39	-
Audit Services	000-230-332	19,400.00	-	19,400.00	19,400.00	-
Other Purchased Professional Services	000-230-339	3,566.00	-	3,566.00	3,281.00	285.00
Purchased Technical Services	000-230-340	3,863.00	1,087.00	4,950.00	4,950.00	-
Communications/Telephone	000-230-530	43,500.00	(1,505.85)	41,994.15	35,643.45	6,350.70
Other Purchased Services (400-500 series)	000-230-590	67,499.00	(6,927.30)	60,571.70	60,571.70	-
Supplies and Materials	000-230-610	2,500.00	-	2,500.00	622.33	1,877.67
Miscellaneous Expenditures	000-230-890	5,150.00	-	5,150.00	3,416.57	1,733.43
Board of Education Dues	000-230-895	7,601.00	-	7,601.00	7,067.05	533.95
Total Undist. Expend. - Supp. Serv. - General Admin.		401,654.00	(12,704.60)	388,949.40	378,168.65	10,780.75
Undist. Expend. - Support Serv. - School Admin.						
Salaries of Principals/Assistant Principals	000-240-103	550,828.00	(52,916.98)	497,911.02	467,907.96	30,003.06
Salaries of Secretarial and Clerical Assistants	000-240-105	126,050.00	9,363.31	135,413.31	135,413.31	-
Purchased Professional and Technical Services	000-240-300	-	86,400.00	86,400.00	80,000.00	6,400.00
Other Purchased Services (400-500 series)	000-240-500	7,940.00	-	7,940.00	1,558.76	6,381.24
Supplies and Materials	000-240-600	11,208.00	-	11,208.00	7,386.47	3,821.53
Other Objects	000-240-800	7,250.00	-	7,250.00	5,317.36	1,932.64
Total Undist. Expend. - Support Serv. - School Admin.		703,276.00	42,846.33	746,122.33	697,583.86	48,538.47

Exhibit C-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Central Services						
Salaries	000-251-100	250,152.00	(17,517.61)	232,634.39	232,634.39	-
Purchased Professional and Technical Services	000-251-330	5,215.00	-	5,215.00	4,016.70	1,198.30
Other Purchased Services (400-500 series)	000-251-592	700.00	-	700.00	-	700.00
General Supplies	000-251-600	2,750.00	827.39	3,577.39	3,577.39	-
Other Objects	000-251-890	1,450.00	-	1,450.00	1,360.32	89.68
Total Undist. Expend. - Central Services		260,267.00	(16,690.22)	243,576.78	241,588.80	1,987.98
Undist. Expend. - Information Technology						
Salaries	000-252-100	29,353.00	-	29,353.00	29,093.92	259.08
General Supplies	000-252-600	3,200.00	(577.73)	2,622.27	29.56	2,592.71
Other Objects	000-252-800	450.00	-	450.00	-	450.00
Total Undist. Expend. - Technology		33,003.00	(577.73)	32,425.27	29,123.48	3,301.79
Undist. Expend. - Required Maint. for Sch. Facil.						
Salaries	000-261-100	76,827.00	(2,237.88)	74,589.12	74,589.12	-
Cleaning, Repair and Maintenance Services	000-261-420	70,508.00	67,684.50	138,192.50	117,506.68	20,685.82
General Supplies	000-261-610	2,150.00	714.11	2,864.11	2,864.11	-
Other Objects	000-261-800	4,250.00	(1,113.56)	3,136.44	3,136.44	-
Total Undist. Expend. - Required Maint. for Sch. Facil.		153,735.00	65,047.17	218,782.17	198,096.35	20,685.82
Undist. Expend. - Oth. Oper. & Maint. of Plant						
Salaries	000-262-100	72,165.00	(10,547.84)	61,617.16	61,617.16	-
Purchased Professional and Technical Services	000-262-300	2,200.00	9,390.70	11,590.70	11,590.70	-
Cleaning, Repair and Maintenance Services	000-262-420	456,595.00	1,689.69	458,284.69	452,332.69	5,952.00
Rental of Land and Buildings, Other Than Lease Purchase Agreements	000-262-441	-	910.00	910.00	910.00	-
Other Purchased Property Services	000-262-490	40,172.00	3,573.28	43,745.28	43,745.28	-
Insurance	000-262-520	47,447.00	(3,001.00)	44,446.00	44,446.00	-
General Supplies	000-262-610	32,212.00	(1,812.47)	30,399.53	30,399.53	-
Energy (Energy and Electricity)	000-262-620	440,048.00	(50,734.02)	389,313.98	389,313.98	-
Other Objects	000-262-800	2,000.00	(1,580.00)	420.00	420.00	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant		1,092,839.00	(52,111.66)	1,040,727.34	1,034,775.34	5,952.00
Care and Upkeep of Grounds						
Salaries	000-263-100	51,316.00	(51,316.00)	-	-	-
Cleaning, Repair and Maintenance Services	000-263-420	-	47,000.04	47,000.04	47,000.04	-
General Supplies	000-263-610	2,700.00	(2,700.00)	-	-	-
Other Objects	000-263-800	250.00	(250.00)	-	-	-
Total Care and Upkeep of Grounds		54,266.00	(7,265.96)	47,000.04	47,000.04	-
Undist. Expend. - Student Transportation Serv.						
Salaries for Pupil Trans. (Between Home & School) - Special	000-270-161	10,238.00	-	10,238.00	10,238.00	-
Aid in Lieu	000-270-504	-	884.00	884.00	884.00	-
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	73,855.00	56,728.22	130,583.22	130,583.22	-
Contracted Services (Between Home and School) - Joint Agreements	000-270-513	58,030.00	(26,380.00)	31,650.00	31,650.00	-
Contracted Services (Special Education Students) - Joint Agreements	000-270-515	242,376.00	34,878.79	277,254.79	277,254.79	-
Miscellaneous Expenditures	000-270-800	15,192.00	(6,436.00)	8,756.00	8,596.00	160.00
Total Undist. Expend. - Student Transportation Serv.		399,691.00	59,675.01	459,366.01	459,206.01	160.00
UNALLOCATED BENEFITS						
Social Security Contributions	000-291-220	121,333.00	8,933.62	130,266.62	130,266.62	-
Other Retirement Contributions - Regular	000-291-241	82,354.00	23,144.00	105,498.00	105,498.00	-
Unemployment Compensation	000-291-250	31,000.00	28,480.65	59,480.65	59,480.65	-
Workmen's Compensation	000-291-260	59,304.00	1,710.48	61,014.48	61,014.48	-
Health Benefits	000-291-270	1,788,848.00	(12,180.08)	1,776,667.92	1,776,667.92	-
Tuition Reimbursement	000-291-280	10,000.00	13,998.50	23,998.50	23,998.50	-
Other Employee Benefits	000-291-290	10,000.00	29,482.66	39,482.66	39,482.66	-
TOTAL UNALLOCATED BENEFITS		2,102,839.00	93,569.83	2,196,408.83	2,196,408.83	-
On-behalf TPAF pension Contributions (non-budgeted)			-		455,838.00	(455,838.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)		-	-	-	486,433.61	(486,433.61)
TOTAL ON-BEHALF CONTRIBUTIONS		-	-	-	942,271.61	(942,271.61)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS		2,102,839.00	93,569.83	2,196,408.83	3,138,680.44	(942,271.61)
TOTAL UNDISTRIBUTED EXPENDITURES		7,536,725.00	158,578.18	7,695,303.18	8,540,631.58	(845,328.40)
TOTAL GENERAL CURRENT EXPENSE		13,408,461.00	140,203.46	13,548,664.46	14,296,828.86	(748,164.40)

Exhibit C-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Concluded)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY						
Facilities Acquisition and Construction Services						
Other Objects	000-400-800	50,056.00	-	50,056.00	50,056.00	-
Total Facilities Acquisition and Construction Services		50,056.00	-	50,056.00	50,056.00	-
TOTAL CAPITAL OUTLAY		50,056.00	-	50,056.00	50,056.00	-
Transfer of Funds to Charter Schools	000-100-56X		7,109.00	7,109.00	7,109.00	-
TOTAL EXPENDITURES		13,458,517.00	147,312.46	13,605,829.46	14,353,993.86	(748,164.40)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)		(150,229.00)	(147,312.46)	(297,541.46)	50,595.31	348,136.77
Fund Balance, July 1		819,064.72	-	819,064.72	819,064.72	-
Fund Balance, June 30		$ 668,835.72	$(147,312.46)	$ 521,523.26	$ 869,660.03	$ 348,136.77
Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses):						
Increase in Maintenance Reserve		$ -	$ -	$ -	$ -	$ -
Withdrawal from Maintenance Reserve			(67,684.50)	(67,684.50)		67,684.50
Adjustment for Prior Year Encumbrances		-	(79,627.96)	(79,627.96)	(145,260.71)	(65,632.75)
Budgeted Fund Balance		(150,229.00)	-	(150,229.00)	195,856.02	346,085.02
Total		$ (150,229.00)	$(147,312.46)	$ (297,541.46)	$ 50,595.31	$ 348,136.77

Analysis of Fund Balance June 30, 2011:	
Restricted:	
Excess Surplus	46,134.92
Excess Surplus - Designated for Subsequent Year's Expenditures	17,193.05
Capital Reserve Account	1.00
Maintenance Reserve Account	232,315.50
Assigned:	
Encumbrances	111,600.16
Designated for Subsequent Year's Expenditures	53,035.95
Unassigned Fund Balance	409,379.45
	$ 869,660.03

Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:	
Fund Balance June 30, 2011	$ 869,660.03
Last Current Year State Aid Payments Not Realized on GAAP Basis	(446,947.00)
	$ 422,713.03

Exhibit C-2

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources	$ -	$ 9,331.00	$ 9,331.00	$ 8,215.00	$ (1,116.00)
Federal Sources	390,211.00	279,572.24	669,783.24	642,072.06	(27,711.18)
Local Sources	-	40,304.71	40,304.71	38,331.45	(1,973.26)
Total Revenues	390,211.00	329,207.95	719,418.95	688,618.51	(30,800.44)
EXPENDITURES:					
Instruction					
Personal Services - Salaries	301,409.00	14,639.17	316,048.17	301,839.87	14,208.30
Purchased Professional and Technical Services		8,210.19	8,210.19	5,275.79	2,934.40
Other Purchased Services (400-500 series)	88,802.00	56,070.00	144,872.00	144,872.00	-
General Supplies		80,132.22	80,132.22	73,884.17	6,248.05
Textbooks		1,535.00	1,535.00	1,535.00	-
Other Objects	-	2,057.48	2,057.48	2,057.48	-
Total Instruction	390,211.00	162,644.06	552,855.06	529,464.31	23,390.75
Support Services					
Personal Services - Salaries		72,915.02	72,915.02	71,915.02	1,000.00
Personal Services - Employee Benefits		33,552.00	33,552.00	33,552.00	-
Purchased Professional - Educational Services		43,618.88	43,618.88	36,538.86	7,080.02
Supplies & Materials		1,816.99	1,816.99	669.32	1,147.67
Total Support Services		151,902.89	151,902.89	144,493.20	7,409.69
Facilities Acquisition and Construction Services:					
Buildings		14,661.00	14,661.00	14,661.00	-
Total Facilities Acquisition and Construction Services	-	14,661.00	14,661.00	14,661.00	-
Total Expenditures	390,211.00	329,207.95	719,418.95	688,618.51	30,800.44
Total Outflows	$390,211.00	$329,207.95	$719,418.95	$688,618.51	$ 30,800.44

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Exhibit C-3

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended

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

	Exhibit	General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	**[C-1] & [C-2]**	$ 14,404,589.17	$ 688,618.51
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		74,835.00	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	(24,721.77)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	**[B-2]**	$ 14,479,424.17	$ 663,896.74
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	**[C-1] & [C-2]**	$ 14,353,993.86	$ 688,618.51
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for *budgetary* purposes, but in the year the supplies are received for *financial reporting* purposes.			(24,721.77)
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 general fund		-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	**[B-2]**	$ 14,353,993.86	$ 663,896.74

OTHER SUPPLEMENTARY INFORMATION

SECTION D

SCHOOL LEVEL SCHEDULES

SECTION E

SPECIAL REVENUE FUND

Exhibit E-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

		Total	State Aid	Federal Aid	Local Aid
REVENUES					
State Sources		$ 8,215.00	$8,215.00	$ -	$ -
Federal Sources		642,072.06		642,072.06	
Local Sources		38,331.45	-	-	38,331.45
Total Revenues		688,618.51	8,215.00	642,072.06	38,331.45
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	100-100	301,839.87	-	298,239.87	3,600.00
Purchased Professional and Technical Services	100-300	5,275.79	4,862.00	413.79	-
Other Purchased Services (400-500 series)	100-500	144,872.00	-	144,872.00	-
General Supplies	100-610	73,884.17	-	55,871.20	18,012.97
Textbooks	100-640	1,535.00	1,535.00	-	-
Total Instruction		529,464.31	6,397.00	499,396.86	23,670.45
Support Services:					
Personal Services - Salaries	200-100	71,915.02		71,915.02	-
Personal Services - Employee Benefits	200-200	33,552.00		33,552.00	
Purchased Professional and Technical Services	200-300	1,818.00	1,818.00	-	-
Purchased Professional - Educational Services	200-320	36,538.86		36,538.86	-
Supplies and Materials	200-600	669.32	-	669.32	-
Total Support Services		144,493.20	1,818.00	142,675.20	-
Facilities Acquisition and Const. Serv.:					
Buildings	400-720	14,661.00	-	-	14,661.00
Total Facilities Acquisition and Const. Serv.		14,661.00	-	-	14,661.00
Total Expenditures		$ 688,618.51	$ 8,215.00	$ 642,072.06	$ 38,331.45

Exhibit E-1a

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Special Revenue Fund
Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

		Total	N.J. Nonpublic Textbook Aid	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Nursing Services
REVENUES					
State Sources		$ 8,215.00	$1,535.00	$4,862.00	$ 1,818.00
Total State Revenues		8,215.00	1,535.00	4,862.00	1,818.00
EXPENDITURES:					
Instruction:					
Purchased Professional and Technical Services	100-300	4,862.00		4,862.00	
Textbooks	100-640	1,535.00	1,535.00	-	-
Total Instruction		6,397.00	1,535.00	4,862.00	-
Support Services:					
Purchased Professional and Technical Services	200-300	1,818.00			1,818.00
Total Support Services		1,818.00	-	-	1,818.00
Total Expenditures		$ 8,215.00	$ 1,535.00	$ 4,862.00	$ 1,818.00

Exhibit E-1b

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Special Revenue Fund
Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

			N.C.L.B.						I.D.E.A. Part B			
		Total	Title I	Title I ARRA	Title IIA	Title IID	Title III	Title IV	Basic	Basic ARRA	PS ARRA	Preschool
REVENUES												
Federal Sources		$642,072.06	$234,038.09	$ 11,222.19	$38,101.47	$509.00	$25,219.27	$573.24	$229,629.26	$ 91,185.71	$5,824.83	$ 5,769.00
Total Federal Revenues		642,072.06	234,038.09	11,222.19	38,101.47	509.00	25,219.27	573.24	229,629.26	91,185.71	5,824.83	5,769.00
EXPENDITURES:												
Instruction:												
Personal Services - Salaries	100-100	298,239.87	168,694.93				7,572.48		72,993.00	43,210.46		5,769.00
Purchased Professional and Technical Services	100-300	413.79					413.79					
Other Purchased Services (400-500 series)	100-500	144,872.00							144,872.00			
General Supplies	100-600	55,871.20	25,383.03	3,968.19			16,953.67	433.25	-	8,566.25	566.81	-
Total Instruction		499,396.86	194,077.96	3,968.19			24,939.94	433.25	217,865.00	51,776.71	566.81	5,769.00
Support Services:												
Personal Services - Salaries	200-100	71,915.02	-	7,254.00	29,309.00					30,094.00	5,258.02	
Personal Services - Employee Benefits	200-200	33,552.00	22,833.00		4,291.00					6,428.00		
Purchased Professional - Educational Services	200-320	36,538.86	17,127.13		4,501.47	259.00			11,764.26	2,887.00		
Supplies and Materials	200-600	669.32	-	-	-	250.00	279.33	139.99	-	-	-	
Total Support Services		142,675.20	39,960.13	7,254.00	38,101.47	509.00	279.33	139.99	11,764.26	39,409.00	5,258.02	
Total Expenditures		$642,072.06	$234,038.09	$ 11,222.19	$38,101.47	$509.00	$25,219.27	$573.24	$229,629.26	$ 91,185.71	$5,824.83	$ 5,769.00

Exhibit E-1c

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Special Revenue Fund
Combining Schedule of Local Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

		Total	Various Local
REVENUES			
Local Sources		$ 38,331.45	$ 38,331.45
Total Local Revenues		38,331.45	38,331.45
EXPENDITURES:			
Instruction:			
Personal Services - Salaries	100-100	$ 3,600.00	$ 3,600.00
General Supplies	100-600	18,012.97	18,012.97
Other Objects	100-800	2,057.48	2,057.48
Total Instruction		23,670.45	23,670.45
Facilities Acquisition and Const. Serv.:			
Buildings	400-720	14,661.00	14,661.00
Total Facilities Acquisition and Const. Serv.		14,661.00	14,661.00
Total Expenditures		$ 38,331.45	$ 38,331.45

SECTION F

CAPITAL PROJECTS FUND

SECTION G

PROPRIETARY FUNDS

ENTERPRISE FUND

INTERNAL SERVICE FUND

SECTION H

FIDUCIARY FUND

Exhibit H-3

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011

Schools	Balance June 30, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
Faber School	$ 8,351.82	$ 19,793.21	$ 19,769.65	$ 8,375.38
Senior High School	74,838.65	131,436.94	139,855.29	66,420.30
Athletic Fund	21.95	25,543.95	24,668.00	897.90
	$ 83,212.42	$ 176,774.10	$ 184,292.94	$ 75,693.58

Exhibit H-4

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011

	Balance June 30, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
Payroll Deductions and Withholdings	$ 14,555.83	$ 3,574,459.30	$ 3,585,666.35	$ 3,348.78
Net Salaries and Wages	1,559.97	5,315,549.33	5,317,120.71	(11.41)
	$ 16,115.80	$ 8,890,008.63	$ 8,902,787.06	$ 3,337.37

SECTION I

LONG – TERM DEBT

Exhibit I-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Long - Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2011

Purpose	Date of Issue	Amount of Issue	Annual Maturities of Bonds Outstanding June 30, 2011 Date	Amount	Interest Rate	Balance June 30, 2010	Retired Current Year	Balance June 30, 2011
School Bonds of 1998	8/1/98	$4,650,000.00	8/1/2011	$555,000.00	4.35%	$ 2,805,000.00	$545,000.00	$ 2,260,000.00
			8/1/2012	560,000.00				
			8/1/2013	565,000.00				
			8/1/2014	580,000.00				
School Bonds of 2004	2/15/04	10,420,000.00	7/15/11-12	250,000.00	4.00%	9,720,000.00	200,000.00	9,520,000.00
			7/15/2013	300,000.00	4.00%			
			7/15/2014	350,000.00	4.00%			
			7/15/2015	395,000.00	4.00%			
			7/15/2016	415,000.00	4.00%			
			7/15/2017	435,000.00	4.00%			
			7/15/2018	455,000.00	4.00%			
			7/15/2019	475,000.00	4.00%			
			7/15/2020	500,000.00	4.00%			
			7/15/2021	520,000.00	4.125%			
			7/15/2022	545,000.00	4.125%			
			7/15/2023	570,000.00	4.125%			
			7/15/2024	600,000.00	4.25%			
			7/15/2025	630,000.00	4.25%			
			7/15/2026	660,000.00	4.25%			
			7/15/2027	690,000.00	4.30%			
			7/15/2028	725,000.00	4.30%			
			7/15/2029	755,000.00	4.30%			
						-	-	-
						$12,525,000.00	$745,000.00	$11,780,000.00

Exhibit I-2

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Long - Term Debt
Schedule of Obligations Under Capital Leases
For the Fiscal Year Ended June 30, 2011

Purpose	Amount Outstanding June 30, 2010	Issued Current Year	Retired Current Year	Amount Outstanding June 30, 2011
Copier	$ 6,179.21	$ -	$ 6,179.21	$ -

Exhibit I-3

BOARD OF EDUCATION
BOROUGH OF DUNELLEN
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	$ 1,044,100.00	$ -	$ 1,044,100.00	$ 1,044,100.00	$ -
State Sources:					
Debt Service Aid Type II	209,143.00		209,143.00	209,143.00	
Total - State Sources	209,143.00		209,143.00	209,143.00	
Total Revenues	1,253,243.00		1,253,243.00	1,253,243.00	
EXPENDITURES:					
Regular Debt Service:					
Interest	508,243.00		508,243.00	508,243.01	0.01
Redemption of Principal	745,000.00		745,000.00	745,000.00	-
Total Regular Debt Service	1,253,243.00		1,253,243.00	1,253,243.01	0.01
Total Expenditures	1,253,243.00		1,253,243.00	1,253,243.01	0.01
Excess of Revenues Over Expenditures	-	-	-	(0.01)	(0.01)
Fund Balance, July 1	1.10	-	1.10	1.10	-
Fund Balance, June 30	$ 1.10	$ -	$ 1.10	$ 1.09	$ (0.01)
Recapitulation of Excess of Revenues Over Expenditures					
Budgeted Fund Balance	$ -	$ -	$ -	$ (0.01)	$ (0.01)

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Assets by Component
J-2	Changes in Net Assets
J-3	Fund Balances - Governmental Funds
J-4	Changes in Fund Balances - Governmental Funds
J-5	General Fund - Other Local Revenue by Source

Revenue Capacity

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

Debt Capacity

J-10	Ratios of Outstanding Debt by Type
J-11	Ratios of Net General Bonded Debt Outstanding
J-12	Direct and Overlapping Governmental Activities Debt as of June 30
J-13	Legal Debt Margin Information

Demographic and Economic Information

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

Operating Information

J-16	Full-time Equivalent District Employees by Function/Program
J-17	Operating Statistics
J-18	School Building Information
J-19	Schedule of Required Maintenance for School Facilities
J-20	Insurance Schedule

Certain Exhibits do not contain ten years of information since GASBS No. 44 was implemented as of the fiscal year ending June 30, 2003.

Exhibit J-1

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	$ 8,782,038.35	$ 8,990,699.20	$ 9,203,207.39	$ 9,428,037.01	$ 9,383,900.08	$ 8,851,754.09	$ (580,556.25)	$ (3,645,261.99)	$ 6,879,706.19
Restricted	460,281.67	261,925.40	194,083.84	(61,504.17)	220,115.34	1,017,803.35	10,784,658.52	14,723,291.11	343,910.48
Unrestricted	(402,671.14)	(395,258.46)	(398,463.95)	(80,991.84)	(99,264.77)	(80,844.39)	191,404.46	(134,808.36)	6,863.55
Total Governmental Activities Net Assets	$ 8,839,648.88	$ 8,857,366.14	$ 8,998,827.28	$ 9,285,541.00	$ 9,504,750.65	$ 9,788,713.05	$ 10,395,506.73	$ 10,943,220.76	$ 7,230,480.22
Business-type activities									
Invested in Capital Assets, Net of Related Debt	$ 5,351.74	$ 6,696.09	$ 8,040.44	$ 9,384.69	$ 10,729.04	$ 12,073.39	$ 13,417.74	$ 15,221.83	$ 13,712.33
Unrestricted	114,468.96	101,851.72	71,404.25	31,558.81	24,700.44	13,778.18	15,783.53	19,393.61	28,964.23
Total Business-Type Activities Net Assets	$ 119,820.70	$ 108,547.81	$ 79,444.69	$ 40,943.50	$ 35,429.48	$ 25,851.57	$ 29,201.27	$ 34,615.44	$ 42,676.56
District-Wide									
Invested in Capital Assets, Net of Related Debt	$ 8,787,390.09	$ 8,997,395.29	$ 9,211,247.83	$ 9,437,421.70	$ 9,394,629.12	$ 8,863,827.48	$ (567,138.51)	$ (3,630,040.16)	$ 6,893,418.52
Restricted	460,281.67	261,925.40	194,083.84	(61,504.17)	220,115.34	1,017,803.35	10,784,658.52	14,723,291.11	343,910.48
Unrestricted	(288,202.18)	(293,406.74)	(327,059.70)	(49,433.03)	(74,564.33)	(67,066.21)	207,187.99	(115,414.75)	35,827.78
Total District Net Assets	$ 8,959,469.58	$ 8,965,913.95	$ 9,078,271.97	$ 9,326,484.50	$ 9,540,180.13	$ 9,814,564.62	$ 10,424,708.00	$ 10,977,836.20	$ 7,273,156.78

Source: District Records

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Changes In Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses									
Governmental Activities									
Instruction									
Regular	$ 7,170,731.21	$ 7,131,892.22	$ 6,817,572.73	$ 7,053,365.91	$ 6,937,711.92	$ 7,207,929.85	$ 6,919,654.02	$ 6,698,384.27	$ 6,323,621.67
Special Education	1,638,542.58	2,093,027.61	1,801,300.37	1,638,862.30	1,691,567.49	1,309,888.04	1,529,980.74	1,304,846.63	1,386,311.73
Other Instruction	583,818.23	612,702.37	607,961.27	599,038.58	581,561.39	373,370.80	525,646.67	413,907.50	395,919.01
Support Services:									
Tuition	1,040,496.07	1,074,639.63	863,478.74	674,718.18	614,133.20	536,978.46	515,765.69	481,981.80	576,494.48
Student and Instruction Related Services	1,866,129.97	1,849,549.42	1,690,952.41	1,580,685.03	1,453,871.21	1,413,088.92	1,303,022.85	1,285,860.07	984,216.76
School Administrative Services	950,705.35	956,704.80	946,390.70	856,974.53	871,807.92	795,008.54	691,184.66	640,255.85	662,639.92
General and Business Administrative Services	816,683.62	865,221.76	828,056.43	818,251.90	828,193.13	879,994.99	781,225.83	695,869.18	675,001.37
Plant Operations and Maintenance	1,380,279.25	1,288,643.80	1,497,595.00	1,519,344.60	1,129,226.80	989,020.90	1,004,737.69	940,362.69	971,212.27
Pupil Transportation	465,087.66	461,997.15	397,312.86	346,994.53	337,448.92	268,041.03	267,542.92	235,244.21	210,620.40
Charter Schools	7,109.00	-	7,484.00						
Interest on Long-Term Debt	494,698.23	560,559.81	558,239.39	587,119.38	618,090.01	646,825.63	642,666.97	435,498.86	298,735.00
Total Governmental Activities Expenses	16,414,281.17	16,894,938.57	16,016,343.90	15,675,354.94	15,063,611.99	14,420,147.16	14,181,428.04	13,132,211.06	12,484,772.61
Business-Type Activities:									
Food Service	415,164.23	422,952.97	375,736.05	418,836.83	397,503.17	420,662.16	397,861.13	377,681.21	365,932.70
Total Business-Type Activities Expense	415,164.23	422,952.97	375,736.05	418,836.83	397,503.17	420,662.16	397,861.13	377,681.21	365,932.70
Total District-Wide Expenses	16,829,445.40	17,317,891.54	16,392,079.95	16,094,191.77	15,461,115.16	14,840,809.32	14,579,289.17	13,509,892.27	12,850,705.31
Program Revenues									
Governmental Activities:									
Charges for Services:									
Instruction (Tuition)	58,656.20	-	-	-	-	-	-	-	-
Operating Grants and Contributions	2,551,155.98	3,010,279.09	2,619,001.88	3,313,439.49	3,294,552.67	3,067,375.17	2,866,137.09	2,584,095.93	2,169,255.09
Total Governmental Activities Program Revenues	2,609,812.18	3,010,279.09	2,619,001.88	3,313,439.49	3,294,552.67	3,067,375.17	2,866,137.09	2,584,095.93	2,169,255.09

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Changes In Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-Type Activities:									
Charges for Services									
Food Service	$ 216,232.57	$ 243,177.38	$ 244,857.78	$ 274,373.60	$ 263,150.79	$ 274,921.67	$ 264,830.29	$ 260,727.70	$ 250,477.38
Operating Grants and Contributions	210,204.55	208,878.71	169,379.46	149,977.25	143,930.29	142,390.79	127,616.67	108,892.39	95,614.93
Capital Grants and Contributions									
Total Business-Type Activities Program Revenues	426,437.12	452,056.09	414,237.24	424,350.85	407,081.08	417,312.46	392,446.96	369,620.09	346,092.31
Total District-Wide Program Revenues	3,036,249.30	3,462,335.18	3,033,239.12	3,737,790.34	3,701,633.75	3,484,687.63	3,258,584.05	2,953,716.02	2,515,347.40
Net (Expense)/Revenue									
Governmental Activities	(13,804,468.99)	(13,884,659.48)	(13,397,342.02)	(12,361,915.45)	(11,769,059.32)	(11,352,771.99)	(11,315,290.95)	(10,548,115.13)	(10,315,517.52)
Business-Type Activities	11,272.89	29,103.12	38,501.19	5,514.02	9,577.91	(3,349.70)	(5,414.17)	(8,061.12)	(19,840.39)
Total District-Wide Net Expense	(13,793,196.10)	(13,855,556.36)	(13,358,840.83)	(12,356,401.43)	(11,759,481.41)	(11,356,121.69)	(11,320,705.12)	(10,556,176.25)	(10,335,357.91)
General Revenues and Other Changes In Net Assets									
Governmental Activities:									
Taxes:									
Property Taxes, Levied for General Purposes	8,543,395.00	8,354,094.00	8,126,326.00	8,022,126.00	7,668,256.00	6,923,130.00	6,348,938.00	6,230,921.00	5,833,267.00
Property Taxes, Levied for Debt Service Principal	549,401.77	466,244.78	430,663.61	415,958.62	346,599.99	594,147.37	475,791.03	20,020.14	429,725.00
Federal and State Aid not Restricted	4,638,896.32	4,808,702.52	4,434,649.07	3,639,956.44	3,429,830.36	3,084,410.79	3,092,937.96	3,221,233.00	2,691,717.61
Tuition (Other Than Special Schools)	-	45,321.83	-	-	-	14,801.00	30,220.55	39,198.76	9,000.00
Investment Earnings	5,302.07	7,672.37	13,877.40	24,603.05	31,867.93	103,271.06	273,323.44	84,093.47	23,048.35
Miscellaneous Income	49,756.57	61,162.85	105,112.22	40,061.69	8,542.64	26,218.09	530,491.09	188,402.80	35,057.28
N.J. Economic Development Authority Grants								4,617,149.00	-
Prior Year Adjustment - Captial Assets							15,874.90		
Transfers								(16,500.00)	(19,650.00)
Total Governmental Activities	13,786,751.73	13,743,198.35	13,110,628.30	12,142,705.80	11,485,096.92	10,745,978.31	10,767,576.97	14,384,518.17	9,002,165.24
Total District-Wide General Revenues	13,786,751.73	13,743,198.35	13,110,628.30	12,142,705.80	11,485,096.92	10,745,978.31	10,767,576.97	14,384,518.17	9,002,165.24
Change In Net Assets									
Governmental Activities	(17,717.26)	(141,461.13)	(286,713.72)	(219,209.65)	(283,962.40)	(606,793.68)	(547,713.98)	3,836,403.04	(1,313,352.28)
Business-Type Activities	11,272.89	29,103.12	38,501.19	5,514.02	9,577.91	(3,349.70)	(5,414.17)	(8,061.12)	(19,840.39)
Total District-Wide Change in Net Assets	$ (6,444.37)	$ (112,358.01)	$ (248,212.53)	$ (213,695.63)	$ (274,384.49)	$ (610,143.38)	$ (553,128.15)	$ 3,828,341.92	$ (1,333,192.67)

Source: District Records

Exhibit J-3

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Fund Balances - Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund									
Reserved	$460,280.58	$497,051.01	$408,490.63	$162,785.21	$130,788.22	$ 52,327.44	$ 28,331.74	$ 432,032.26	$349,074.48
Unreserved	(37,567.55)	(199,768.29)	(203,683.12)	70,113.16	22,130.23	48,513.11	321,649.46	(25,685.86)	110,876.05
Total General Fund	$422,713.03	$297,282.72	$204,807.51	$232,898.37	$152,918.45	$ 100,840.55	$ 349,981.20	$ 406,346.40	$459,950.53
All Other Governmental Funds									
Unreserved, Reported In:									
Special Revenue Fund			-	(2,747.85)	(2,747.85)	(2,747.85)	(1,302.85)	(2,567.60)	(5,164.00)
Capital Projects Fund			-	4,630.87	330,224.99	1,217,967.77	11,021,521.01	14,568,508.81	-
Debt Service Fund	1.09	1.10	0.87	0.87	1.38	1.14	0.65	0.25	-
Total all Other Governmental Funds	$ 1.09	$ 1.10	$ 0.87	$ 1,883.89	$327,478.52	$1,215,221.06	$11,020,218.81	$14,565,941.46	$ (5,164.00)
Total Fund Balances	$422,714.12	$297,283.82	$204,808.38	$234,782.26	$480,396.97	$1,316,061.61	$11,370,200.01	$14,972,287.86	$454,786.53

Source: District Records

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Changes In Fund Balances - Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues									
Tax Levy	$ 9,587,495.00	$ 9,380,899.00	$ 9,115,229.00	$ 9,025,204.00	$ 8,632,946.00	$ 7,896,371.00	$ 7,195,411.00	$ 6,686,440.00	$ 6,288,149.00
Tuition Charges	58,656.20	45,321.83	-	-	-	14,801.00	30,220.55	39,198.76	9,000.00
Interest Earnings	5,302.07	7,672.37	13,877.40	24,603.05	40,410.57	103,271.06	273,323.44	84,093.47	23,048.35
Miscellaneous	49,756.57	61,162.85	105,112.22	57,106.95	17,374.26	56,547.02	547,380.32	197,948.76	45,247.20
State Sources	6,055,624.61	5,707,717.68	6,022,016.10	5,870,420.37	5,583,808.22	5,085,670.37	5,020,969.74	4,920,038.41	4,484,880.41
Federal Sources	639,729.46	1,550,703.71	473,395.46	478,810.92	505,110.54	656,693.03	550,534.11	440,245.70	340,745.37
Total revenues	16,396,563.91	16,753,477.44	15,729,630.18	15,456,145.29	14,779,649.59	13,813,353.48	13,617,839.16	12,367,965.10	11,191,070.33
Expenditures									
Instruction									
Regular Instruction	4,563,906.83	4,589,422.37	4,434,751.74	4,390,892.03	4,250,445.67	4,717,394.79	4,595,114.84	4,426,266.91	4,220,679.78
Special Education Instruction	1,214,298.27	1,678,213.32	1,400,082.67	1,188,899.68	1,233,948.94	978,038.61	983,385.96	834,630.96	1,015,357.37
Other Instruction	501,435.78	530,744.87	466,007.68	444,098.90	434,664.33	294,985.93	482,614.94	326,976.83	321,320.22
Support Services:									
Tuition	1,040,496.07	1,074,639.63	863,478.74	674,718.18	614,133.20	536,978.46	515,765.69	481,981.80	576,494.48
Student and Instruction Related Services	1,376,199.68	1,366,656.24	1,317,610.42	1,180,307.53	1,055,427.84	1,097,309.68	1,051,753.43	1,035,225.15	856,286.70
School Administrative Services	697,583.86	703,173.41	668,850.87	584,348.33	608,299.68	601,655.16	529,819.71	532,881.48	533,882.64
General and Business Administrative Services	648,880.93	682,531.42	657,153.55	617,314.75	631,689.45	701,113.80	711,679.06	594,466.33	566,354.29
Plant Operations and Maintenance	1,279,871.73	1,242,528.59	1,443,868.08	1,463,997.47	1,078,628.75	962,475.84	963,233.52	904,229.57	847,498.78
Pupil Transportation	459,206.01	456,695.93	392,358.58	342,256.82	333,550.25	266,408.53	265,910.42	227,972.46	210,620.40
Employee Benefits	3,171,078.44	3,047,740.21	2,801,585.24	3,210,600.73	3,251,156.76	2,651,605.33	2,451,211.62	2,299,868.94	2,001,008.86
Charter Schools	7,109.00	-	7,484.00						
Capital Outlay	7,768.00	8,815.24	61,367.49	340,228.07	893,685.60	9,847,737.24	3,555,080.22	477,133.59	-
Capital Outlay-Debt Service Assessment	50,056.00								
Debt Service:									
Principal	745,000.00	740,000.00	675,000.00	665,000.00	600,000.00	580,000.00	465,000.00	445,000.00	420,000.00
Interest and Other Charges	508,243.01	539,840.76	570,005.01	599,097.51	629,683.76	660,972.51	653,457.60	284,478.75	308,460.00
Total Expenditures	16,271,133.61	16,661,001.99	15,759,604.07	15,701,760.00	15,615,314.23	23,896,675.88	17,224,027.01	12,871,112.77	11,877,963.52
Excess (Deficiency) of Revenues Over (Under) Expenditures	125,430.30	92,475.45	(29,973.89)	(245,614.71)	(835,664.64)	(10,083,322.40)	(3,606,187.85)	(503,147.67)	(686,893.19)

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Changes in Fund Balances - Governmental Funds,
Last Nine Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Other Financing Sources (uses)									
Capital Leases (Non-Budgeted)			$ -	$ -	$ -	$ 29,184.00	$ 4,100.00	$ -	$ -
Bonds Proceeds								10,420,000.00	
N.J. Economic Development Authority Grants								4,617,149.00	
Transfers In	-	-	-	12,191.68	21,162.37	91,618.04	261,224.75	68,825.35	
Transfers Out	-	-	-	(12,191.68)	(21,162.37)	(91,618.04)	(261,224.75)	(85,325.35)	(19,650.00)
Total Other Financing Sources (Uses)	-	-	-	-	-	29,184.00	4,100.00	15,020,649.00	(19,650.00)
Net Change in Fund Balances	$125,430.30	$ 92,475.45	$(29,973.89)	$(245,614.71)	$(835,664.64)	$(10,054,138.40)	$ (3,602,087.85)	$ 14,517,501.33	$(706,543.19)
Debt Service as a Percentage of Noncapital Expenditures	7.71%	7.69%	7.93%	8.23%	8.35%	8.83%	8.18%	5.89%	6.13%

Source: District Records

Exhibit J-5

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

Fiscal Year Ending June 30,	Annual Totals	Tuition	Prior Year Refunds	Interest	Miscellaneous	Sale of Buildings
2002	94,572.81	18,699.94	-	42,696.64	33,176.23	-
2003	67,105.63	9,000.00	34,506.61	23,048.35	550.67	-
2004	242,869.68	39,198.76	35,868.19	15,268.12	694.61	151,840.00
2005	572,810.33	30,220.55	18,049.75	12,098.69	2,201.34	510,240.00
2006	52,672.11	14,801.00	15,514.70	11,653.02	10,703.39	-
2007	19,248.20		6,651.23	10,705.56	1,891.41	
2008	81,710.00			24,603.05	57,106.95	
2009	118,989.62			13,877.40	105,112.22	
2010	114,157.05	45,321.83		7,672.37	61,162.85	
2011	82,700.17	58,656.20	14,267.18	5,302.07	4,474.72	

Source: District Records

Exhibit J-6

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2002	$ 562,800	$ 121,082,200		$ 14,657,100	$ 3,581,600	$ 1,448,500	$ 141,332,200	$ 1,445,395	$ 142,777,595	$ 353,009,506	4.347
2003	561,300	121,311,900		14,546,300	3,581,600	1,448,500	141,449,600	1,315,414	142,765,014	385,665,969	4.545
2004	515,900	121,732,300		14,537,500	3,581,600	1,448,500	141,815,800	1,092,452	142,908,252	441,483,633	4.857
2005	534,500	123,223,800		14,420,600	3,581,575	1,448,500	143,208,975	960,563	144,169,538	506,640,015	5.237
2006	633,600	123,550,100		13,920,000	3,581,575	1,448,500	143,133,775	813,249	143,947,024	580,980,045	5.743
2007	528,200	124,002,800		13,755,800	3,669,600	1,448,500	143,404,900	646,200	144,051,100	640,684,705	6.137
2008	629,000	124,392,000		13,452,550	3,374,700	1,623,800	143,472,050	594,075	144,066,125	650,483,881	6.295
2009	508,300	124,775,150		13,701,800	3,374,700	1,623,800	143,983,750	620,077	144,603,827	724,000,200	6.395
2010	437,600	124,963,050		13,521,700	3,597,200	1,623,800	144,143,350	659,819	144,803,169	680,482,726	6.550
2011	459,900	124,839,650		14,039,300	3,136,300	1,623,800	144,098,950	672,862	144,771,812	643,137,863	6.706

Source: Municipal Tax Assessor

Exhibit J-7

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per $100 of assessed value)
Unaudited

	School District Direct Rate			Overlapping Rates		
Fiscal Year Ended December 31,	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	County	Total Direct and Overlapping Tax Rate
2002	$ 3.838	$ 0.509	$ 4.347	$ 1.933	$ 1.000	$ 7.280
2003	4.035	0.510	4.545	1.954	1.410	7.909
2004	4.347	0.510	4.857	2.016	1.117	7.990
2005	4.461	0.776	5.237	2.098	1.150	8.485
2006	4.881	0.862	5.743	2.370	1.197	9.310
2007	5.283	0.854	6.137	2.873	1.300	10.310
2008	5.418	0.877	6.295	2.992	1.441	10.728
2009	5.521	0.874	6.395	3.011	1.477	10.883
2010	5.835	0.715	6.550	3.350	1.397	11.297
2011	5.840	0.866	6.706	3.537	1.364	11.607

Source: Municipal Tax Collector

Exhibit J-8

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited

	2011		2002	
Fiscal Year Ended June 30,	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Dunellen Associates	$ 2,100,000	1.45%	$ 2,100,000	1.47%
Provident Savings Bank	404,400	0.28%	594,000	0.42%
Verizon	309,000	0.21%		0.00%
Sunrise Industries	400,000	0.28%	453,000	0.32%
Retail Development Assoc.	401,600	0.28%	401,600	0.28%
A & M Gardens, Inc.	375,000	0.26%	375,000	0.26%
UMI Enterprises	374,000	0.26%	400,000	0.28%
Friend Well Plaza	855,100	0.59%		
Valstir, LLC			300,000	0.21%
Peter J. Riccio	322,000	0.22%	322,000	0.23%
Summit Federal Savings	236,000	0.16%		0.00%
Ronald Papieo	309,000	0.21%	309,000	0.22%
Petra Heleniak	300,800	0.21%	300,800	0.21%
Sumo Real Estate Holding	300,000	0.21%		0%
Total	$ 6,686,900	4.62%	$ 5,555,400	3.89%

Source: Municipal Tax Assessor

Exhibit J-9

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	$ 10,174,271	(A)	$ 10,174,271	100.00%		$10,174,271	100.00%
2003	10,758,611	(A)	10,758,611	100.00%		10,758,611	100.00%
2004	11,416,052	(A)	11,416,082	100.00%		11,416,082	100.00%
2005	12,168,699	(A)	12,168,699	100.00%		12,168,699	100.00%
2006	13,325,754	(A)	13,325,754	100.00%		13,325,754	100.00%
2007	14,181,203	(A)	14,177,732	99.97%		14,177,732	99.97%
2008	14,799,613	(A)	14,769,428	99.79%		14,769,428	99.79%
2009	15,930,215	(A)	15,430,011	96.86%		15,856,801	99.53%
2010	7,985,521	(B)	7,775,602	97.37%	146,877	15,856,801	97.79%
2011	16,372,472	(C)	16,062,333	98.10%		16,062,333	98.10%

(A) State Fiscal Year
(B) Transition Year (July 1, 2009-December 31, 2009)
(C) Calendar Year (January 1, 2010-December 31, 2010)

Source: Municipal Tax Collector

Exhibit J-10

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

	Governmental Activities				Business-Type Activities			
Fiscal Year Ended June 30,	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District	Percentage of Personal Income	Per Capita
2002	$ -	$ -	$ -	$ -	$ -	$ -	0.00%	-
2003	6,275,000					6,275,000	3.13%	908
2004	16,250,000					16,250,000	7.88%	2,354
2005	15,785,000					15,785,000	7.44%	2,288
2006	15,205,000					15,205,000	7.01%	2,220
2007	14,605,000					14,605,000	6.50%	2,119
2008	13,940,000					13,940,000	5.95%	2,001
2009	13,265,000					13,265,000	5.41%	1,874
2010	12,525,000					12,525,000	4.96%	1,769
2011	11,780,000					11,780,000	N/A	N/A

Exhibit J-11

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding: General Obligation Bonds	General Bonded Debt Outstanding: Deductions	General Bonded Debt Outstanding: Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2002	$ -	$ -	$ -	0.00%	$ -
2003	6,275,000		6,275,000	4.40%	908
2004	16,250,000		16,250,000	11.37%	2,354
2005	15,785,000		15,785,000	10.95%	2,288
2006	15,205,000		15,205,000	10.56%	2,220
2007	14,605,000		14,605,000	10.14%	2,119
2008	13,940,000		13,940,000	9.68%	2,001
2009	13,265,000		13,265,000	9.17%	1,904
2010	12,525,000		12,525,000	8.65%	1,769
2011	11,780,000		11,780,000	8.14%	1,664

Exhibit J-12

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Direct and Overlapping Governmental Activities Debt
As of December 31, 2010
Unaudited

Net Direct Debt of School District as of December 31,2010		$ 11,780,000.00
Net Overlapping Debt of School District:		
Borough of Dunellen (100%)	$ 4,994,501.00	
County of Middlesex - Borough's share (.6088%)	3,896,126.46	
		5,059,306.85
Total Direct and Overlapping Debt as of December 31,2010		$ 16,839,306.85

Source: Borough of Dunellen Chief Financial Officer and Middlesex County Treasurer's Office

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2010

Equalized Valuation Basis	
2008	$ 709,555,143.00
2009	669,380,421.00
2010	633,875,770.00
	$ 2,012,811,334.00
Average Equalized Valuation of Taxable Property	$ 670,937,111.33
Debt Limit (4 % of $670,937,111.33)	$ 26,837,484.45
Total Net Debt Applicable to Limit	11,780,000.00
Legal Debt Margin	$ 15,057,484.45

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	$ 22,773,996.76	$ 25,665,364.43	$ 27,503,532.80	$ 27,893,497.59	$ 26,837,484.45
Total Net Debt Applicable to Limit	14,605,000.00	13,940,000.00	13,265,000.00	12,525,000.00	11,780,000.00
Legal Debt Margin	8,168,996.76	11,725,364.43	14,238,532.80	15,368,497.59	15,057,484.45
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	64.13%	54.31%	48.23%	44.90%	43.89%

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt Limit	$ -	$ 13,928,263	$ 15,453,726	$ 17,419,338	$ 20,016,759.63
Total Net Debt Applicable to Limit	NOT AVAILABLE	6,275,000	16,250,000	15,785,000	15,205,000.00
Legal Debt Margin	$ -	$ 7,653,263	$ (796,274)	$ 1,634,338	4,811,759.63
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	45.05%	105.15%	90.62%	75.96%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

Exhibit J-14

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2001	6,843	186,984,085	27,325	3.00%
2002	6,860	193,072,066	28,145	4.50%
2003	6,912	200,371,654	28,989	4.50%
2004	6,903	206,114,076	29,859	3.70%
2005	6,898	212,143,726	30,754	7.00%
2006	6,849	216,955,865	31,677	7.10%
2007	6,891	224,834,888	32,627	6.30%
2008	6,966	234,100,396	33,606	8.40%
2009	7,080	245,069,441	34,614	12.90%
2010	7,080 (E)	252,421,524	35,653	12.90%

(E) Estimate

Sources:

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

Personal income has been estimated based upon the municipal population and per capita personal income presented.

Per capita personal income by municipality estimated based upon the 2000 Census published by the U. S. Bureau of Economic Analysis.

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

Exhibit J-15

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Principal Employers
Current Year and Nine Years Ago
Unaudited

NOT AVAILABLE

Exhibit J-16

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction										
Regular				88	86	91	94	94	80	80
Special Education				18	20	16	19	19	23	23
Other Instruction				5	4	4	6	6	9.3	9.3
School Sponsored/Other Instructional				3.8	3.8	4	5	5	2	2
Support Services:										
Tuition				0	0	0	0	0	0	0
Student and Instruction Related Services				18.5	18	18	19	19	12	12
School Administrative Services				11	11	11	12	12	11.5	11.5
General and Business Administrative Services				6	6	6	6	6	2	2
Central Services									4.3	4.3
Administrative Information Technology									0.5	0.5
Plant Operations and Maintenance				2	2	2	2	2	2.5	2.5
Pupil Transportation									0.2	0.2
Special Schools										
Food Service									0.3	0.3
Child Care										
Total	N/A	N/A	N/A	152.3	150.8	152	163	163	147.6	147.6

Source: District Personnel Records

Exhibit J-17

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio: Elementary	Pupil/Teacher Ratio: Middle School	Pupil/Teacher Ratio: Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2002	1089.1	$ 9,748,049	$ 8,951	2.26%					1089.1	1,031.3	0.46%	94.69%
2003	1101.9	10,634,209	9,651	7.82%					1101.9	1,042.0	1.18%	94.56%
2004	1107.0	11,092,379	10,020	3.83%	119	20:01		18:1	1107.0	1,046.4	0.46%	94.53%
2005	1144.5	11,843,569	10,348	3.27%	110	1:21	1:19	1:19	1144.5	1,080.6	3.39%	94.42%
2006	1125.0	12,807,966	11,385	10.02%	107	1:13	1:19	1:15	1124.8	1,062.4	-1.72%	94.45%
2007	1080.0	13,491,945	12,493	9.73%	108	1:13	1:19	1:15	1076.7	1,017.1	-4.28%	94.46%
2008	1090.0	14,097,434	12,933	3.53%	110	1:13	1:19	1:15	1088.8	1,034.9	1.12%	95.05%
2009	1101.0	14,453,232	13,127	1.50%	112	1:13	1:19	1:15	1103.8	1,051.3	1.38%	95.24%
2010	1152.5	15,372,346	13,338	1.61%	108	1:10	1:13.4	1:09	1120.6	1,066.5	1.52%	95.20%
2011	1131.0	14,960,067	13,227	-0.83%	108	1:11.2	1:15.3	1:13.5	1109.4	1,056.6	-1.00%	95.20%

Source: District records

Note: Enrollment based on annual October district count.

Exhibit J-18

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

School Building Information
Last Ten Fiscal Years
Unaudited

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District Building										
Elementary										
John P. Faber										
Square Feet							77,961	77,961	77,961	77,961
Capacity (students)							610	610	610	610
Enrollment							520	523	562	560
Middle School										
Lincoln Middle School			**Not Available**							
Square Feet							26,248	26,248	26,248	26,248
Capacity (students)							301	301	301	301
Enrollment							258	273	258	260
High School										
Dunellen High School										
Square Feet							81,881	81,881	81,881	81,881
Capacity (students)							432	432	432	432
Enrollment							318	304	320	303

Number of Schools at June 30, 2010
- Elementary = 1
- Middle School = 1
- Senior High School = 1

Source: District Facilities Office

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

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

General Fund
Schedule of Required Maintenance for School Facilities
Last Ten Fiscal Years
Unaudited

Undistributed Expenditures--Required
Maintenance for School Facilities
11-000-261-xxx

*School Facility	Pending Projects (w/DOE Project #)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Dunellen High School		$ 87,163	$ 64,476	$ 79,654	$ 75,456	$ 68,408	$ 52,733	$ 65,127	$ 83,520	$ 62,712	$ 48,611
John P. Faber School		83,200	61,545	76,033	72,026	65,132	50,209	62,009	79,251	59,710	46,284
Lincoln Middle School		27,733	20,515	25,344	24,008	15,967	5,711	7,054	9,045	6,792	5,265
Total School Facilities		$ 198,096	$ 146,536	$ 181,031	$ 171,490	$ 149,507	$ 108,653	$ 134,190	$ 171,816	$ 129,214	$ 100,160

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

Source: District Records

Exhibit J-20

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

Insurance Schedule
As of June 30, 2011
Unaudited

	COVERAGE	DEDUCTIBLE
School Package Policy - N.J. School Boards Association Insurance Group		
Property - Blanket Building & Contents	$ 36,553,662.00	$ 5,000.00
Comprehensive General Liability	6,000,000.00	
Comprehensive Automotive Liability	6,000,000.00	
Comprehensive		1,000.00
Collision		1,000.00
Computer & Scheduled Equipment	1,000,000.00	
Boiler & Machinery	100,000,000.00	1,000.00
School Boards Legal Liability - N.J. School Boards	5,000,000.00	5,000.00
Workers Compensation - N.J. School Boards Assoc.		
Employers Liability Insurance		
Bodily Injury by Accident	2,000,000.00	each accident
Bodily Injury by Disease	2,000,000.00	each employee
Bodily Injury by Disease	2,000,000.00	policy limit
Flood Insurance - Selective Insurance Company		
Buildings	500,000.00	1,000.00
Contents	500,000.00	1,000.00
Faithful Performance Bond	25,000.00	500.00

Source: District Records

SINGLE AUDIT SECTION

VMA

VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-1
Sheet 1

INEDEPENDENT AUDITORS' 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
Members of the Board of Education
Borough of Dunellen School District
County of Middlesex, New Jersey

We have audited the basic financial statements of the Borough of Dunellen School District as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 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 in compliance with audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, the Borough of Dunellen School District and the New Jersey 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.

Vincent M. Montanino
Public School Accountant
License No. CS000495

Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 30, 2011

VMA

VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-2
Sheet 1

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR LETTER 04-04

The Honorable President
Members of the Board of Education
Borough of Dunellen School District
County of Middlesex, New Jersey

Compliance

We have audited the compliance of the Borough of Dunellen School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey Compliance Manual State Grants Compliance Supplement that are applicable to each of its major federal and state programs for the year ended June 30, 2011. The Borough of Dunellen School District's major federal and 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 federal and state programs is the responsibility of the Borough of Dunellen School District's management. Our responsibility is to express an opinion on Borough of Dunellen School District'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 Governmental Auditing Standards, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 04-04 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and New Jersey's OMB's Circular Letter 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 federal and state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Dunellen School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Borough of Dunellen School District's compliance with those requirements.

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In our opinion, the Board of Education of the Borough of Dunellen School District, in the County of Middlesex, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Borough of Dunellen School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Borough of Dunellen School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Dunellen School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Dunellen 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 federal and 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 federal and state program will not be prevented, or detected and corrected, on a timely basis.

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

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

Vincent M. Montanino
Public School Accountant
License No. CS000495

Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

November 30, 2011

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

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 or Grant Number	Grant Period	Award Amount	Balance July 1, 2010	Adjustments	Cash Received	BUDGETARY EXPENDITURES Disbursements	Accounts Payable	Encumbrances	Total	Repayment of Prior Years' Balances	Balance June 30, 2011 Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Treasury:														
Medicaid Reimbursement	93.778	7/1/10-6/30/11	$ 12,327.39	$ -	$ -	$ 12,327.39	$ 12,327.39	$ -	$ -	$ 12,327.39	$ -	$ -	$ -	$ -
Total U.S. Department of Treasury				-	-	12,327.39	12,327.39	-	-	12,327.39	-	-	-	-
U.S. Department of Agriculture Passed - Through State Department of Education:														
Food Distribution Program	10.550	7/1/10-6/30/11	16,982.51	1,363.27	-	16,904.73	16,982.51	-	-	16,982.51	-	-	1,285.49	-
School Breakfast Program	10.553	7/1/10-6/30/11	23,197.22			21,355.18	23,197.22			23,197.22		(1,842.04)		
School Breakfast Program	10.553	7/1/09-6/30/10	19,014.02	(1,465.76)		1,465.76				-		-		
National School Lunch Program	10.555	7/1/10-6/30/11	164,869.08	-		157,268.64	164,869.08			164,869.08		(7,600.44)	-	
National School Lunch Program	10.555	7/1/09-6/30/10	160,333.07	(9,841.20)		9,841.20	-			-		-	-	
Total U.S. Department of Agriculture				(9,943.69)		206,835.51	205,048.81			205,048.81		(9,442.48)	1,285.49	
U.S. Department of Education Passed - Through State Department of Education:														
N.C.L.B. Title I	84.010A	9/1/10-8/31/11	242,559.00			207,267.00	190,480.37		37,465.28	227,945.65		(35,292.00)	14,613.35	
N.C.L.B. Title I	84.010A	9/1/09-8/31/10	205,591.00	(14,998.56)	(6,092.44)	21,091.00				-		-		
N.C.L.B. Title I - Carryover	84.010A	9/1/10-8/31/11	6,092.44		6,092.44		6,092.44			6,092.44		-		
N.C.L.B. Title I - ARRA	84.389A	9/1/09-8/31/11	63,934.00	6,547.19		4,675.00	7,254.00		3,968.19	11,222.19		-		
N.C.L.B. Title II A	84.367A	9/1/10-8/31/11	39,214.00			35,008.00	30,717.00		6,492.47	37,209.47		(4,206.00)	2,004.53	
N.C.L.B. Title II A	84.367A	9/1/09-8/31/10	37,969.00	(8,145.00)	(892.00)	9,037.00				-		-		
N.C.L.B. Title II A - Carryover	84.367A	9/1/10-8/31/11	892.00		892.00		892.00			892.00		-		
N.C.L.B. Title II D	84.367A	9/1/10-8/31/11	509.00			509.00	509.00			509.00		-		
N.C.L.B. Title III	84.365A	9/1/10-8/31/11	17,574.00				1,523.56		10,376.95	11,900.51		(17,574.00)	5,673.49	
N.C.L.B. Title III	84.365A	9/1/09-8/31/10	14,704.00	(3,770.69)	(3,258.31)	7,029.00				-		-		
N.C.L.B. Title III - Carryover	84.365A	9/1/09-8/31/10	3,257.91		3,258.31		3,257.91			3,257.91		-	0.40	
N.C.L.B. Title IV	84.186A	9/1/09-8/31/10	3,788.00	(1,074.76)	(573.24)	1,648.00				-		-		
N.C.L.B. Title IV - Carryover	84.186A	9/1/10-8/31/11	573.24		573.24		573.24			573.24		-		
I.D.E.A. Part B, Basic	84.027A	9/1/10-8/31/11	231,986.00			231,049.00	226,380.12		3,249.14	229,629.26		(937.00)	2,356.74	
I.D.E.A. Part B, Basic - ARRA	84.391A	9/1/09-8/31/11	265,021.00	(5,397.29)		96,583.00	91,077.54		108.17	91,185.71		-		
I.D.E.A. Part B, Preschool	84.173A	9/1/10-8/31/11	7,211.00			5,769.00	5,769.00			5,769.00		(1,442.00)	1,442.00	
I.D.E.A. Part B, Preschool - ARRA	84.392A	9/1/09-8/31/11	9,555.00	(1,207.17)		7,032.00	5,811.24		13.59	5,824.83		-		
Emergency Immigrant Education	84.162A	9/1/10-8/31/11	8,267.00			2,645.00	1,422.50		5,223.83	6,646.33	-	(5,622.00)	1,620.67	
Emergency Immigrant Education	84.162A	9/1/09-8/31/10	13,563.00	(3,563.48)	-	6,978.00	3,414.52	-	-	3,414.52	-	-	-	-
Total U.S. Department of Education				(31,609.76)	-	636,320.00	575,174.44	-	66,897.62	642,072.06	-	(65,073.00)	27,711.18	-
Total Federal Financial Assistance				$ (41,553.45)	$ -	$ 855,482.90	$ 792,550.64	$ -	$ 66,897.62	$ 859,448.26	$ -	$ (74,515.48)	$ 28,996.67	$ -

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

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

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	Grant Period	Award Amount	Balance July 1, 2010	Adjustments	Cash Received	BUDGETARY EXPENDITURES Disbursements	Accounts Payable	Encumbrances	Total	Repayment of Prior Years' Balances	Balance June 30, 2011 Accounts Receivable	Deferred Revenue	Due to Grantor
State Department of Education:														
General Funds:														
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	$ 4,431,149.00	$ -	$ -	$ 3,984,202.00	$ 4,431,149.00	$ -	$ -	$ 4,431,149.00	$ -	$ (446,947.00)	$ -	$ -
Equalization Aid	10-495-034-5120-078	7/1/09-6/30/10	3,681,532.00	(442,848.60)		442,848.60				-		-		
Transportation Aid	10-495-034-5120-014	7/1/09-6/30/10	73,078.00	(4,750.10)		4,750.10				-		-		
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	251,601.00			251,601.00	251,601.00			251,601.00		-		
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	619,095.00	(61,909.50)		61,909.50				-		-		
Security Education	10-495-034-5120-084	7/1/09-6/30/10	181,974.00	(12,273.80)		12,273.80				-		-		
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	127,523.00				127,523.00			127,523.00		(127,523.00)		
Extraordinary Aid	10-100-034-5120-473	7/1/09-6/30/10	48,570.00	(48,570.00)		48,570.00				-		-		
TPAF Wage Freeze Aid		7/1/10-6/30/11	13,622.00			6,811.00	13,622.00			13,622.00		(6,811.00)		
Reimbursed TPAF Social Security Contributio	11-100-034-5095-002	7/1/10-6/30/11	486,433.61			486,513.23	486,433.61			486,433.61		-	79.62	
On-Behalf TPAF Pension Contributions	11-100-034-5095-001	7/1/10-6/30/11	455,838.00	-	-	455,838.00	455,838.00			455,838.00		-	-	
Total General Funds				(570,352.00)	-	5,755,317.23	5,766,166.61			5,766,166.61		(581,281.00)	79.62	
Special Revenue Funds:														
New Jersey Nonpublic Aid:														
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	1,535.00			1,535.00	1,535.00			1,535.00				
Auxiliary Services:														
Compensatory Education	10-100-034-5120-067	7/1/09-6/30/10	10,365.00	1,535.00						-	1,535.00	-		
Handicapped Services:												-		
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	2,232.00			2,232.00			1,116.00	1,116.00		-		1,116.00
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	3,051.00			3,051.00	1,713.00		1,338.00	3,051.00		-		
Supplementary Instruction	11-100-034-5120-066	7/1/10-6/30/11	695.00			695.00	414.00		281.00	695.00		-		
Nursing Services	11-100-034-5120-070	7/1/10-6/30/11	1,818.00	-		1,818.00	1,818.00		-	1,818.00	-	-		-
Total Special Revenue Funds				1,535.00		9,331.00	5,480.00		2,735.00	8,215.00	1,535.00	-	-	1,116.00
Debt Service Funds:														
Debt Service Aid - State Support	11-100-034-5120-017	7/1/10-6/30/11	209,143.00			209,143.00	209,143.00			209,143.00				
Total Debt Service Funds						209,143.00	209,143.00			209,143.00				
Enterprise Funds:														
State School Lunch Program	11-100-010-3350-023	7/1/10-6/30/11	5,233.52			4,974.21	5,233.52			5,233.52		(259.31)		
State School Lunch Program	10-100-010-3350-023	7/1/09-6/30/10	8,129.84	(489.30)		489.30				-		-		
State School Breakfast Program	10-100-010-3350-021	7/1/09-6/30/10	1,460.60	(110.70)		110.70	-			-		-		
				(600.00)	-	5,574.21	5,233.52	-	-	5,233.52	-	(259.31)	-	-
Total All Funds				$ (569,417.00)	$ -	$ 5,979,365.44	$ 5,986,023.13	$ -	$ 2,735.00	$ 5,988,758.13	$ 1,535.00	$ (581,540.31)	$ 79.62	$ 1,116.00

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

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Borough of Dunellen School District Board of Education. The Board of Education is defined in Note I:B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using 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 Notes I:E and Note I:F. to the Board's basic financial statements. The information in the schedules 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 the schedules 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 are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the 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 year due to the state deferral and recording of 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 June state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is $74,835.00 for the general fund and $(24,721.77) for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	$ 12,327.39	$5,841,001.61	$5,853,329.00
Special Revenue Fund	627,402.07	5,480.00	632,882.07
Debt Service Fund		209,143.00	209,143.00
Food Service Fund	205,048.81	5,233.52	210,282.33
Total Awards and Financial Assistance	$844,778.27	$6,060,858.13	$6,905,636.40

Note 4: Relationship to Federal and State Financial Reports

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

Note 5: Other

Revenues and expenditures reported under 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.

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

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

Part I – Summary of Auditor's Results

Financial Statement Section

A) Type of auditor's report issued: Unqualified

B) Internal Control over financial reporting:

1) Material weakness(es) identified? _____yes ___X__no

2) Were significant deficiencies identified that were not considered to be material weaknesses? _____yes ___X__no

C) Noncompliance material to basic financial statements noted? _____yes ___X__no

Federal Awards Section

D) Dollar threshold used to determine Type A programs $300,000.00

E) Auditee qualified as low-risk auditee? _____yes___X___no_____n/a

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

G) Internal Control over compliance:

1) Material weakness(es) identified? _____yes ___X__no

2) Were significant deficiencies identified that were not considered to be material weaknesses? _____yes ___X__no

H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510 (a))? _____yes ___X__no

I) Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027/84.391	IDEA Part B, Basic/ARRA IDEA Part B, Basic
84.173/84.392	IDEA Preschool/ARRA IDEA Preschool
84.010A/84.389A	NCLB Title I/ARRA NCLB Title I

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

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

Part I – Summary of Auditor's Results (Continued)

State Financial Assistance Section

J) Dollar threshold used to determine Type A Programs — $300,000.00

K) Auditee qualified as low-risk auditee? — X yes ____ no ____ n/a

L) Type of auditor's report on compliance for major programs. — Unqualified

M) Internal Control over compliance:

1) Material weakness(es) identified? — ____ yes X no

2) Were significant deficiencies identified that were not considered to be material weaknesses? — ____ yes X no

N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? — ____ yes X no

O) Identification of major programs:

GMIS Number(s)	Name of State Program
11-495-034-5120-078	Equalization Aid
11-100-034-5120-089	Special Education Aid
11-100-034-5095-002	Reimbursed TPAF Social Security Contribution

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

Not Applicable

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Not Applicable

BOARD OF EDUCATION
BOROUGH OF DUNELLEN

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

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

STATUS OF PRIOR YEAR FINDINGS

Not Applicable