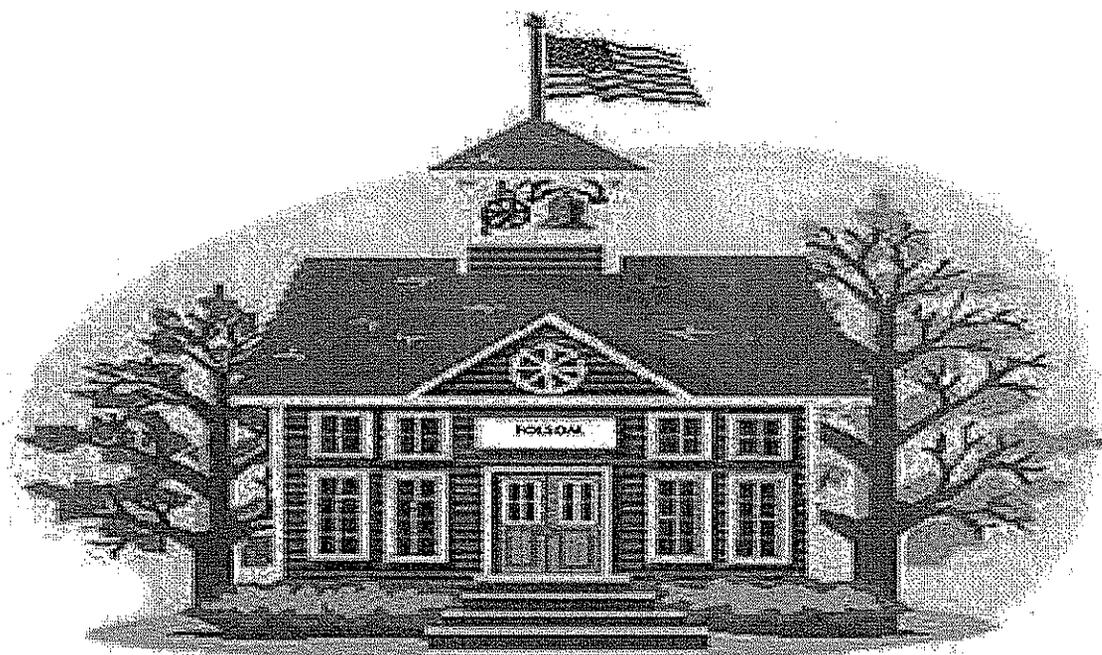


Board of Education  
Of the  
**BOROUGH OF FOLSOM**  
School District

County of Atlantic  
Folsom, New Jersey



Our mission at Folsom School is to serve the unique academic, physical, social, and emotional needs of all students, in a safe, supportive, and caring environment. Folsom staff members are committed to working with parents and community partners to provide the necessary supports to ensure that all children achieve the New Jersey Core Curriculum Content Standards, thus developing the needed skills to function responsibly in our global society. We strive to foster our students' exploration, creativity, and self-determination to help develop a lifelong love of learning.

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For The Fiscal Year Ended June 30, 2011**

**BOARD OF EDUCATION  
OF THE  
BOROUGH OF FOLSOM  
SCHOOL DISTRICT**

**County of Atlantic  
Folsom, New Jersey**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For The Fiscal Year Ended June 30, 2011**

# BOROUGH OF FOLSOM SCHOOL DISTRICT

## Table of Contents

PAGE

### INTRODUCTORY SECTION

Letter of Transmittal	1 - 5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8

### FINANCIAL SECTION

Independent Auditors' Report	9 - 10
------------------------------	--------

#### Required Supplementary Information - Part I

Management's Discussion and Analysis	11 - 16
--------------------------------------	---------

#### Basic Financial Statements

##### A District-Wide Financial Statements

A-1	Statement of Net Assets	17
A-2	Statement of Activities	18

##### B Fund Financial Statements

###### Governmental Funds

B-1	Balance Sheet	19
B-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	20
B-3	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21

###### PROPRIETARY FUNDS

B-4	Statement of Net Assets	22
B-5	Statement of Revenues, Expenses, and Changes in Fund Net Assets	23
B-6	Statement of Cash Flows	24

###### FIDUCIARY FUNDS

B-7	Statement of Fiduciary Net Assets	25
B-8	Statement of Changes in Fiduciary Net Assets	26

Notes to the Financial Statements	27 - 45
-----------------------------------	---------

# BOROUGH OF FOLSOM SCHOOL DISTRICT

## Table of Contents (Continued)

PAGE

### Required Supplementary Information - Part II

#### C Budgetary Comparison Schedules

C-1	Budgetary Comparison Schedule - General Fund	46 - 56
C-1a	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b	Budgetary Comparison Schedule - General Fund - Education Jobs Fund 18	N/A
C-2	Budgetary Comparison Schedule - Special Revenue Fund	57

### Notes to the Required Supplementary Information

C-3	Budget to GAAP Reconciliation	58
-----	-------------------------------	----

### Other Supplementary Information

#### D School Based Budget Schedules

D-1	Combining Balance Sheet	N/A
D-2	Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual	N/A
D-3	Blended Resource Fund - Schedule of Blended Expenditures Budget and Actual	N/A

#### E Special Revenue Fund

E-1	Combining Schedule of Program Revenues and Expenditures Special Revenue Fund - Budgetary Basis	59 - 60
E-2	Schedule(s) of Preschool Education Aid Expenditures - Preschool - All Programs - Budgetary Basis	61

#### F Capital Projects Fund

F-1	Summary Schedule of Project Expenditures	N/A
F-2	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	N/A
F-2a	Schedule(s) of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	N/A

#### G Proprietary Funds

##### Enterprise Fund

G-1	Combining Statement of Net Assets	62
G-2	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	63
G-3	Combining Statement of Cash Flows	64

##### Internal Service Fund

G-4	Combining Statement of Net Assets	N/A
G-5	Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
G-6	Combining Statement of Cash Flows	N/A

# BOROUGH OF FOLSOM SCHOOL DISTRICT

## Table of Contents (Continued)

PAGE

### H Fiduciary Funds

H-1	Combining Statement of Fiduciary Net Assets	65
H-2	Combining Statement of Changes in Fiduciary Net Assets	66
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	67
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	68

### I Long-Term Debt

I-1	Schedule of Serial Bonds	69
I-2	Schedule of Obligations Under Capital Lease	N/A
I-3	Debt Service Fund Budgetary Comparison Schedule	70

## STATISTICAL SECTION (Unaudited)

<b>Introduction to the Statistical Section</b>	<b>71</b>
--	-----------

### Financial Trends

J-1	Net Assets by Component	72
J-2	Changes in Net Assets	73 - 75
J-3	Fund Balances - Governmental Funds	76
J-4	Changes in Fund Balances - Governmental Funds	77
J-5	General Fund Other Local Revenue by Source	78

### Revenue Capacity

J-6	Assessed Value and Estimated Actual Value of Taxable Property	79
J-7	Direct and Overlapping Property Tax Rates	80
J-8	Principal Property Taxpayers	81
J-9	Property Tax Levies and Collections	82

### Debt Capacity

J-10	Ratios of Outstanding Debt by Type	83
J-11	Ratios of General Bonded Debt Outstanding	84
J-12	Direct and Overlapping Governmental Activities Debt	85
J-13	Legal Debt Margin Information	86

### Demographic and Economic Information

J-14	Demographic and Economic Statistics	87
J-15	Principal Employers	88

### Operating Information

J-16	Full-Time Equivalent District Employees by Function/Program	89
J-17	Operating Statistics	90
J-18	School Building Information	91
J-19	Schedule of Allowable Maintenance Expenditures by School Facility	92
J-20	Insurance Schedule	93

**BOROUGH OF FOLSOM SCHOOL DISTRICT**

**Table of Contents (Continued)**

	<b>PAGE</b>	
<b>SINGLE AUDIT SECTION</b>		
K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	94 - 95
K-2	Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04	96 - 97
K-3	Schedule of Expenditures of Federal Awards - Schedule A	98
K-4	Schedule of Expenditures of State Financial Assistance - Schedule B	99
K-5	Notes to the Schedules of Awards and Financial Assistance	100 - 101
K-6	Schedule of Findings and Questioned Costs	102 - 104
K-7	Summary Schedule of Prior Audit Findings	105

## INTRODUCTORY SECTION

# FOLSOM BOARD OF EDUCATION

1357 Mays Landing Road  
Folsom, New Jersey 08037

October 3, 2011

Honorable President and  
Members of the Board of Education  
Borough of Folsom School District  
County of Atlantic  
Folsom, New Jersey

The comprehensive annual financial report of the Borough of Folsom School District (District) for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds. 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:

- The Introductory Section includes this transmittal letter, the District's organizational chart and a roster of officials.
- The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the District's financial position and operating results, and other schedules providing detailed budgetary information.
- The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.
- The Single Audit Section in which the District is required to undergo an annual single audit in conformity with the Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations", and State of New Jersey OMB's Circular 04-04, "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**

The District is an independent reporting entity within the criteria adopted by the Governmental Standards Board (GASB) as established by NCGA Statement No. 3. All funds of the District are included in this report. The Borough of Folsom Board of Education and all its schools constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, as well as special education for students with disabilities. The District completed the 2010-2011 fiscal year with an enrollment of 403 students. The following charts the student enrollment of the District over the last nine years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Increase/(Decrease)</u>
2010-2011	403	1.0%
2009-2010	399	(1.9%)
2008-2009	407	(2.4%)
2007-2008	417	6.5%
2006-2007	391	(2.9%)
2005-2006	403	6.9%
2004-2005	377	9.6%
2003-2004	344	6.5%
2002-2003	323	9.3%

### **2) ECONOMIC CONDITION AND OUTLOOK**

The current economic condition of the District is stable due to the state aid revenue generated by the Interdistrict Public School Choice program. For the 2010-2011 school years, the District had a total of 183 students enrolled in the Choice Program.

Resident enrollment growth is not expected to increase due to limitations on growth in the Borough of Folsom influenced by restrictions of the NJ Pinelands Protection Act. Also enrollment is now full for Choice students in all grade levels except for future students enrolling in Grade K.

### **3) MAJOR INITIATIVES**

Technology – The District has continued to purchase and install upgraded hardware and software, in accordance with the adopted Technology Plan. Various programs, including Accelerated Reader, Real Time Student Data Systems, Oncourse (lesson plans and webpages), and Connect-ED (automated calling) have been maintained. The use of Smart Boards is integral to the curriculum. The use of Smart Projectors, Study Island and PD 360 in all classrooms is integral to the curriculum.

Curriculum – the District inserviced instructional staff over the summer on PD360, an online professional development tool. Instructional staff also received professional development for our new science program, Interactive Science. Professional Development was also provided for the first and second grade teachers in the Foundation program. The math curriculum, grades K-2, was revised to reflect the new Common Core Standards. Curriculum maps for the new science program were created and aligned with the 2009 New Jersey Core Curriculum Content Standards.

Programs – All regular and extracurricular programs were maintained.

Community Outreach – The community continues to strongly support our School Choice program, and are active participants in all evening programs, including our concerts, the school play, Back to School Night, Field Day, Career Day, and International Day. Additionally, the school offers support to the community by presenting programs on Internet Safety, Drug and Gang Awareness, and in distributing bike safety helmets and holiday baskets, as well as personal items for our troops overseas.

#### **4) INTERNAL ACCOUNTING CONTROLS**

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

As a recipient of federal awards and state financial assistance, the District also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control 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 internal control, including that portion related to federal awards and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

## **5) BUDGETARY CONTROLS**

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

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

## **6) ACCOUNTING SYSTEM AND REPORTS**

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

## **7) CASH MANAGEMENT**

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

## **8) RISK MANAGEMENT**

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

## **9) OTHER INFORMATION**

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Preziosi Nicholson & Associates, PA 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 and the related OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations", and State of New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

## **10) ACKNOWLEDGMENTS**

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

Respectfully submitted,

***Robert A. Garguilo***

Robert A. Garguilo  
Superintendent

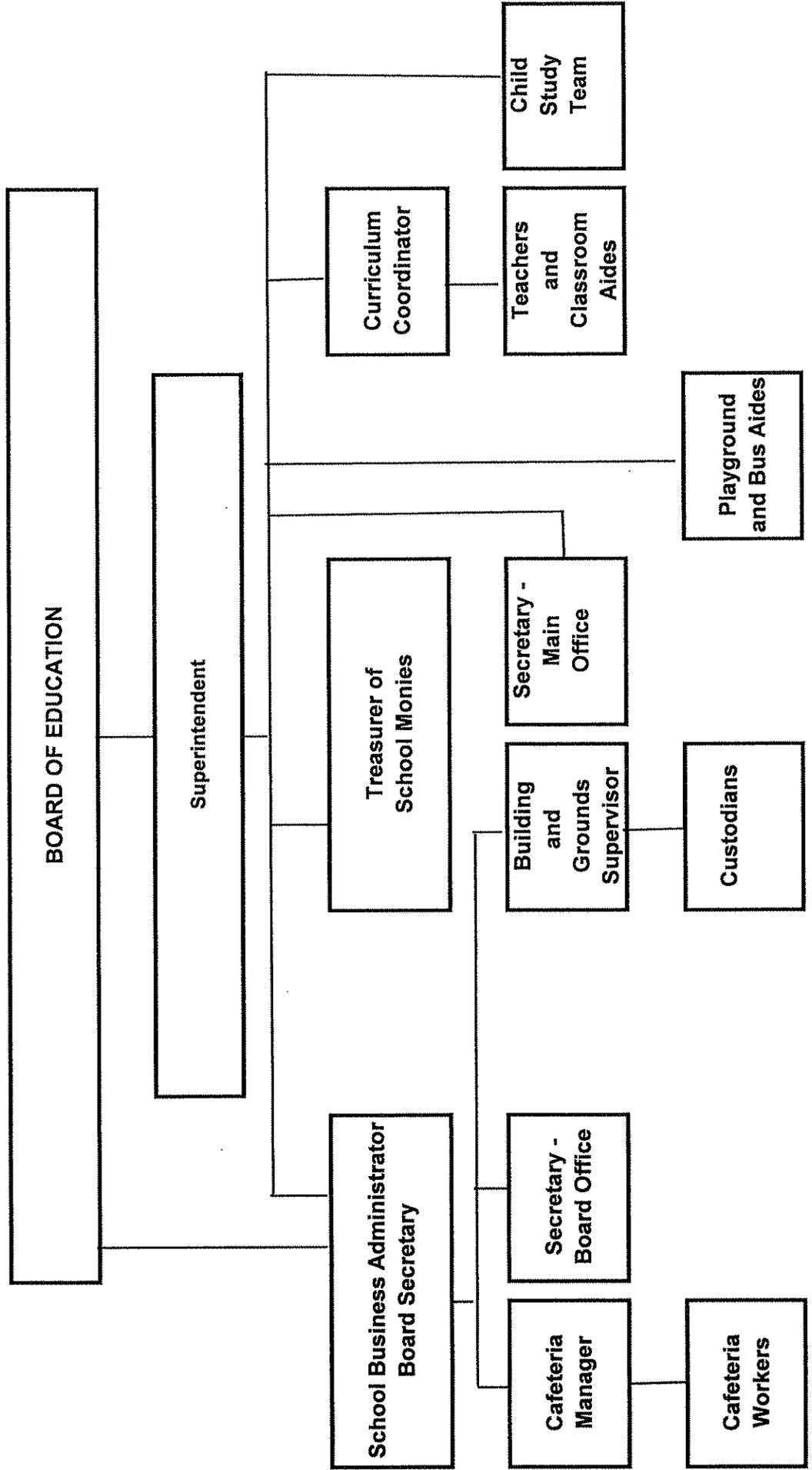
*Orlando L. Chandler*

Orlando L. Chandler  
Business Administrator/Board Secretary

**BOROUGH OF FOLSOM SCHOOL DISTRICT**

County of Atlantic  
Folsom, New Jersey

**ORGANIZATIONAL CHART**



**BOROUGH OF FOLSOM SCHOOL DISTRICT**

**County of Atlantic  
Folsom, New Jersey**

**ROSTER OF OFFICIALS**

**June 30, 2011**

<b>Members of the Board of Education</b>		<b>Term Expires</b>
Margaret Veneziani	President	2013
Louis J. DeStefano	Vice-President	2012
Glenn A. Smith	Board Member	2014
Charles Arena	Board Member	2014
James Hoffman	Board Member	2014
Lisa O'Toole	Board Member	2012
Debra Levey	Board Member	2013

**Other Officials**

Robert A. Garguilo	Superintendent
Orlando L. Chandler	Business Administrator/Board Secretary
Beverly Mateo	Treasurer

**BOROUGH OF FOLSOM SCHOOL DISTRICT**

**Consultants and Advisors**

**Attorney**

William Cappuccio, Esquire  
PO Box 107  
Hammonton, New Jersey 08037

**Audit Firm**

James M. Preziosi, MS, CPA, PSA  
Preziosi Nicholson & Associates, P.A.  
Certified Public Accountants  
1101 Wheaton Avenue  
Suite 100  
Millville, New Jersey 08332

**Official Depository**

Bank of America  
209 Bellevue Avenue  
Hammonton, New Jersey 08037

**Risk Management Consultant**

D'Agostino Agency  
105 N. White Horse Pike  
Hammonton, New Jersey 08037

## **FINANCIAL SECTION**

# PREZIOSI • NICHOLSON

& ASSOCIATES PA

---

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Honorable President and  
Members of the Board of Education  
Borough of the Folsom School District  
County of Atlantic  
Folsom, New Jersey

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2011 on our consideration of the Borough of Folsom School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

The accompanying 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 State of New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PREZIOSI • NICHOLSON & ASSOCIATES**  
Certified Public Accountants



James M. Preziosi  
Certified Public Accountant  
Public School Accountant No. CS 01141

October 3, 2011  
Millville, NJ

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

## FOLSOM BOARD OF EDUCATION

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (UNAUDITED)

This section of the Folsom Board of Education School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

#### FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- Net Assets for Governmental and Business-Type activities were \$7,278,519 and \$191,926, respectively.
- Net Assets for both activities increased by \$398,091.
- The General Fund, fund balance as of June 30, 2011 was \$1,618,393 a decrease of 47,096 when compared with the beginning balance as of July 1, 2010 of \$1,665,489.
- The District's outstanding debt at June 30, 2011 is \$2,326,000.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Independent Auditor's Report, Required Supplementary Information, the Basic Financial Statements, and Supplementary Information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as food service.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the statement and provide more detailed data.

# FOLSOM BOARD OF EDUCATION

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (UNAUDITED)

### District-Wide Financial Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*. The district-wide financial statements include the *Governmental Activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. The School District uses many funds to account for a multitude of financial transactions. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

The District has the following kinds of funds:

- *Governmental Funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary Funds* - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- *Fiduciary Funds* - The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

# FOLSOM BOARD OF EDUCATION

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (UNAUDITED)

### DISTRICT-WIDE FINANCIAL ANALYSIS

#### Net Assets

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities 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 difference between the District's assets and liabilities is its net assets.

Net Assets	Governmental Activities		Business-Type Activities	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Assets</b>				
Current and Other Assets	\$ 1,832,093	\$ 1,834,860	\$ 95,080	\$ 61,926
Capital Assets; net	<u>8,142,176</u>	<u>7,868,926</u>	<u>111,406</u>	<u>114,219</u>
Total Assets	<u>9,974,269</u>	<u>9,703,786</u>	<u>206,486</u>	<u>176,145</u>
<b>Liabilities</b>				
Current Liabilities	234,264	192,267	14,561	15,875
Long-Term Liabilities	<u>2,461,487</u>	<u>2,599,437</u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>2,695,751</u>	<u>2,791,704</u>	<u>14,561</u>	<u>15,875</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Debt	5,816,175	5,238,266	111,406	114,219
Restricted	1,907,813	1,974,589	<u>                    </u>	<u>                    </u>
Unrestricted	<u>(445,470)</u>	<u>(300,773)</u>	<u>80,519</u>	<u>46,051</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 7,278,518</u></u>	<u><u>\$ 6,912,082</u></u>	<u><u>\$ 191,925</u></u>	<u><u>\$ 160,270</u></u>

# FOLSOM BOARD OF EDUCATION

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (UNAUDITED)

The key elements to the increase (decrease) in the District's net assets are detailed in the Change in Net Assets.

CHANGE IN NET ASSETS	Governmental Activities		Business-Type Activities	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Program Revenues				
Charges for Services	\$ -	\$ -	\$ 106,518	\$ 100,032
Grants and Contributions	307,113	454,443	82,768	95,059
General Revenues				
Property Taxes	1,708,638	1,657,919		
Grants and Entitlements	5,267,050	4,426,270		
Other	<u>55,719</u>	<u>67,084</u>	<u>6</u>	<u>8</u>
Total Revenues	<u>7,338,520</u>	<u>6,605,716</u>	<u>189,292</u>	<u>195,099</u>
Program Expenses				
Instruction	2,929,168	2,744,930		
Support Services	3,678,064	3,316,803		
Unallocated Depreciation	226,859	211,556		
Interest on Debt	101,974	109,908		
Debt Service Assessment	36,018			
Food Service			<u>157,637</u>	<u>182,553</u>
Total Expenses	<u>6,972,083</u>	<u>6,383,197</u>	<u>157,637</u>	<u>182,553</u>
Change in Net Assets	366,437	222,519	31,655	12,546
Transfers				
Net Assets, July 1	<u>6,912,082</u>	<u>6,689,563</u>	<u>160,271</u>	<u>147,725</u>
Net Assets, June 30	<u>\$ 7,278,519</u>	<u>\$ 6,912,082</u>	<u>\$ 191,926</u>	<u>\$ 160,271</u>

## FOLSOM BOARD OF EDUCATION

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (UNAUDITED)

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in the governmental funds which are accounted for by using the modified accrual basis of accounting. As of the end of the current fiscal year, the District's governmental funds reported combining ending fund balances of:

	June 30, 2011	June 30, 2010	Change
Restricted			
Capital Reserve	\$ 5,303	\$ 5,303	\$
Maintenance	330,387	330,387	
Emergency	250,000	250,000	
Debt Service	1	1	
Excess Surplus	1,127,574	1,083,821	43,753
Assigned			
Encumbrances	130,290	305,079	( 174,789)
State Aid	64,259		64,259
Unassigned			
General Fund	( 289,420)	( 309,101)	19,681
<b>Total</b>	<b>\$ 1,618,394</b>	<b>\$ 1,665,490</b>	<b>(\$ 47,096)</b>

#### GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

	Original	Revised	Expended
General Fund	\$ 7,230,328	\$ 7,535,406	\$ 6,510,388
On-Behalf Non-Budgeted			
TPAF Pension Contribution			149,036
TPAF Social Security			174,772
	<b>\$ 7,230,328</b>	<b>\$ 7,535,406</b>	<b>\$ 6,834,196</b>

## FOLSOM BOARD OF EDUCATION

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (UNAUDITED)

#### Revenues

The General Fund proposed budget, estimated revenues at \$6,375,303. Actual revenues, not including on-behalf contributions for Pension and Social Security, were \$6,443,611.

#### Expenditures

The General Fund adopted expenditures were budgeted at \$7,230,328. Actual expenditures, not including on-behalf contributions for Pension and Social Security, were \$6,510,388.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal year 2011, the School District had \$11,357,363 invested in land, building, furniture and equipment. Cost of capital assets increased by \$500,109 from fiscal year 2010 to fiscal year 2011. For more detailed information, please refer to the Notes to the Financial Statements.

#### **Debt Administration**

At the end of fiscal year 2011, the School District had \$2,461,487 of outstanding debt. Of this amount, \$135,487 is for compensated absences and \$2,326,000 is for general obligation bonds.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a summary of the financial condition of School District. Questions concerning any of the information provided in this report should be addressed to:

School Business Administrator/Board Secretary  
Borough of Folsom School District  
1357 Mays Landing Road  
Folsom, NJ 08037  
609.561.8666

## **BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

## BOROUGH OF FOLSOM SCHOOL DISTRICT

Statement of Net Assets  
June 30, 2011

See Accompanying Notes to the Basic Financial Statements

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 968,611.12	\$ 87,731.95	\$ 1,056,343.07
Accounts Receivable			
Interfunds Receivable	8,619.39		8,619.39
State of New Jersey	86,288.98	145.14	86,434.12
Federal Government	75,692.00	5,075.82	80,767.82
Refunds	104,955.16		104,955.16
Other	2,236.56		2,236.56
Inventory		2,127.64	2,127.64
Restricted Assets			
Cash Reserve Accounts	585,690.65		585,690.65
Capital Assets, Net	<u>8,142,175.57</u>	<u>111,406.25</u>	<u>8,253,581.82</u>
<b>Total Assets</b>	<u>9,974,269.43</u>	<u>206,486.80</u>	<u>10,180,756.23</u>
<b>LIABILITIES</b>			
Liabilities			
Accounts Payable	138,007.68	3,964.22	141,971.90
Accrued Interest Payable	20,564.06		20,564.06
Interfunds Payable	75,692.00	10,596.98	86,288.98
Noncurrent Liabilities			
Due Within One Year	150,000.00		150,000.00
Due Beyond One Year	<u>2,311,486.83</u>		<u>2,311,486.83</u>
<b>Total Liabilities</b>	<u>2,695,750.57</u>	<u>14,561.20</u>	<u>2,710,311.77</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,816,175.57	111,406.25	5,927,581.82
Restricted For			
Debt Service	1.29		1.29
Other Purposes	1,907,812.89		1,907,812.89
Unrestricted	<u>(445,470.89)</u>	<u>80,519.35</u>	<u>(364,951.54)</u>
<b>Total Net Assets</b>	<u>\$ 7,278,518.86</u>	<u>\$ 191,925.60</u>	<u>\$ 7,470,444.46</u>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Statement of Activities**  
 For The Fiscal Year Ended June 30, 2011

See Accompanying Notes to the Basic Financial Statements

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>Governmental Activities</b>					
Instruction	\$ 2,458,408.59	\$ -	\$ 468,786.04	\$ -	\$ (1,989,622.55)
Regular	411,681.51		284,457.30		(127,224.21)
Special Education	27,508.29				(27,508.29)
School Sponsored Activities	31,570.02				(31,570.02)
Other Special					
Support Services					
Tuition	1,560,743.72				(1,560,743.72)
Student and Instruction	874,874.03		101,546.79		(773,327.24)
General Administration	158,954.61		12,559.91		(146,394.70)
School Administrative	196,148.04		15,498.78		(180,649.26)
Central Services	118,930.94				(118,930.94)
Administrative Information Technology					
Plant Operations and Maintenance	426,050.01		870.00		(426,050.01)
Pupil Transportation	342,362.73				(341,492.73)
Other Support Services					
Transfer to Charter School					
Interest on Long-Term Debt	101,974.16		101,974.16		(36,017.96)
Debt Service Assessment	36,017.96				(226,859.08)
Unallocated Depreciation	226,859.08				
<b>Total Governmental Activities</b>	<b>6,972,083.68</b>	<b>-</b>	<b>985,692.98</b>	<b>-</b>	<b>(5,986,390.70)</b>
<b>Business-Type Activities</b>					
Food Service	157,636.59	106,517.58	82,767.77		31,648.76
<b>Total Business-Type Activities</b>	<b>157,636.59</b>	<b>106,517.58</b>	<b>82,767.77</b>	<b>-</b>	<b>31,648.76</b>
<b>Total Primary Government</b>	<b>\$ 7,129,720.27</b>	<b>\$ 106,517.58</b>	<b>\$ 1,068,460.75</b>	<b>\$ -</b>	<b>(5,954,741.94)</b>
<b>General Revenues</b>					
Tax Levy					1,606,663.84
Unrestricted Federal and State Aid					4,690,444.00
Investment Earnings				6.32	260.75
Tuition					53,200.00
Other Income					2,264.95
<b>Total General Revenues And Transfers</b>				<b>6.32</b>	<b>6,352,827.22</b>
<b>Change in Net Assets</b>				<b>31,655.08</b>	<b>398,091.60</b>
<b>Net Assets, July 1</b>				<b>160,270.52</b>	<b>7,072,352.86</b>
<b>Net Assets, June 30</b>				<b>\$ 191,925.60</b>	<b>\$ 7,470,444.46</b>

## FUND FINANCIAL STATEMENTS

**GOVERNMENTAL FUNDS**

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

See Accompanying Notes to the Basic Financial Statements

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 968,609.83	\$ -	\$ -	\$ 1.29	\$ 968,611.12
Accounts Receivable					
Interfunds Receivable	86,288.98				86,288.98
State of New Jersey	8,619.39				8,619.39
Federal Government		75,692.00			75,692.00
Refunds Receivable	104,955.16				104,955.16
Other	2,236.56				2,236.56
Restricted Cash and Cash Equivalents	585,690.65				585,690.65
<b>Total Assets</b>	<b>\$ 1,756,400.57</b>	<b>\$ 75,692.00</b>	<b>\$ -</b>	<b>\$ 1.29</b>	<b>\$ 1,832,093.86</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 138,007.68	\$ -	\$ -	\$ -	\$ 138,007.68
Interfunds Payable		75,692.00			75,692.00
<b>Total Liabilities</b>	<b>138,007.68</b>	<b>75,692.00</b>	<b>-</b>	<b>-</b>	<b>213,699.68</b>
<b>FUNDS BALANCES</b>					
<b>Restricted</b>					
Emergency Reserve	250,000.00				250,000.00
Capital Reserve	5,303.15				5,303.15
Maintenance Reserve	330,387.50				330,387.50
<b>Excess Surplus</b>					
Designated for Subsequent Year	228,756.00				228,756.00
Current Year	898,817.58				898,817.58
Debt Service Fund				1.29	1.29
<b>Assigned</b>					
Other Purposes	194,548.66				194,548.66
Unassigned	(289,420.00)				(289,420.00)
<b>Total Fund Balance</b>	<b>1,618,392.89</b>	<b>-</b>	<b>-</b>	<b>1.29</b>	<b>1,618,394.18</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,756,400.57</b>	<b>\$ 75,692.00</b>	<b>\$ -</b>	<b>\$ 1.29</b>	<b>\$ 1,832,093.86</b>

Total Governmental Fund Balances **\$ 1,618,394.18**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds and consist of:

Cost of Capital Assets	11,232,362.94
Accumulated Depreciation	(3,090,187.37)

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. Long-Term liabilities consist of:

Accrued Interest	(20,564.06)
Bond Payable	(2,326,000.00)
Compensated Absences Payable	(135,486.83)

Total Net Assets - Governmental Activities **\$ 7,278,518.86**

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenses and Changes in Fund Balances**  
**For The Fiscal Year Ended June 30, 2011**

See Accompanying Notes to the Basic Financial Statements

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 1,464,331.00	\$ -	\$ -	\$ 244,307.00	\$ 1,708,638.00
Tuition Charges	53,200.00				53,200.00
Interest Earned	254.43				254.43
Miscellaneous	2,264.95				2,264.95
	<u>1,520,050.38</u>	-	-	244,307.00	1,764,357.38
Federal Sources		237,771.17			237,771.17
State Sources	5,267,049.65	69,342.00			5,336,391.65
<b>Total Revenues</b>	<u>6,787,100.03</u>	<u>307,113.17</u>	-	244,307.00	7,338,520.20
<b>EXPENDITURES</b>					
Current					
Regular Instruction	1,566,261.21	274,695.17			1,840,956.38
Special Education Instruction	308,541.20				308,541.20
School Sponsored Activities	27,508.29				27,508.29
Other Instruction	31,570.02				31,570.02
Support Services					
Tuition	1,560,743.72				1,560,743.72
Student and Instruction	623,270.15	32,418.00			655,688.15
General Administration	119,131.04				119,131.04
School Administrative	147,006.24				147,006.24
Central Services	118,930.94				118,930.94
Administrative Information Technology					-
Plant Operations and Maintenance	426,050.01				426,050.01
Pupil Transportation	342,362.73				342,362.73
Other Support Services					-
Employee Benefits	1,026,693.33				1,026,693.33
Transfer to Charter School					-
Debt Service					
Principal				140,000.00	140,000.00
Interest				104,307.50	104,307.50
Capital Outlay	536,126.78				536,126.78
<b>Total Expenditures</b>	<u>6,834,195.66</u>	<u>307,113.17</u>	-	244,307.50	7,385,616.33
Excess (Deficiency) of Revenues Over Expenditures	(47,095.63)	-	-	(0.50)	(47,096.13)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In					-
Transfers Out					-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-	-
<b>Net Changes in Fund Balance</b>	(47,095.63)	-	-	(0.50)	(47,096.13)
Fund Balance, July 1	1,665,488.52	-	-	1.79	1,665,490.31
<b>Fund Balance, June 30</b>	<u>\$ 1,618,392.89</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1.29</u>	<u>\$ 1,618,394.18</u>

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

See Accompanying Notes to the Basic Financial Statements

Total Net Change in Fund Balances - Governmental Funds	(B-2)	\$ (47,096.13)
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>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 current fiscal year.</p>		
Depreciation Expense		(226,859.08)
Capital Outlays		536,126.78
Debt Service Assessment Charged to Capital Outlay		(36,017.96)
<p>Repayment of bond principle 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.</p>		
Repayments of Debt		140,000.00
<p>In the Statement of Activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid).</p>		
(Increase) Decrease in Accrued Compensated Absences		(2,050.43)
<p>In the Statement of Activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due.</p>		
(Increase) Decrease in Accrued Interest		2,333.34
Change in Net Assets of Governmental Activities		\$ 366,436.52

## **PROPRIETARY FUNDS**

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

See Accompanying Notes to the Basic Financial Statements

	<u>Enterprise Fund</u> <u>Food Service</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 87,731.95
Accounts Receivable	
State of New Jersey	145.14
Federal Government	5,075.82
Inventories	<u>2,127.64</u>
Total Current Assets	<u>95,080.55</u>
Noncurrent Assets	
Equipment	125,000.00
Less: Accumulated Depreciation	<u>13,593.75</u>
Total Noncurrent Assets	<u>111,406.25</u>
Total Assets	<u>206,486.80</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	3,964.22
Interfunds Payable	<u>10,596.98</u>
Total Current Liabilities	<u>14,561.20</u>
<b>NET ASSETS</b>	
Invested in Capital Assets Net of Related Debt	111,406.25
Unrestricted	<u>80,519.35</u>
Total Net Assets	<u>\$ 191,925.60</u>

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

See Accompanying Notes to the Basic Financial Statements

	<u>Enterprise Fund Food Service</u>
<b>OPERATING REVENUES</b>	
Charges For Services	
Daily Sales	
Reimbursable Programs	\$ 73,105.05
Non-Reimbursable Programs	<u>33,412.53</u>
Total Operating Revenue	<u>106,517.58</u>
<b>OPERATING EXPENSES</b>	
Cost of Sales	70,273.41
Salaries	58,694.20
Employee Benefits	21,609.72
General Supplies	278.75
Depreciation	2,812.50
Other	<u>3,968.01</u>
Total Operating Expenses	<u>157,636.59</u>
Operating Income (Loss)	<u>(51,119.01)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Sources	
State School Lunch and Breakfast Program	1,830.87
Federal Sources	
National School Lunch and Breakfast Program	71,220.56
Food Distribution Program	9,716.34
Interest on Investments	<u>6.32</u>
Total Nonoperating Revenues (Expenses)	<u>82,774.09</u>
Income (Loss) Before Contributions and Transfers	31,655.08
Capital Contributions	
Transfers In/(Out)	<u>                    </u>
Change in Net Assets	31,655.08
Net Assets, July 1	<u>160,270.52</u>
Net Assets, June 30	<u><u>\$ 191,925.60</u></u>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2011**

See Accompanying Notes to the Basic Financial Statements

	Enterprise Fund Food Service
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts From Customers and Other Funds	\$ 106,517.58
Payments to Employees	(80,303.92)
Payments to Suppliers	(77,736.01)
	(51,522.35)
<b>Net Cash Provided By (Used In) Operating Activities</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Sources	2,176.55
Federal Sources	83,083.25
Operating Subsidies and Transfers	2,522.82
	87,782.62
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	-
	-
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	6.32
	6.32
<b>Net Cash Provided By (Used In) Investing Activities</b>	
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	36,266.59
<b>Cash and Cash Equivalents, July 1</b>	51,465.36
<b>Cash and Cash Equivalents, June 30</b>	\$ 87,731.95
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</b>	
Operating Income (Loss)	\$ (51,119.01)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Depreciation	2,812.50
(Increase) Decrease	
Accounts Receivable	
Inventories	620.54
Other Current Assets	
Increase (Decrease)	
Accounts Payable	
Accrued Expenses	(3,836.38)
	(51,522.35)
<b>Net Cash Provided By (Used In) Operating Activities</b>	\$ (51,522.35)

## FIDUCIARY FUNDS

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

See Accompanying Notes to the Basic Financial Statements

	Unemployment Compensation Trust	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 24,751.60	\$ 23,431.78
Interfunds Receivable	593.22	
Total Assets	25,344.82	23,431.78
<b>LIABILITIES</b>		
Payroll Deductions Due to Student Groups		23,431.78
Total Liabilities	-	23,431.78
<b>NET ASSETS</b>		
Held in Trust	25,344.82	
Total Net Assets	\$ 25,344.82	\$ -

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

See Accompanying Notes to the Basic Financial Statements

	<u>Unemployment Compensation Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 7,748.31
Total Contributions	<u>7,748.31</u>
Investment Earnings	
Interest	<u>2.63</u>
Total Investment Earnings	<u>2.63</u>
Total Additions	<u>7,750.94</u>
<b>DEDUCTIONS</b>	
Quaretrly Contribution Reports	3,898.88
Unemployment Claims	<u>2,410.50</u>
Total Deductions	<u>6,309.38</u>
Change in Net Assets	1,441.56
Net Assets, July 1	<u>23,903.26</u>
Net Assets, June 30	<u><u>\$ 25,344.82</u></u>

## **NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Reporting Entity** – The Borough of Folsom School District (hereafter referred to as the "District") is a Type II district located in the County of Atlantic, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three year terms. The purpose of the District is to educate students in grades K-8.

The primary criterion for including activities within the School 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 School 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. 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 included in any other reporting entity on the basis of such criteria.

**Component Units** – GASB Statement No. 14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. There are no organizations that are considered component units.

**Basis of Presentation**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities, and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described in this Note.

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

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

**Government-Wide Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities and for the business-type activities of the District. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. The policy of the District is to not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a single column. The fiduciary fund is reported by type. The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Types**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds.

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

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes other than debt service or capital projects.

**Capital Projects Fund** - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned expenditures for capital outlays, including acquisition or construction of capital facilities and other capital assets. The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

**Debt Service Fund** - The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Proprietary Fund Types**

Proprietary Funds are used to account for and report for the District's ongoing activities, which are similar to those found in the private sector.

**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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net asset) is segregated into investment in capital assets, net of related debt, and unrestricted net assets, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives the straight-line method. The estimated useful lives are as follows:

Equipment	5-12 Years
Light Trucks and Vehicles	4-10 Years
Heavy Trucks and Vehicles	6-10 Years

**Fiduciary Fund Types**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus**

**Government-Wide Financial Statements** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

**Fund Financial Statements** - All government funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Government fund financial statements, therefore, include reconciliation with brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All Assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are reported using the economic resources measurement focus.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditure.

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

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

**Revenues – Exchange and Nonexchange Transactions (Continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Ad Valorem (Property) Taxes are susceptible to accrual, as under New Jersey State Statute a municipality is required to remit to its District the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**Expenses/Expenditures** – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgets and Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C.6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C.6A:23A-13.3.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Control (Continued)**

Format budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the one or more June state aid payments 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances – governmental funds. Note that the District does not report encumbrances outstanding at fiscal year end as expenditures in the general fund since the general fund budget follows modified accrual basis, with the exception of the revenue recognition policy for the last state aid payment.

**Encumbrances**

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

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

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

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1**                    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash, Cash Equivalents and Investments**

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

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of 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"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, 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 amount of their deposits to the governmental units.

**Inventories**

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

**Prepaid Expenses**

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

**Deferred Expenditures**

Deferred expenditures are disbursements that are made in one period, but are more accurately reflected as an expenditure / expense in the next fiscal period. Unlike prepaid expenses, deferred expenditures are not regularly recurring costs of operations.

**Short-Term Interfund Receivables / Payables**

Short-term interfund receivables / payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the District and that are due within one year. These amounts are eliminated in the governmental and business-type columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as interfunds receivable and / or interfunds payable.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

NOTE 1

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and the proprietary fund statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market value as of the date received. The District maintains a capitalization threshold of \$2,000.00. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method under the full month convention over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Land Improvements	10-20 Years
Building and Improvements	10-50 Years
Furniture and Equipment	5-20 Years
Vehicles	5-10 Years

**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.

The entire compensate absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid with expendable available financial resources. In proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary funds financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the financial statements when due.

**Net Assets**

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

**Fund Balance**

The District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The District's classifications, and policies for determining such classifications, are as follows:

**Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. The "not spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

**Restricted** – The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

**Committed** – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, which, for the District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance Continued)**

**Assigned** – The assigned fund balance classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

**Unassigned** – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other government funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the District to spend restricted fund balances first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the District to spend fund balances, if appropriated, in the following order: committed, assigned, then unassigned.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts.

Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

**Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchanged transactions between funds are reported as revenues in the seller funds and as expenditure / expense in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources / uses in governmental funds and after non-operating revenues / expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Custodial Credit Risk Related to Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Districts' deposits might not be recovered. Although the District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the District relative to the happening of a future condition. Such funds are considered uninsured and uncollateralized.

As of June 30, 2011, none of the District's bank balances of \$2,114,608.48 are considered uninsured or uncollateralized.

**Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 19A:20-37 limits District' investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the District or the local units in which the District is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The District places no limit on the amount the district may invest in any one issuer.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 3 RESERVE ACCOUNT**

**Capital Reserve**

A capital reserve account was established by the District 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 separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23 A-5.1(d) 7, the balance in the account cannot at any time exceed the support costs of uncompleted capital projects in its approved LRFP.

**Maintenance Reserve**

Maintenance reserve accounts may be established by New Jersey school districts for the accumulation of funds for the use of required maintenance of a facility. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

**Emergency Reserve**

Emergency reserve accounts may be established by New Jersey school districts for the accumulation of funds for the use of financing unanticipated general fund expenditures required for a thorough and efficient education in accordance with N.J.S. A. 18A:7F-41c(1).

The activity of the reserve accounts for the year is as follows:

Beginning Balance; July 1, 2010	\$	585,690.01
Deposits		
Interest Earned		0.64
Board Approval		0.00
Withdrawals		
Approved at Election		0.00
 Ending Balance; June 30, 2011	 \$	 585,690.65
 Emergency Reserve	 \$	 250,000.00
Maintenance Reserve		330,387.50
Capital Reserve		5,303.15
	 \$	 585,690.65

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 4 CAPITAL ASSETS**

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

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Facility and Improvements	\$ 10,209,517.67	\$ 490,065.30	\$	\$ 10,699,582.97
Equipment	<u>522,736.45</u>	<u>10,043.52</u>	<u>                    </u>	<u>532,779.97</u>
Total at Historical Cost	10,732,254.12	500,108.82		11,232,362.94
Accumulated Depreciation	<u>2,863,328.29</u>	<u>226,859.08</u>	<u>                    </u>	<u>3,090,187.37</u>
Capital Assets, Net	<u>\$ 7,868,925.83</u>	<u>\$ 273,249.74</u>	<u>\$</u>	<u>\$ 8,142,175.57</u>
<b>Business-Type Activities</b>				
Equipment	\$ 125,000.00	\$	\$	\$ 125,000.00
Total at Historical Cost	125,000.00			125,000.00
Accumulated Depreciation	<u>10,781.25</u>	<u>2,812.50</u>	<u>                    </u>	<u>13,593.75</u>
Capital Assets, Net	<u>\$ 114,218.75</u>	<u>\$ (2,812.50)</u>	<u>\$ 0.00</u>	<u>\$ 111,406.25</u>

**NOTE 5 LONG-TERM OBLIGATIONS**

During the year ended June 30, 2011 the following changes occurred in loans and compensated absences payable:

	Beginning Balance	Increases	Decreases	Ending Balance
Compensated Absences	\$ 133,436.40	\$ 2,050.43	\$	\$ 135,486.83
Bonds	2,466,000.00		140,000.00	2,326,000.00
Capital Assets, Net	<u>\$ 2,599,436.40</u>	<u>\$ 2,050.43</u>	<u>\$ 140,000.00</u>	<u>\$ 2,461,486.83</u>

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired within the statutory period of usefulness.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)**

As of June 30, 2011, debt service requirements in future years are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 150,000.00	\$ 98,707.50	\$ 248,707.50
2013	150,000.00	92,707.50	242,707.50
2014	160,000.00	86,707.50	246,707.50
2015	160,000.00	80,307.50	240,307.50
2016	170,000.00	73,907.50	243,907.50
Thereafter	1,536,000.00	320,987.50	1,856,987.50
	\$ 2,326,000.00	\$ 753,325.00	\$ 3,079,325.00

**NOTE 6 PENSION PLANS**

A substantial number of School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' which are administered by the New Jersey Division of Pensions and Benefits. In addition, several School District employees participate in the Defined Contribution Retirement Program, which is a contribution pension plan. This too is administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295

**Teacher's Pension and Annuity Fund**

The Teachers' Pension and Annuity Fund (TPAF) is a cost-sharing contributory defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103 P.L., 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in the member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 6 PENSION PLANS (CONTINUED)**

**Teacher's Pension and Annuity Fund (Continued)**

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the district has been required over several preceding fiscal years.

**Public Employees' Retirement System**

The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability. The School District's contributions, equal to the required contribution for the fiscal year ended June 30, 2011 was \$39,583.00

**NOTE 7 POST-RETIREMENT BENEFITS**

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

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.39 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 8 ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2011, the School Board has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement costs related to TPAF. The amounts recognized as revenues and expenditures for normal costs and post-retirement costs were \$6,701.00 and \$142,335.00, respectively.

**NOTE 9 DEFERRED COMPENSATION**

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

L Lincoln Investment Planning, Inc.  
 Sirscusa Benefits Programs

**NOTE 10 RISK MANAGEMENT**

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

Year Ended June 30,	District Contributions	Employee Contributions	Net Cost	Ending Balance
2011	\$ 0.00	\$ 7,748.31	\$ 6,306.75	\$ 25,344.82
2010	\$ 0.00	\$ 9,486.01	\$ 27,563.07	\$ 23,903.26
2009	\$ 0.00	\$ 8,416.48	\$ 4,788.84	\$ 41,980.32

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 11 INTERFUND RECEIVABLES AND PAYABLES**

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 86,288.98	\$
Special Revenue Fund		75,692.00
Enterprise Fund	<u>                    </u>	<u>10,596.98</u>
<b>Total</b>	<b><u>\$ 86,288.98</u></b>	<b><u>\$ 86,288.98</u></b>

**NOTE 12 INVENTORY**

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

Food	\$ 1,852.64
Supplies	<u>275.00</u>
	<b><u>\$ 2,127.64</u></b>

The value of Federal donated commodities as reflected on Schedule A is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

**NOTE 13 DEFICIT UNASSIGNED FUND BALANCES**

The District has a deficit fund balance of \$289,420.00 in the General Fund as of June 30, 2011 as reported in the fund statements (modified accrual basis). P.L. 2004, c. 97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last payment as revenue, for budget purposes only, in the current school budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the District cannot recognize the last state aid payment on the GAAP financial statements until the year the state records the payable. Due to the timing difference of recording the last state aid payment, the General Fund balance deficit does not alone indicate that the District is facing financial difficulties.

Pursuant 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 a violation of New Jersey statute and regulation nor in need of corrective action.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 14      EXCESS SURPLUS**

In accordance with N.J.S.A. 18A:7F-7, the designation for Restricted 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.

**NOTE 15      FUND BALANCES**

The District has classified its fund balances as follows:

Nonspendable		\$
Restricted For:		
Emergency Reserves	250,000.00	
Capital Reserve	5,303.15	
Maintenance Reserve	330,387.50	
Excess Surplus	1,127,573.58	
Debt Service Fund	1.29	
Assigned:		
Encumbrances	130,289.66	
Extraordinary Special Education Aid	64,259.00	
Unrestricted	250,000.00	
		\$ 2,157,814.18

**NOTE 16      CONTINGENT LIABILITIES**

Federal and State Grants

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

General

Per confirmation by the District's legal counsel, there are no material pending litigation, claims, assessments or contingent liabilities against the District.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For The Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 1,464,331.00	\$ -	\$ 1,464,331.00	\$ 1,464,331.00	\$ -
Tuition	52,000.00		52,000.00	53,200.00	1,200.00
Interest Earned on Investments	500.00		500.00	254.43	(245.57)
Interest Earned on Maintenance Reserve Funds	20.00		20.00		(20.00)
Interest Earned on Capital Reserve Funds	20.00		20.00		(20.00)
Miscellaneous				2,264.95	2,264.95
<b>Total Local Sources</b>	<b>1,516,871.00</b>	<b>-</b>	<b>1,516,871.00</b>	<b>1,520,050.38</b>	<b>3,179.38</b>
State Sources					
Equalization Aid	3,988,068.00	(36,920.00)	3,951,148.00	3,951,148.00	-
Special Education Categorical Aid	215,008.00	36,920.00	251,928.00	251,928.00	-
School Choice Aid	655,356.00		655,356.00	655,356.00	-
Extraordinary Special Education Aid				64,259.00	64,259.00
Other State Aid				870.00	870.00
On-Behalf Non-Budgeted					-
Teacher's Pension and Annuity Fund				149,036.00	149,036.00
Reimbursed TPAF Social Security Contributions				174,771.65	174,771.65
<b>Total State Sources</b>	<b>4,858,432.00</b>	<b>-</b>	<b>4,858,432.00</b>	<b>5,247,368.65</b>	<b>388,936.65</b>
Federal Sources					
ARRA - SFSF - ESF					-
ARRA - SFSF - GSF					-
<b>Total Federal Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenues</b>	<b>6,375,303.00</b>	<b>-</b>	<b>6,375,303.00</b>	<b>6,767,419.03</b>	<b>392,116.03</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For The Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>EXPENDITURES</b>					
Current Expense					
Regular Programs - Instruction					
Preschool - Salaries of Teachers	118,038.00		118,038.00	118,038.00	-
Kindergarten - Salaries of Teachers	702,693.00	872.53	703,565.53	703,014.83	550.70
Grades 1-5 - Salaries of Teachers	553,154.00	(16,272.53)	536,881.47	535,696.94	1,184.53
Grades 6-8 - Salaries of Teachers					
Regular Programs - Home Instruction	22,000.00	(20,000.00)	2,000.00	1,627.50	372.50
Salaries of Teachers					
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	4,500.00	(2,500.00)	2,000.00	1,910.00	90.00
Purchased Technical Services	35,000.00	(13,600.00)	21,400.00	21,292.75	107.25
Other Purchased Services (400-500 series)	28,500.00	(1,650.00)	26,850.00	25,993.99	856.01
General Supplies	110,000.00	63,106.89	173,106.89	150,031.01	23,075.88
Textbooks	10,000.00	52,250.00	62,250.00	8,156.19	54,093.81
Other Objects	2,000.00	(1,000.00)	1,000.00	500.00	500.00
Total Regular Programs - Instruction	1,585,885.00	61,206.89	1,647,091.89	1,566,261.21	80,830.68
Resource Room/Resource Center					
Salaries of Teachers	287,038.00	1,350.00	288,388.00	287,228.00	1,160.00
Other Salaries for Instruction	19,666.00		19,666.00	19,666.00	-
General Supplies	6,500.00	(1,350.00)	5,150.00	1,647.20	3,502.80
Other Objects					
Total Resource Room/Resource Center	313,204.00	-	313,204.00	308,541.20	4,662.80
Total Special Education - Instruction	313,204.00	-	313,204.00	308,541.20	4,662.80

**BOROUGH OF FOLSOM SCHOOL DISTRICT**

General Fund

Budgetary Comparison Schedule

For The Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Basic Skills/Remedial - Instruction					
Salaries of Teachers	36,771.00		36,771.00	31,570.02	5,200.98
Other Salaries for Instruction	500.00		500.00	-	500.00
Other Objects					
<b>Total Basic Skills/Remedial - Instruction</b>	<b>37,271.00</b>	<b>-</b>	<b>37,271.00</b>	<b>31,570.02</b>	<b>5,700.98</b>
School-Sponsored Co curricular Activities - Instruction					
Salaries	14,600.00		14,600.00	12,250.00	2,350.00
Other Objects	1,500.00		1,500.00	-	1,500.00
Transfers to Cover Deficit (Agency Funds)	10,500.00		10,500.00	1,733.29	8,766.71
<b>Total School-Sponsored Co curricular Activities - Instruction</b>	<b>26,600.00</b>	<b>-</b>	<b>26,600.00</b>	<b>13,983.29</b>	<b>12,616.71</b>
School-Sponsored Co curricular Athletics - Instruction					
Salaries	16,050.00		16,050.00	11,710.00	4,340.00
Purchased Services (300-500 series)	2,500.00		2,500.00	1,540.00	960.00
Other Objects	5,000.00		5,000.00	275.00	4,725.00
<b>Total School-Sponsored Co curricular Athletics - Instruction</b>	<b>23,550.00</b>	<b>-</b>	<b>23,550.00</b>	<b>13,525.00</b>	<b>10,025.00</b>
<b>Total Instruction and At-Risk Programs</b>	<b>1,986,510.00</b>	<b>61,206.89</b>	<b>2,047,716.89</b>	<b>1,933,880.72</b>	<b>113,836.17</b>
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State - Regular	1,045,863.00		1,045,863.00	1,045,863.00	-
Tuition to Other LEAs Within the State - Special	137,825.00		137,825.00	132,676.59	5,148.41
Tuition to County Vocational School - Regular	81,848.00	7,855.60	89,703.60	81,880.80	7,822.80
Tuition to CSSD and Regional Day Schools	58,051.00	46,800.00	104,851.00	104,851.00	-
Tuition to Private Schools for the Disabled - Within State	199,937.00	(2,590.00)	197,347.00	195,472.33	1,874.67
Tuition - State Facilities	32,000.00	(32,000.00)	-	-	-
Tuition - Other					
<b>Total Undistributed Expenditures - Instruction</b>	<b>1,555,524.00</b>	<b>20,065.60</b>	<b>1,575,589.60</b>	<b>1,560,743.72</b>	<b>14,845.88</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For The Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>Undistributed Expenditures - Health Services</b>					
Salaries	75,838.00		75,838.00	75,838.00	-
Purchased Professional and Technical Services	3,000.00		3,000.00	2,160.00	840.00
Other Purchased Services (400-500 series)	750.00		750.00	398.75	351.25
Supplies and Materials	3,500.00	32.59	3,532.59	2,714.89	817.70
Other Objects					
<b>Total Undistributed Expenditures - Health Services</b>	<b>83,088.00</b>	<b>32.59</b>	<b>83,120.59</b>	<b>81,111.64</b>	<b>2,008.95</b>
<b>Other Support Services - Students - Related Services</b>					
Salaries	57,450.00		57,450.00	56,650.00	800.00
Purchased Professional - Educational Services	132,000.00	(40,000.00)	92,000.00	80,698.75	11,301.25
Supplies and Materials	1,000.00		1,000.00	57.24	942.76
Other Objects					
<b>Total Support Services - Students - Related Services</b>	<b>190,450.00</b>	<b>(40,000.00)</b>	<b>150,450.00</b>	<b>137,405.99</b>	<b>13,044.01</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
 General Fund  
 Budgetary Comparison Schedule  
 For The Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expenditures - Child Study Teams					
Salaries of Other Professional Staff	177,848.00	(3.00)	177,845.00	174,058.00	3,787.00
Salaries of Secretarial and Clerical Assistants	14,177.00	3.00	14,180.00	14,180.00	-
Purchased Professional - Educational Services	6,000.00	350.00	6,350.00	3,675.00	2,675.00
Other Objects	3,000.00		3,000.00	2,974.80	25.20
<b>Total Undistributed Expenditures - Child Study Teams</b>	<b>201,025.00</b>	<b>350.00</b>	<b>201,375.00</b>	<b>194,887.80</b>	<b>6,487.20</b>
Undistributed Expenditures - Improvement of Instructional Services					
Salaries of Supervisor of Instruction	88,000.00		88,000.00	85,882.60	2,117.40
Salaries of Other Professional Staff	10,000.00		10,000.00	-	10,000.00
Other Purchased Services (400-500 Series - Other Than 444)	6,000.00		6,000.00	2,595.50	3,404.50
Supplies and Materials	500.00		500.00	87.85	412.15
Other Objects					-
<b>Total Undistributed Expenditures - Improvement of Instructional Services</b>	<b>104,500.00</b>	<b>-</b>	<b>104,500.00</b>	<b>88,565.95</b>	<b>15,934.05</b>
Undistributed Expenditures - Educational Media Services/School Library					
Salaries	54,185.00		54,185.00	53,465.00	720.00
Salaries of Technology Coordinators	54,132.00		54,132.00	54,132.00	-
Purchased Professional and Technical Services	6,000.00	(366.87)	5,633.13	2,997.73	2,635.40
Supplies and Materials	6,500.00	366.87	6,866.87	5,557.35	1,309.52
Other Objects					-
<b>Total Undistributed Expenditures - Educational Media Services/School Library</b>	<b>120,817.00</b>	<b>-</b>	<b>120,817.00</b>	<b>116,152.08</b>	<b>4,664.92</b>
Undistributed Expenditures - Instructional Staff Training Services					
Other Purchased Services (400-500 series)	5,000.00	184.99	5,184.99	5,146.69	38.30
Other Objects					-
<b>Total Undistributed Expenditures - Instructional Staff Training Services</b>	<b>5,000.00</b>	<b>184.99</b>	<b>5,184.99</b>	<b>5,146.69</b>	<b>38.30</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
 General Fund  
 Budgetary Comparison Schedule  
 For The Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>Undistributed Expenditures - Support Services - General Administration</b>					
Salaries	72,961.00	0.20	72,961.20	66,461.20	6,500.00
Legal Services	15,000.00		15,000.00	7,320.00	7,680.00
Audit Fees	8,500.00		8,500.00	8,000.00	500.00
Architectural/Engineering Services	5,924.00		5,924.00	1,527.95	4,396.05
Other Purchased Professional Services	3,600.00	238.80	3,838.80	3,838.80	-
Purchased Technical Services	6,000.00		6,000.00	815.69	5,184.31
Communications/Telephone	18,500.00		18,500.00	5,991.87	12,508.13
Board of Education Other Purchased Services	15,600.00		15,600.00	58.58	15,541.42
Miscellaneous Purchased Services (400-500 Series Other Than 530/585)	19,000.00	250.00	19,250.00	18,610.93	639.07
General Supplies	2,500.00		2,500.00	1,379.57	1,120.43
Board of Education In-House Training/Meeting Supplies	1,500.00		1,500.00	-	1,500.00
Miscellaneous Expenditures	10,500.00	17,511.20	28,011.20	1,696.00	26,315.20
Board of Education Membership Dues and Fees	6,500.00		6,500.00	3,430.45	3,069.55
<b>Total Undistributed Expenditures - Support Services - General Administration</b>	<b>186,085.00</b>	<b>18,000.20</b>	<b>204,085.20</b>	<b>119,131.04</b>	<b>84,954.16</b>
<b>Undistributed Expenditures - Support Services - School Administration</b>					
Salaries of Principals/Assistant Principals/Program Directors	65,000.00		65,000.00	58,500.00	6,500.00
Salaries of Secretarial and Clerical Assistants	62,199.00	(0.20)	62,198.80	61,864.60	334.20
Purchased Professional and Technical Services	4,000.00		4,000.00	-	4,000.00
Other Purchased Services (400-500 series)	7,261.00		7,261.00	1,814.63	5,446.37
Supplies and Materials	35,262.00	9.89	35,271.89	19,978.49	15,293.40
Other Objects	4,000.00	17,938.40	21,938.40	4,848.52	17,089.88
<b>Total Undistributed Expenditures - Support Services - School Administration</b>	<b>177,722.00</b>	<b>17,948.09</b>	<b>195,670.09</b>	<b>147,006.24</b>	<b>48,663.85</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For The Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>Undistributed Expenditures - Central Services</b>					
Salaries	102,076.00	(0.50)	102,075.50	100,879.50	1,196.00
Purchased Professional Services	7,000.00		7,000.00	3,335.82	3,664.18
Purchased Technical Services	15,000.00		15,000.00	9,150.23	5,849.77
Miscellaneous Purchased Services (400-500 Series)	3,500.00		3,500.00	808.32	2,691.68
Supplies and Materials	12,149.00	65.12	12,214.12	3,215.99	8,998.13
Miscellaneous Expenditures	15,000.00	15,000.00	30,000.00	1,541.08	28,458.92
<b>Total Undistributed Expenditures - Central Services</b>	<b>154,725.00</b>	<b>15,064.62</b>	<b>169,789.62</b>	<b>118,930.94</b>	<b>50,858.68</b>
<b>Undistributed Expenditures - Administration Information Technology</b>					
Salaries	-	-	-	-	-
Purchased Professional Services	-	-	-	-	-
Purchased Technical Services	-	-	-	-	-
Other Purchased Services (400-500 series)	-	-	-	-	-
Supplies and Materials	-	-	-	-	-
Other Objects	-	-	-	-	-
<b>Total Undistributed Expenditures - Administration Information Technology</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Undistributed Expenditures - Required Maintenance for School Facilities</b>					
Salaries	58,936.00	610.12	59,546.12	59,546.12	-
Cleaning, Repair, and Maintenance Services	56,000.00	(610.12)	55,389.88	39,789.10	15,600.78
General Supplies	15,000.00	10,755.79	25,755.79	21,080.91	4,674.88
Other Objects	-	-	-	-	-
<b>Total Undistributed Expenditures -Required Maintenance for School Facilities</b>	<b>129,936.00</b>	<b>10,755.79</b>	<b>140,691.79</b>	<b>120,416.13</b>	<b>20,275.66</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For The Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>Undistributed Expenditures - Custodial Services</b>					
Salaries	135,921.00		135,921.00	114,571.85	21,349.15
Purchased Professional and Technical Services	5,000.00		5,000.00	3,827.58	1,172.42
Cleaning, Repair and Maintenance Services	25,000.00	3,700.00	28,700.00	28,320.00	380.00
Insurance	13,000.00		13,000.00	1,061.00	11,939.00
Miscellaneous Purchased Services	2,500.00	40.00	2,540.00	1,396.72	1,143.28
General Supplies	34,500.00	6,153.98	40,653.98	25,427.13	15,226.85
Energy - Natural Gas	40,000.00	(31,371.45)	8,628.55	7,483.28	1,145.27
Energy - Electricity	80,000.00	31,371.45	111,371.45	111,371.45	-
Other Objects	500.00		500.00	-	500.00
<b>Total Undistributed Expenditures - Custodial Services</b>	<b>336,421.00</b>	<b>9,893.98</b>	<b>346,314.98</b>	<b>293,459.01</b>	<b>52,855.97</b>
<b>Undistributed Expenditures - Care and Upkeep of Grounds</b>					
Cleaning, Repair, and Maintenance Services	106,320.00	(25,000.00)	81,320.00	8,862.05	72,457.95
Other Objects					
<b>Total Undistributed Expenditures - Care and Upkeep of Grounds</b>	<b>106,320.00</b>	<b>(25,000.00)</b>	<b>81,320.00</b>	<b>8,862.05</b>	<b>72,457.95</b>
<b>Undistributed Expenditures - Security</b>					
Purchased Professional and Technical Services	8,000.00		8,000.00	3,312.82	4,687.18
Other Objects					
<b>Total Undistributed Expenditures - Security</b>	<b>8,000.00</b>	<b>-</b>	<b>8,000.00</b>	<b>3,312.82</b>	<b>4,687.18</b>
<b>Total Undistributed Expenditures - Operations &amp; Maintenance Of Plant</b>	<b>580,677.00</b>	<b>(4,350.23)</b>	<b>576,326.77</b>	<b>426,050.01</b>	<b>150,276.76</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For The Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>Undistributed Expenditures - Student Transportation Services</b>					
Salaries For Pupil Transportation (Between Home and School) - Regular	7,359.00	(0.50)	7,358.50	7,358.50	-
Other Purchased Professional and Technical Services	4,000.00		4,000.00	-	4,000.00
Contracted Services - Aid In Lieu of Payment for Non-Public Students	15,000.00		15,000.00	9,724.00	5,276.00
Contracted Services - (Between Home and School) - Vendors	400,000.00		400,000.00	246,531.31	153,468.69
Contracted Services (Other than Between Home and School)-Vendors	20,000.00		20,000.00	4,245.00	15,755.00
Contracted Services - (Between Home and School) - Joint Agreements	28,000.00		28,000.00	15,179.95	12,820.05
Contracted Services - (Special Education Students) - Joint Agreements	80,000.00	(22,450.00)	57,550.00	35,694.31	21,855.69
Contracted Services - (Regular Students) - ESCs and CTSA	35,000.00		35,000.00	23,629.66	11,370.34
<b>Total Undistributed Expenditures - Student Transportation Services</b>	<b>589,359.00</b>	<b>(22,450.50)</b>	<b>566,908.50</b>	<b>342,362.73</b>	<b>224,545.77</b>
<b>Unallocated Benefits</b>					
Social Security Contributions	45,000.00		45,000.00	43,018.83	1,981.17
Other Retirement Contributions - Regular	40,000.00		40,000.00	39,583.00	417.00
Workmen's Compensation	16,000.00		16,000.00	14,363.00	1,637.00
Health Benefits	710,000.00		710,000.00	588,197.27	121,802.73
Tuition Reimbursement	9,000.00		9,000.00	8,334.00	666.00
Other Employee Benefits	13,828.00	9,047.23	22,875.23	9,389.58	13,485.65
<b>Total Unallocated Benefits</b>	<b>833,828.00</b>	<b>9,047.23</b>	<b>842,875.23</b>	<b>702,885.68</b>	<b>139,989.55</b>
<b>On-Behalf Contributions</b>					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				149,036.00	(149,036.00)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				174,771.65	(174,771.65)
<b>Total On-Behalf Contributions</b>				<b>323,807.65</b>	<b>(323,807.65)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>833,828.00</b>	<b>9,047.23</b>	<b>842,875.23</b>	<b>1,026,693.33</b>	<b>(183,818.10)</b>
<b>Total Undistributed Expenditures</b>	<b>4,782,800.00</b>	<b>13,892.59</b>	<b>4,796,692.59</b>	<b>4,364,188.16</b>	<b>432,504.43</b>
<b>Total Current Expense</b>	<b>6,769,310.00</b>	<b>75,099.48</b>	<b>6,844,409.48</b>	<b>6,298,068.88</b>	<b>546,340.60</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For The Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>Capital Outlay</b>					
<b>Equipment</b>					
Undistributed Expenditures	75,000.00	4,459.00	79,459.00	10,043.48	69,415.52
Instruction					
Other Support Services					
<b>Total Equipment</b>	75,000.00	4,459.00	79,459.00	10,043.48	69,415.52
<b>Facilities Acquisition and Construction Services</b>					
Construction Services	350,000.00	225,519.33	575,519.33	490,065.30	85,454.03
Other Objects	36,018.00		36,018.00	36,018.00	-
<b>Total Facilities Acquisition and Construction Services</b>	386,018.00	225,519.33	611,537.33	526,083.30	85,454.03
<b>Assets Acquired Under Capital Leases (Non-Budgeted)</b>					
Undistributed Expenditures					
General Administration					
School Administration					
<b>Assets Acquired Under Capital Leases (non-budgeted)</b>					
<b>Total Capital Outlay</b>	461,018.00	229,978.33	690,996.33	536,126.78	154,869.55
Transfer of Funds to Charter Schools					
<b>TOTAL EXPENDITURES</b>	7,230,328.00	305,077.81	7,535,405.81	6,834,195.66	701,210.15
Excess (Deficiency) of Revenues Over(Under) Expenditures	(855,025.00)	(305,077.81)	(1,160,102.81)	(66,776.63)	1,093,326.18

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For The Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>Other Financing Sources (Uses)</b>					
Operating Transfer In (Out)					-
Transfer to Capital Reserve					-
Capital Leases (Non-Budgeted)					
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(855,025.00)	(305,077.81)	(1,160,102.81)	(66,776.63)	1,093,326.18
<b>Fund Balance, July 1</b>	<u>2,224,589.52</u>		<u>2,224,589.52</u>	<u>2,224,589.52</u>	-
<b>Fund Balance, June 30</b>	<u>\$ 1,369,564.52</u>	<u>\$ (305,077.81)</u>	<u>\$ 1,064,486.71</u>	<u>\$ 2,157,812.89</u>	<u>\$ 1,093,326.18</u>
<b>Recapitulation</b>					
Restricted Fund Balance				\$ 5,303.15	
Capital Reserve				330,387.50	
Maintenance Reserve				250,000.00	
Emergency Reserve					
Excess Surplus					
Designated for Subsequent Year's Expenditures Current Year				228,756.00	
Assigned Fund Balance				898,817.58	
Extraordinary Special Education Aid				64,259.00	
Encumbrances				130,289.66	
Unrestricted Fund Balance				250,000.00	
				2,157,812.89	
<b>Reconciliation to Governmental Funds Statements (GAAP) Last State Aid Payment not Recognized on GAAP Basis</b>				<u>(539,420.00)</u>	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<u>\$ 1,618,392.89</u>	

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
 Special Revenue Fund  
 Budgetary Comparison Schedule  
 For The Fiscal Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES</b>					
State Sources	\$ 69,342.00	\$ -	\$ 69,342.00	\$ 69,342.00	\$ -
Federal Sources	154,080.00	81,653.00	235,733.00	235,733.00	-
<b>Total Revenues</b>	<b>223,422.00</b>	<b>81,653.00</b>	<b>305,075.00</b>	<b>305,075.00</b>	<b>-</b>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	130,792.00		130,792.00	130,792.00	-
Other Salaries for Instruction					
Purchased Professional Technical Services	91,161.00	4,377.00	4,377.00	4,377.00	-
Other Purchased Services		12,276.00	103,437.00	103,437.00	-
Supplies and Materials					
Textbooks					
Other Objects		34,051.00	34,051.00	34,051.00	-
<b>Total Instruction</b>	<b>221,953.00</b>	<b>50,704.00</b>	<b>272,657.00</b>	<b>272,657.00</b>	<b>-</b>
Support Services					
Personal Services - Employee Benefits	1,469.00	12,584.00	14,053.00	14,053.00	-
Purchased Professional Technical Services					
Purchased Professional Educational Services		15,365.00	15,365.00	15,365.00	-
Other Purchased Services		3,000.00	3,000.00	3,000.00	-
Other Objects					
<b>Total Support Services</b>	<b>1,469.00</b>	<b>30,949.00</b>	<b>32,418.00</b>	<b>32,418.00</b>	<b>-</b>
<b>Total Expenditures</b>	<b>223,422.00</b>	<b>81,653.00</b>	<b>305,075.00</b>	<b>305,075.00</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources</b>					
Operating Transfers					
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTES TO REQUIRED  
SUPPLEMENTARY INFORMATION**

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Note to RSI**  
**For The Fiscal Year Ended June 30, 2011**

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (Budgetary Basis) revenue from the Budgetary Comparison Schedule	\$ 6,767,419.03	\$ 305,075.00
Difference - Budget to GAAP		
Grant accounting Budgetary Basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized.		
Encumbrances		
June 30, 2010		2,038.17
June 30, 2011		-
State Aid payment recognized for budgetary purposes, not recognized for GAAP purposes.		
State Aid Payment		
June 30, 2010	559,101.00	
June 30, 2011	(539,420.00)	
Total revenues as reported on the Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 6,787,100.03	\$ 307,113.17
<b>Uses/Outflows of Resources</b>		
Actual amounts (Budgetary Basis) total outflows from the Budgetary Comparison Schedule	\$ 6,834,195.66	\$ 305,075.00
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are recorded in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
Encumbrances		
June 30, 2010		2,038.17
June 30, 2011		-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	\$ 6,834,195.66	\$ 307,113.17

## **OTHER SUPPLEMENTARY INFORMATION**

## **SCHOOL BASED BUDGET SCHEDULES**

**SPECIAL REVENUE FUND**

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

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
<b>REVENUES</b>				
Federal Sources	\$ 235,733.00			\$ 235,733.00
State Sources		69,342.00		69,342.00
<b>Total Revenues</b>	<u>\$ 235,733.00</u>	<u>\$ 69,342.00</u>	<u>\$ -</u>	<u>\$ 305,075.00</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Salaries of Teachers	62,919.00	67,873.00		130,792.00
Purchased Professional and Technical Services	4,377.00			4,377.00
Tuition	103,437.00			103,437.00
Supplies and Materials	34,051.00			34,051.00
<b>Total Instruction</b>	<u>204,784.00</u>	<u>67,873.00</u>	<u>-</u>	<u>272,657.00</u>
<b>Support Services</b>				
Personal Services - Employee Benefits	12,584.00	1,469.00		14,053.00
Purchased Educational Services	15,365.00			15,365.00
Supplies and Materials				
Travel	3,000.00			3,000.00
<b>Total Support Services</b>	<u>30,949.00</u>	<u>1,469.00</u>	<u>-</u>	<u>32,418.00</u>
<b>Facilities Acquisition</b>				
Instructional Equipment				
<b>Total Facilities Acquisition</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>\$ 235,733.00</u>	<u>\$ 69,342.00</u>	<u>\$ -</u>	<u>\$ 305,075.00</u>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
 Special Revenue Fund  
 FEDERAL AND STATE  
 Combining Schedule of Program Revenues and Expenditures  
 Budgetary Basis  
 For The Fiscal Year Ended June 30, 2011

	Rural Education Achievement	Preschool Education Aid	I.D.E.A. Part B		No Child Left Behind		Totals
			Basic	Preschool	Title I	Title II Part A	
<b>REVENUES</b>							
Federal Sources	\$ 34,051.00	\$ -	\$ 103,437.00	\$ 4,377.00	\$ 76,923.00	\$ 16,779.00	\$ 235,733.00
State Sources		69,342.00					69,342.00
<b>Total Revenues</b>	<b>34,051.00</b>	<b>69,342.00</b>	<b>103,437.00</b>	<b>4,377.00</b>	<b>76,923.00</b>	<b>16,779.00</b>	<b>305,075.00</b>
<b>EXPENDITURES</b>							
Instruction							
Salaries of Teachers		67,873.00		4,377.00	62,919.00		130,792.00
Purchased Professional Technical Services							4,377.00
Tuition			103,437.00				103,437.00
Supplies and Materials	34,051.00						34,051.00
<b>Total Instruction</b>	<b>34,051.00</b>	<b>67,873.00</b>	<b>103,437.00</b>	<b>4,377.00</b>	<b>62,919.00</b>	<b>-</b>	<b>272,657.00</b>
Support Services							
Personal Services - Employee Benefits		1,469.00			12,584.00		14,053.00
Purchased Educational Services					1,420.00	13,779.00	15,365.00
Supplies and Materials						3,000.00	3,000.00
Travel							-
<b>Total Support Services</b>	<b>-</b>	<b>1,469.00</b>	<b>-</b>	<b>-</b>	<b>14,004.00</b>	<b>16,779.00</b>	<b>32,418.00</b>
Facilities Acquisition							
Instructional Equipment							
<b>Total Facilities Acquisition</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>\$ 34,051.00</b>	<b>\$ 69,342.00</b>	<b>\$ 103,437.00</b>	<b>\$ 4,377.00</b>	<b>\$ 76,923.00</b>	<b>\$ 16,779.00</b>	<b>\$ 305,075.00</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Schedule of Preschool Education Aid Expenditures**  
**Combining Schedule of Program Revenues and Expenditures**  
**Preschool - All Programs**  
**For The Fiscal Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
Instruction			
Salaries of Teachers	\$ 67,873.00	\$ 67,873.00	-
Total Instruction	<u>67,873.00</u>	<u>67,873.00</u>	-
Support Services			
Personal Services - Employee Benefits	1,469.00	1,469.00	-
Total Support Services	<u>1,469.00</u>	<u>1,469.00</u>	-
Facilities Acquisition			
Instructional Equipment	-	-	-
Total Facilities Acquisition	<u>-</u>	<u>-</u>	-
Total Expenditures	<u>\$ 69,342.00</u>	<u>\$ 69,342.00</u>	<u>\$ -</u>

**CAPITAL PROJECTS FUND**

## **PROPRIETARY FUNDS**

**ENTERPRISE FUND**

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Net Assets**  
**June 30, 2011**

	<u>Food Service</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 87,731.95
Accounts Receivable	
State of New Jersey	145.14
Federal Government	5,075.82
Inventories	2,127.64
Total Current Assets	95,080.55
Noncurrent Assets	
Equipment	125,000.00
Less: Accumulated Depreciation	13,593.75
Total Noncurrent Assets	111,406.25
Total Assets	206,486.80
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	3,964.22
Interfunds Payable	10,596.98
Total Current Liabilities	14,561.20
<b>NET ASSETS</b>	
Invested in Capital Assets Net of Related Debt	111,406.25
Unrestricted	80,519.35
Total Net Assets	\$ 191,925.60

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For The Fiscal Year Ended June 30, 2011**

	<u>Food Service</u>
<b>OPERATING REVENUES</b>	
Charges For Services	
Daily Sales	
Reimbursable Programs	\$ 73,105.05
Non-Reimbursable Programs	33,412.53
	<u>106,517.58</u>
<b>Total Operating Revenue</b>	<b>106,517.58</b>
<b>OPERATING EXPENSES</b>	
Cost of Sales	70,273.41
Salaries	58,694.20
Employee Benefits	21,609.72
General Supplies	278.75
Depreciation	2,812.50
Other	3,968.01
	<u>157,636.59</u>
<b>Total Operating Expenses</b>	<b>157,636.59</b>
<b>Operating Income (Loss)</b>	<b>(51,119.01)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Sources	
State School Lunch and Breakfast Program	1,830.87
Federal Sources	
National School Lunch and Breakfast Program	71,220.56
Food Distribution Program	9,716.34
Interest on Investments	6.32
	<u>82,774.09</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>82,774.09</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>31,655.08</b>
Capital Contributions	
Transfers In/(Out)	
	<u>31,655.08</u>
<b>Change in Net Assets</b>	<b>31,655.08</b>
<b>Net Assets, July 1</b>	<b>160,270.52</b>
<b>Net Assets, June 30</b>	<b>\$ 191,925.60</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2011**

	<u>Food Service</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts From Customers and Other Funds	\$ 106,517.58
Payments for Labor Costs	(80,303.92)
Payments to Suppliers	(77,736.01)
	<u>(51,522.35)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Sources	2,176.55
Federal Sources	83,083.25
Operating Subsidies and Transfers	2,522.82
	<u>87,782.62</u>
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	
	<u>-</u>
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	6.32
	<u>6.32</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	36,266.59
<b>Cash and Cash Equivalents, July 1</b>	<u>51,465.36</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ 87,731.95</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</b>	
Operating Income (Loss)	\$ (51,119.01)
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Depreciation	2,812.50
(Increase) Decrease	
Accounts Receivable	
Inventories	620.54
Other Current Assets	
Increase (Decrease)	
Accounts Payable	
Accrued Expenses	(3,836.38)
	<u>(51,522.35)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$ (51,522.35)</u>

**INTERNAL SERVICE FUND**

## FIDUCIARY FUNDS

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

	Unemployment Compensation Trust	Student Activity	Agency Payroll	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 24,751.60	\$ 23,431.78	\$ -	\$ 23,431.78
Tax Overpayment	593.22			
<b>Total Assets</b>	<u>25,344.82</u>	<u>23,431.78</u>	<u>-</u>	<u>23,431.78</u>
<b>LIABILITIES</b>				
Payroll Deductions Due to Student Groups		23,431.78		23,431.78
<b>Total Liabilities</b>	<u>-</u>	<u>23,431.78</u>	<u>-</u>	<u>23,431.78</u>
<b>NET ASSETS</b>				
Held in Trust	25,344.82			
<b>Total Net Assets</b>	<u>\$ 25,344.82</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Unemployment Compensation Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 7,748.31
Total Contributions	<u>7,748.31</u>
Investment Earnings	
Interest	<u>2.63</u>
Total Investment Earnings	<u>2.63</u>
Total Additions	<u>7,750.94</u>
<b>DEDUCTIONS</b>	
Quarterly Contribution Report	3,898.88
Unemployment Claims	<u>2,410.50</u>
Total Deductions	<u>6,309.38</u>
Change in Net Assets	1,441.56
Net Assets, July 1	<u>23,903.26</u>
Net Assets, June 30	<u>\$ 25,344.82</u>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Student Activity Funds**  
**Schedule of Receipts and Disbursements**  
**For The Fiscal Year Ended June 30, 2011**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Elementary School	<u>\$ 20,028.31</u>	<u>\$ 32,836.85</u>	<u>\$ 29,383.38</u>	<u>\$ 23,481.78</u>

**BOROUGH OF FOLSOM SCHOOL DISTRICT  
Payroll Agency Fund  
Schedule of Receipts and Disbursements  
For The Fiscal Year Ended June 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 3,800,980.51</u>	<u>\$ 3,800,980.51</u>	<u>\$ -</u>
<b>Total Assets</b>	<u><u>\$ -</u></u>	<u><u>\$ 3,800,980.51</u></u>	<u><u>\$ 3,800,980.51</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES</b>				
Net Payroll	<u>\$ -</u>	<u>\$ 1,940,831.27</u>	<u>\$ 1,940,831.27</u>	<u>\$ -</u>
Payroll Deductions and Withholding		<u>1,860,149.24</u>	<u>1,860,149.24</u>	
<b>Total Liabilities</b>	<u><u>\$ -</u></u>	<u><u>\$ 3,800,980.51</u></u>	<u><u>\$ 3,800,980.51</u></u>	<u><u>\$ -</u></u>

## LONG-TERM DEBT

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
 Long-Term Debt  
 Schedule of Bonds Payable  
 For The Fiscal Year Ended June 30, 2011

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance June 30, 2010	Issued	Retired	Balance June 30, 2011
			Date	Amount					
School Additions	4/15/2004	\$ 3,196,000.00	4/15/2012	150,000.00	4.000%	\$ 2,466,000.00	\$ -	\$ 140,000.00	\$ 2,326,000.00
			4/15/2013	150,000.00	4.000%				
			4/15/2014	160,000.00	4.000%				
			4/15/2015	160,000.00	4.000%				
			4/15/2016	170,000.00	4.000%				
			4/15/2017	170,000.00	4.000%				
			4/15/2018	180,000.00	4.125%				
			4/15/2019	180,000.00	4.250%				
			4/15/2020	190,000.00	4.300%				
			4/15/2021	190,000.00	4.400%				
			4/15/2022	200,000.00	4.500%				
			4/15/2023	210,000.00	4.625%				
			4/15/2024	216,000.00	4.625%				
						\$ 2,466,000.00	\$ -	\$ 140,000.00	\$ 2,326,000.00

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Debt Service Fund**  
**Budgetary Comparison Schedule**  
**For The Fiscal Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 244,307.00	\$ -	\$ 244,307.00	\$ 244,307.00	\$ -
Interest on Investments					
Total Local Sources	244,307.00	-	244,307.00	244,307.00	-
State Sources					
Debt Service Aid Type I					
Debt Service Aid Type II					
Total State Sources	-	-	-	-	-
Total Revenues	244,307.00	-	244,307.00	244,307.00	-
<b>EXPENDITURES</b>					
Regular Debt Service	104,308.00		104,308.00	104,307.50	0.50
Interest	140,000.00		140,000.00	140,000.00	
Redemption of Principal					
Total Expenditures	244,308.00	-	244,308.00	244,307.50	0.50
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1.00)	-	(1.00)	(0.50)	0.50
Other Financing Sources					
Operating Transfers In					
Interest Earned in Capital Projects Fund					
Total Other Financing Sources	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(1.00)	-	(1.00)	(0.50)	0.50
Fund Balance, July 1	1.79		1.79	1.79	
Fund Balance, June 30	\$ 0.79	\$ -	\$ 0.79	\$ 1.29	\$ 0.50

**STATISTICAL SECTION**

# BOROUGH OF FOLSOM SCHOOL DISTRICT

## Statistical Section Introduction to the Statistical Section

### Financial Trends

- J-1 These schedules contain trend information to help the reader understand how the District's
- J-2 financial performance and well being have changed over time.
- J-3
- J-4
- J-5

### Revenue Capacity

- J-6 These schedules contain information to help the reader assess the District's most
- J-7 significant local revenue source, the property tax.
- J-8
- J-9

### Debt Capacity

- J-10 These schedules present information to help the reader assess the affordability of the
- J-11 District's current levels of outstanding debt and the District's ability to issue additional debt
- J-12 in the future.
- J-13

### Demographic and Economic Information

- J-14 These schedules offer demographic and economic indicators to help the reader
- J-15 understand the environment within which the District's financial activities take place.

### Operating Information

- J-16 These schedules contain service and infrastructure data to help the reader understand
- J-17 how the information in the District's financial report relates to the services the District
- J-18 provides and the activities it performs.
- J-19
- J-20

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report (CAFR) for the relevant year.*

## FINANCIAL TRENDS

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Net Assets By Component**  
*Source: CAFR A-1*

Exhibit J-1  
*Unaudited*

	Fiscal Year Ended					
	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
<b>Governmental Activities</b>						
Invested in Capital Assets, net of related debt	\$ 5,816,175.57	\$ 5,238,265.93	\$ 5,238,265.93	\$ 4,983,864.68	\$ 4,976,858.64	\$ 4,149,689.67
Restricted	1,907,814.18	890,770.61	736,670.24	437,932.83	165,303.50	948,621.41
Unrestricted	(445,470.89)	783,045.80	714,596.67	491,060.92	673,942.24	277,317.83
<b>Total Governmental Activities Net Assets</b>	<b>\$ 7,278,518.86</b>	<b>\$ 6,912,082.34</b>	<b>\$ 6,689,532.84</b>	<b>\$ 5,912,858.43</b>	<b>\$ 5,816,104.38</b>	<b>\$ 5,375,628.91</b>
<b>Business-Type Activities</b>						
Invested in Capital Assets, net of related debt	\$ 111,406.25	\$ 114,218.75	\$ 117,031.25	\$ 119,843.75	\$ 122,656.25	\$ -
Restricted	-	-	-	-	-	-
Unrestricted	80,519.35	46,051.77	30,693.51	14,248.07	15,233.10	35,866.91
<b>Total Business-Type Activities Net Assets</b>	<b>\$ 191,925.60</b>	<b>\$ 160,270.52</b>	<b>\$ 147,724.76</b>	<b>\$ 134,091.82</b>	<b>\$ 137,889.35</b>	<b>\$ 35,866.91</b>
<b>District-Wide</b>						
Invested in Capital Assets, net of related debt	\$ 5,927,581.82	\$ 5,352,484.68	\$ 5,355,297.18	\$ 5,103,708.43	\$ 5,099,514.89	\$ 4,149,689.67
Restricted	1,907,814.18	890,770.61	736,670.24	437,932.83	165,303.50	948,621.41
Unrestricted	(364,951.54)	829,097.57	745,290.18	505,308.99	689,175.34	313,184.74
<b>Total District-Wide Net Assets</b>	<b>\$ 7,470,444.46</b>	<b>\$ 7,072,352.86</b>	<b>\$ 6,837,257.60</b>	<b>\$ 6,046,950.25</b>	<b>\$ 5,953,993.73</b>	<b>\$ 5,411,495.82</b>
						<b>\$ 2,032,809.67</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Changes in Net Assets**  
 Source: CAFR A-2

Exhibit J-2  
 Unaudited

	Fiscal Year Ended						
	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
<b>Expenses</b>							
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 2,458,408.59	\$ 2,314,655.34	\$ 2,242,097.32	\$ 1,843,097.26	\$ 1,965,134.74	\$ 1,915,045.96	\$ 1,720,884.98
Special Education	411,681.51	380,943.35	356,933.26	339,074.43	302,328.43	226,924.85	190,813.84
School Sponsored Activities	27,508.29	20,782.49	18,730.74	109,712.61	143,196.66	71,532.77	77,803.22
Other Special	31,570.02	28,550.24	7,800.00				
Support Services							
Tuition	1,560,743.72	1,208,793.86	1,124,987.88	1,351,281.32	1,116,458.12	963,872.11	1,082,239.09
Student and Instruction	874,874.03	774,867.00	697,893.73	768,398.69	685,160.80	584,631.26	542,775.28
General Administration	158,954.61	152,364.73	167,770.71	139,768.11	107,404.10	85,979.44	88,832.02
School Administrative	196,148.04	168,913.68	153,646.57	155,521.93	168,179.64	163,505.42	155,961.60
Central Services	118,930.94	127,542.64	114,536.47	131,970.54	139,678.01	119,969.38	129,671.18
Administrative Information Technology			42,427.50				
Plant Operations and Maintenance	426,050.01	387,420.92	383,554.10	504,762.96	462,323.14	314,616.38	294,971.46
Pupil Transportation	342,362.73	496,899.30	498,002.27	571,029.52	537,864.65	416,260.33	434,064.75
Debt Service Assessment	36,017.96						
Transfer to Charter School	101,974.16	109,907.50	114,024.17	118,907.50	123,707.50	128,190.84	133,771.57
Interest on Long-Term Debt	226,859.08	211,555.72	192,039.26				
Unallocated Depreciation							
<b>Total Governmental Activities Expenses</b>	<u>6,972,083.68</u>	<u>6,383,196.77</u>	<u>6,114,443.98</u>	<u>6,033,524.87</u>	<u>5,751,435.79</u>	<u>4,990,528.74</u>	<u>4,851,388.99</u>
<b>Business-Type Activities</b>							
Food Service Fund	157,636.59	182,552.64	172,887.56	162,081.49	163,865.14	128,036.95	98,974.79
<b>Total Business-Type Activities Expenses</b>	<u>157,636.59</u>	<u>182,552.64</u>	<u>172,887.56</u>	<u>162,081.49</u>	<u>163,865.14</u>	<u>128,036.95</u>	<u>98,974.79</u>
<b>Total District-Wide Expenses</b>	<u>\$ 7,129,720.27</u>	<u>\$ 6,565,749.41</u>	<u>\$ 6,287,331.54</u>	<u>\$ 6,195,606.36</u>	<u>\$ 5,915,300.93</u>	<u>\$ 5,118,565.69</u>	<u>\$ 4,950,363.78</u>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Changes in Net Assets (Continued)**  
 Source: CAFR A-2

Exhibit J-2  
 Unaudited

	Fiscal Year Ended						
	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
<b>Program Revenues</b>							
Governmental Activities							
Charges For Services	\$ 985,692.98	\$ 1,230,664.18	\$ 736,065.05	\$ 47,300.00	\$ 454,807.33	\$ 412,673.82	\$ 377,294.45
Operating Grants and Contributions							
Capital Grants and Contributions							
<b>Total Governmental Activities Program Revenues</b>	<u>985,692.98</u>	<u>1,230,664.18</u>	<u>736,065.05</u>	<u>505,484.70</u>	<u>454,807.33</u>	<u>412,673.82</u>	<u>377,294.45</u>
Business-Type Activities							
Charges For Services	106,517.58	100,032.23	100,549.78	87,770.91	79,025.53	77,005.66	66,393.64
Operating Grants and Contributions	82,767.77	95,058.59	85,928.67	70,138.51	61,128.84	51,735.04	39,961.35
Capital Grants and Contributions							
<b>Total Business-Type Activities Program Revenues</b>	<u>189,285.35</u>	<u>195,090.82</u>	<u>186,478.45</u>	<u>157,909.42</u>	<u>140,154.37</u>	<u>128,740.70</u>	<u>106,354.99</u>
<b>Total District-Wide Program Revenues</b>	<u>\$ 1,174,978.33</u>	<u>\$ 1,425,755.00</u>	<u>\$ 922,543.50</u>	<u>\$ 663,394.12</u>	<u>\$ 594,961.70</u>	<u>\$ 541,414.52</u>	<u>\$ 483,649.44</u>
<b>Net (Expense) Revenue</b>							
Governmental Activities	\$ (5,986,390.70)	\$ (5,152,532.59)	\$ (5,378,378.93)	\$ (5,528,040.17)	\$ (5,296,628.46)	\$ (4,577,854.92)	\$ (4,474,094.54)
Business-Type Activities	31,648.76	12,538.18	13,590.89	(4,172.07)	(23,710.77)	703.75	7,380.20
<b>Total District-Wide Net Expense</b>	<u>\$ (5,954,741.94)</u>	<u>\$ (5,139,994.41)</u>	<u>\$ (5,364,788.04)</u>	<u>\$ (5,532,212.24)</u>	<u>\$ (5,320,339.23)</u>	<u>\$ (4,577,151.17)</u>	<u>\$ (4,466,714.34)</u>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Changes in Net Assets (Continued)**

Source: CAFR A-2

Exhibit J-2  
 Unaudited

	Fiscal Year Ended						
	June 30, 2010	June 30, 2009	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental Activities							
Local Tax Levy	\$ 1,606,663.84	\$ 1,653,118.00	\$ 1,653,118.00	\$ 1,647,919.00	\$ 1,487,124.00	\$ 1,463,990.00	\$ 1,455,308.00
Unrestricted Grants and Contributions	4,690,444.00	4,466,992.71	4,466,992.71	3,933,345.75	4,253,822.65	6,362,219.82	3,834,292.11
Investment Earnings	254.43	5,046.96	5,046.96	24,768.82	54,502.98	97,816.89	94,668.13
Miscellaneous Income	53,200.00	29,895.67	29,895.67	18,760.62	66,654.30	24,900.93	8,201.83
Transfers	2,264.95						
<b>Total Governmental Activities</b>	<b>6,352,827.22</b>	<b>6,155,053.34</b>	<b>6,155,053.34</b>	<b>5,624,794.19</b>	<b>5,862,103.93</b>	<b>7,948,927.64</b>	<b>5,392,670.07</b>
Business-Type Activities							
Investment Earnings	6.32	42.05	42.05	374.54	733.01	6,909.68	
Transfers							
<b>Total Business-Type Activities</b>	<b>6.32</b>	<b>42.05</b>	<b>42.05</b>	<b>374.54</b>	<b>733.01</b>	<b>6,909.68</b>	<b>-</b>
<b>Total District-Wide General Revenues and Other Changes in Net Assets</b>	<b>\$ 6,352,833.54</b>	<b>\$ 6,155,095.39</b>	<b>\$ 6,155,095.39</b>	<b>\$ 5,625,168.73</b>	<b>\$ 5,862,836.94</b>	<b>\$ 7,955,837.32</b>	<b>\$ 5,392,670.07</b>
<b>Change in Net Assets</b>							
Governmental Activities	\$ 366,436.52	\$ 1,002,520.75	\$ 776,674.41	\$ 96,754.02	\$ 565,475.47	\$ 3,371,072.72	\$ 918,575.53
Business-Type Activities	31,655.08	12,580.23	13,632.94	(3,797.53)	(22,977.76)	7,613.43	7,380.20
<b>Total District-Wide</b>	<b>\$ 398,091.60</b>	<b>\$ 1,015,100.98</b>	<b>\$ 790,307.35</b>	<b>\$ 92,956.49</b>	<b>\$ 542,497.71</b>	<b>\$ 3,378,686.15</b>	<b>\$ 925,955.73</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Fund Balances - Governmental Funds**

Source: CAFR B-1

Exhibit J-3  
 Unaudited

	Fiscal Year Ended						
	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
General Fund							
Restricted	\$ 1,713,264.23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed							
Assigned	194,548.66						
Unassigned	(289,420.00)						
Unreserved		1,974,589.52	1,852,846.41	976,855.12	159,885.02	39,440.03	97,545.69
		(309,101.00)	(239,419.00)	86,727.19	62,961.35	76,888.71	52,363.00
<b>Total General Fund</b>	<b>\$ 1,618,392.89</b>	<b>\$ 1,665,488.52</b>	<b>\$ 1,613,427.41</b>	<b>\$ 1,063,582.31</b>	<b>\$ 222,846.37</b>	<b>\$ 116,328.74</b>	<b>\$ 149,908.69</b>
All Other Governmental Funds							
Restricted	\$ 1.29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed							
Assigned						16,492.79	28,790.29
Unassigned							
Reserved							
Unreserved, Reported in							
Special Revenue Fund					77,305.90	962,158.66	3,871,545.56
Capital Projects Fund							
Debt Service Fund		1.29	1.29	1.79			
Permanent Fund							
<b>Total All Other Governmental Funds</b>	<b>\$ 1.29</b>	<b>\$ 1.29</b>	<b>\$ 1.29</b>	<b>\$ 1.79</b>	<b>\$ 77,305.90</b>	<b>\$ 978,651.45</b>	<b>\$ 3,900,335.85</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Changes in Fund Balances - Governmental Funds**  
 Source: CAFR B-2

Exhibit J-4  
 Unaudited

	Fiscal Year Ended					
	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
<b>Revenues</b>						
Local Tax Levy	\$ 1,708,638.00	\$ 1,657,919.00	\$ 1,653,118.00	\$ 1,647,919.00	\$ 1,487,124.00	\$ 1,463,990.00
Tuition Charges	53,200.00	59,511.06	25,000.00			
Interest Earned	254.43	551.06	5,046.96	24,768.84	54,502.98	97,816.89
Miscellaneous	2,264.95	7,021.97	4,895.67	66,060.62	66,654.30	24,900.93
Federal Sources	237,771.17	1,105,195.66	248,348.05	204,460.70	246,676.59	198,316.44
State Sources	5,336,391.65	3,775,517.52	4,954,709.71	4,187,069.75	4,461,963.38	6,578,577.20
Total Revenues	7,338,520.20	6,605,716.27	6,891,118.39	6,130,278.91	6,316,921.25	8,361,601.46
<b>Expenditures</b>						
Instruction						
Regular	1,840,956.38	1,809,189.43	1,693,931.00	1,471,818.54	1,585,044.38	1,616,871.41
Special Education	308,541.20	297,006.52	273,158.35	270,770.32	243,852.99	191,592.43
School Sponsored Activities	27,508.29	20,782.49	18,730.74	87,611.79	115,500.00	60,395.05
Other	31,570.02	28,550.24	7,800.00			
Support Services						
Tuition	1,560,743.72	1,208,793.86	1,124,987.88	1,079,075.39	900,516.20	813,796.27
Student and Instruction	655,688.15	604,133.27	534,092.84	613,610.29	552,639.09	493,603.59
General Administration	119,131.04	118,792.78	128,393.67	111,612.83	96,630.33	72,592.36
School Administrative	147,006.24	131,695.34	117,584.57	124,193.15	135,650.85	138,047.46
Central Services	118,930.94	127,542.64	114,536.47	105,386.02	112,661.92	101,290.03
Administrative Information Technology			42,427.50			
Plant Operations and Maintenance	426,050.01	387,420.92	383,554.10	403,082.08	372,902.01	265,630.30
Pupil Transportation	342,362.73	496,899.30	498,002.27	455,999.72	433,832.51	351,448.18
Other Support Services						
Employee Benefits	1,026,693.33	836,754.75	842,526.39	1,037,997.78	922,123.90	757,719.23
Transfer to Charter School						
Debt Service	244,307.50	249,907.50	245,107.50	239,907.50	244,707.50	239,107.50
Capital Outlay	536,126.78	236,215.62	316,440.51	77,305.90	1,716,196.43	5,609,303.73
Total Expenditures	7,385,616.33	6,553,684.66	6,341,273.79	6,078,371.31	7,432,258.11	10,711,397.54
Excess (Deficiency) of Revenues Over Expenditures	(47,096.13)	52,031.61	549,844.60	51,907.60	(1,115,336.86)	(2,349,796.08)
Other Financing Sources (Uses)					(125,000.00)	
Transfers Out					(125,000.00)	
Total Other Financing Sources (Uses)						
Net Changes in Fund Balance	\$ (47,096.13)	\$ 52,031.61	\$ 549,844.60	\$ 51,907.60	\$ (1,240,336.86)	\$ (2,349,796.08)
						\$ 544,152.15



## REVENUE CAPACITY

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Assessed Value and Actual Value of Taxable Property**

Source: *Municipal Tax Assessor*

Fiscal Year Ended June 30,	Vacant Land	Improvements	Total Taxable Value of Land & Improvements	Total Partial Exemptions & Abatements	Net Total Taxable Value of Land & Improvements	Taxable Value of Locally Assessed Personal Property	Net Valuation Taxable	Estimated Actual County Equalized Value	Total District School Tax Rate
2003	25,412,750	74,606,700	100,019,450		100,019,450	697,330	100,716,780	110,253,727	1.311
2004	25,439,500	75,086,700	100,526,200		100,526,200	596,935	101,123,135	114,730,128	1.439
2005	25,399,150	75,851,325	101,250,475		101,250,475	486,142	101,736,617	138,398,336	1.439
2006	25,620,300	77,293,600	102,913,900		102,913,900	429,833	103,343,733	148,631,861	1.439
2007	25,648,500	77,709,600	103,358,100		103,358,100	385,373	103,743,473	170,266,655	1.589
2008	25,645,700	78,015,700	103,661,400		103,661,400	363,645	104,025,045	189,170,840	1.589
2009	25,645,500	79,412,300	105,057,800		105,057,800	369,512	105,427,312	202,588,993	1.573
2010	25,638,300	80,214,500	105,852,800		105,852,800	354,702	106,207,502	208,168,369	1.609
2011	25,541,300	79,829,000	105,370,300		105,370,300	327,372	105,697,672	189,123,370	1.648

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Direct and Overlapping Property Tax Rates**  
 Source: Municipal Tax Collector

Fiscal Year Ended June 30,	School District		Overlapping Rates			Total	Overlapping Rates			Total	Total Direct and Overlapping Tax Rates
	Basic Rate	Debt Service	Local	County	Other		County	Other	Total		
2002	1.271	0.000	0.318	0.561	0.000	0.879	0.000	0.000	0.879	2.150	
2003	1.311	0.000	0.344	0.544	0.000	0.888	0.000	0.000	0.888	2.199	
2004	1.439	0.000	0.364	0.527	0.000	0.891	0.000	0.000	0.891	2.330	
2005	1.439	0.000	0.385	0.563	0.000	0.948	0.000	0.000	0.948	2.387	
2006	1.439	0.000	0.434	0.527	0.000	0.961	0.000	0.000	0.961	2.400	
2007	1.589	0.000	0.454	0.507	0.000	0.961	0.000	0.000	0.961	2.550	
2008	1.589	0.000	0.490	0.523	0.000	1.013	0.000	0.000	1.013	2.602	
2009	1.573	0.000	0.519	0.580	0.000	1.099	0.000	0.000	1.099	2.672	
2010	1.609	0.000	0.538	0.632	0.000	1.170	0.000	0.000	1.170	2.779	
2011	1.648	0.000	0.556	0.647	0.000	1.203	0.000	0.000	1.203	2.851	

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
Principal Property Taxpayers  
Source: Municipal Tax Assessor

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
South Jersey Industries	\$ 5,461,400	1	5.17%	5,390,000	1	5.38%
American Galvanizing	1,783,800	2	1.69%	1,577,800	2	1.57%
C&E Cannery	1,306,700	3	1.24%	950,000	4	0.95%
Kerr Concrete	1,222,800	4	1.16%	1,157,700	3	1.15%
Taxpayer 1	973,300	5	0.92%			0.69%
Taxpayer 2	899,100	6	0.85%			
International Electrical Workers Local 351	879,000	7	0.83%	749,500	6	0.75%
Creamer Folsom Associates	800,800	8	0.76%	710,500	8	0.71%
Laborer's Local 172-174	769,000	9	0.73%	865,100	5	0.86%
Bodon Industries	741,800	10	0.70%	729,800	7	0.73%
NJ Bell Telephone				697,300	9	0.70%
Taxpayer 3				559,300	10	0.56%

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Property Tax Levies and Collections**

Source: District Records

**Exhibit J-9**  
**Unaudited**

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>School Taxes</u> <u>Levied for</u> <u>the Fiscal Year</u>	<u>Current Tax</u> <u>Collections</u>	<u>Percentage of Tax</u> <u>Levy Collections</u>
2002	1,273,867.00	1,273,867.00	100.00%
2003	1,275,555.00	1,275,555.00	100.00%
2004	1,320,619.00	1,320,619.00	100.00%
2005	1,455,308.00	1,455,308.00	100.00%
2006	1,463,990.00	1,463,990.00	100.00%
2007	1,487,124.00	1,487,124.00	100.00%
2008	1,647,919.00	1,647,919.00	100.00%
2009	1,653,118.00	1,653,118.00	100.00%
2010	1,657,919.00	1,657,919.00	100.00%
2011	1,708,638.00	1,708,638.00	100.00%

## DEBT CAPACITY

**BOROUGH OF FOLSOM SCHOOL DISTRICT**

**Ratio of Outstanding Debt By Type**

Source: District Records

Fiscal Year Ended June 30,	Governmental Activities			Business-Type		Total District	Percentage of Personal Income	Per Capita Personal Income
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes	Capital Leases			
2002	\$ -	\$ -	\$ 11,712	\$ -	\$ -	11,712	0.02%	\$ 6
2003			9,080			9,080	0.01%	5
2004	3,196,000		6,279			3,202,279	0.02%	6
2005	3,086,000		3,258			3,089,258	0.01%	5
2006	2,976,000					2,976,000	4.72%	1,636
2007	2,859,000					2,856,000	4.42%	1,584
2008	2,736,000					2,736,000	4.14%	1,541
2009	2,606,000					2,606,000	3.82%	1,497
2010	2,466,000					2,466,000	3.64%	1,451
2011	2,326,000					2,326,000	3.47%	1,382

**BOROUGH OF FOLSOM SCHOOL DISTRICT**

**Ratios of General Bonded Debt Outstanding**

Source: District Records

Exhibit J-11

Unaudited

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>General</u> <u>Obligation Bonds</u>	<u>Deductions</u>	<u>Net General</u> <u>Bonded Debt</u> <u>Outstanding</u>	<u>Percentage of</u> <u>Actual Taxable</u> <u>Value of Property</u>	<u>Per Capita</u>
2002	\$ -		\$ -	0.00%	\$ -
2003			-	0.00%	-
2004	3,196,000.00		3,196,000.00	3.15%	1,629
2005	3,086,000.00		3,086,000.00	3.03%	1,577
2006	2,976,000.00		2,976,000.00	2.88%	1,526
2007	2,856,000.00		2,856,000.00	2.75%	1,479
2008	2,736,000.00		2,736,000.00	2.63%	1,429
2009	2,606,000.00		2,606,000.00	2.50%	1,367
2010	2,466,000.00		2,466,000.00	2.33%	1,292
2011	2,326,000.00		2,326,000.00	2.20%	1,234

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Direct and Overlapping Governmental Activities Debt**  
*Source: District Records*

**Exhibit J-12**  
**Unaudited**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Net Direct Debt of the School District	\$ 2,326,000.00	100.00%	\$ 2,326,000.00
Debt Repaid With Property Taxes			
Local Municipality	\$ 377,309.00	100.00%	377,309.00
Other Debt			
County of Atlantic	\$ 137,077,871.00	0.39%	<u>534,603.70</u>
Total Direct and Overlapping Debt			<u>\$ 3,237,912.70</u>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Legal Debt Margin Information**  
 Source: District Records

Exhibit J-13  
 Unaudited

	Year		Equalized Valuation Basis				
	2008	2009	2010				
	\$ 199,195,619	205,914,935	209,429,608				
	\$ 614,540,162						
	\$ 204,846,721						
Average Equalized Valuation of Taxable Property							
School Borrowing Margin							
Average Equalized Valuation of Taxable Property	\$ 204,846,721		3.00%				
Net Bonded School Debt							
	6,145,402						
	2,326,000						
	\$ 3,819,402						
Legal Debt Margin							
	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 3,143,454	\$ 3,536,852	\$ 3,958,809	\$ 4,512,762	\$ 5,024,874	\$ 5,560,587	\$ 5,930,685
Total Net Debt Applicable Limit	3,196,000	3,086,000	2,976,000	2,856,000	2,736,000	2,606,000	2,466,000
Legal Debt Margin	\$ (52,546)	\$ 450,852	\$ 982,809	\$ 1,656,762	\$ 2,288,874	\$ 2,954,587	\$ 3,464,685
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	101.67%	101.67%	87.25%	75.17%	63.29%	54.45%	46.87%

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Demographic and Economic Statistics**  
*Source: NJ Department of Labor*

**Exhibit J-14**  
**Unaudited**

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>School District</u> <u>Population</u>	<u>Personal</u> <u>Income</u>	<u>Per Capita</u> <u>Personal Income</u>	<u>Unemployment</u> <u>Rate</u>
2000	1,970	62,917,860	31,938	4.00%
2001	1,962	63,441,270	32,335	3.80%
2002	1,963	64,486,513	32,851	4.70%
2003	1,962	65,968,326	33,623	5.00%
2004	1,957	67,851,147	34,671	4.30%
2005	1,950	69,860,700	35,826	3.10%
2006	1,931	71,821,614	37,194	2.60%
2007	1,914	73,790,442	38,553	2.60%
2008	1,907	75,965,345	39,835	3.20%
2009	1,908	76,005,180	39,835	5.90%
2010	1,885	75,088,975	39,835	6.10%
2011	1,885	75,088,975	39,835	6.10%

**Information Not Available**

## Operating Information

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Full-Time Equivalent District Employees By Function/Program**  
*Source: District Personnel Records*

Exhibit J-16  
 Unaudited

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction										
Regular	24.0	24.0	24.6	24.6	25.0	24.3	24.3	29.5	29.5	29.5
Special Education	3.0	3.0	3.0	3.0	7.0	7.0	7.0	6.6	6.6	6.6
Other Special Education	2.5	2.5	2.9	2.9	2.9	3.1	3.1	1.0	1.0	1.0
Other	1.0	1.0	0.5	0.5	1.5	1.0	1.0	1.0	1.0	1.0
Support Services										
Student Related	1.6	1.6	1.8	1.8	2.0	2.0	2.0	6.1	6.1	6.1
General Administrative	1.8	1.8	1.8	1.8	1.8	1.3	1.3	1.5	1.5	1.5
School Administrative	1.2	1.2	1.2	1.2	1.2	1.7	1.7	1.5	1.5	1.5
Business Administrative	1.5	1.5	1.5	1.5	2.0	2.5	2.5	2.7	2.7	2.7
Plant Operation	2.5	2.5	2.5	2.5	2.5	4.0	4.5	4.0	4.0	4.0
Other	1.5	1.5	2.0	2.0	2.0	2.0	2.0	3.1	3.1	3.1
Food Service	2.5	2.5	2.5	2.5	3.0	3.5	3.0	3.1	3.1	3.1
Child Care										
	43.1	43.1	44.3	44.3	50.9	52.4	52.4	56.0	56.0	56.0

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Operating Statistics**  
Source: District Records

Fiscal Year Ended June 30,	(a)				(b)			Student Attendance Percentage
	Enrollment	Operating Expenditures	Cost Per Pupil	% Change	Teaching Staff	Enrollment	Average Daily Attendance	
2002	383	3,845,074	10,039	1.39%	30.5	296	283	95.54%
2003	412	4,134,068	10,034	-0.05%	30.5	323	307	94.95%
2004	433	3,831,038	8,848	-11.82%	31.0	344	327	95.00%
2005	468	4,132,026	8,829	-0.21%	35.0	377	358	95.04%
2006	486	4,231,834	8,707	-1.38%	36.4	403	382	94.69%
2007	482	4,855,138	10,073	15.68%	35.4	301	373	123.92%
2008	495	4,828,413	9,754	-3.16%	35.4	417	397	95.30%
2009	496	5,475,267	11,039	13.17%	37.1	407	388	95.33%
2010	478	5,621,533	11,773	6.65%	37.1	399	378	94.74%
2011	492	6,474,370	13,159	11.78%	37.1	400	381	95.25%

(a) Includes Grades K-12

(b) Includes Grades K-8

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**School Building Information**  
*Source: District Records*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District Building										
Folsom Elementary School										
Square Feet	33,959	33,959	33,959	33,959	57,507	57,507	57,507	57,507	57,507	57,507
Capacity	275	275	275	275	407	407	407	407	407	407
Enrollment	296	323	344	378	402	391	416	407	399	403

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Schedule of Required Maintenance for School Facilities**  
 Source: District Records

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

Facilities	Project Number	2003	2004	2005	2006	2007	2008	2009	2010	2011
Folsom School	N/A	\$ 128,038	\$ 88,951	\$ 59,936	\$ 80,229	\$ 67,776	\$ 92,480	\$ 124,975	\$ 88,191	\$ 120,416

**BOROUGH OF FOLSOM SCHOOL DISTRICT**

**Insurance Schedule**

Source: District Records

**Exhibit J-20**

**Unaudited**

Company	Type of Coverage	Amount of Coverage	Deductible
Atlantic and Cape May Counties School Business Officials Joint Insurance Fund	Property, Inland Marine and Automobile Physical Damages		
	Limit of Liability - Per Occurrence	\$ 150,000,000	
	ACCASBOJIF Self Insured Retention - Per Occurrence	200,000	
	Member District Deductible		\$ 500
	Property Valuation		
	Buildings and Contents	Replacement Cost	
	Contractors Equipment	Actual Cash Value	
	Automobiles	Actual Cash Value	
	Boiler and Machinery		
	Limit of Liability	125,000,000	
	ACCASBOJIF Self Insured Retention	None	
	Member District Deductible		1,000
	Crime		
	Limit of Liability	500,000	
	ACCASBOJIF Self Insured Retention	200,000	
	Member District Deductible		500
	General and Automobile Liability		
	Limit of Liability	10,000,000	
	ACCASBOJIF Self Insured Retention	150,000	
	Member District Deductible		-
	Workers Compensation		
Limit of Liability	Statutory		
ACCASBOJIF Self Insured Retention	250,000		
Member District Deductible		-	
Educator's Legal Liability			
Limit of Liability	10,000,000		
ACCASBOJIF Self Insured Retention	100,000		
Member District Deductible		-	
Polution Legal Liability			
Limit of Liability	3,000,000		
ACCASBOJIF Self Insured Retention	None		
Member District Deductible		25,000	
RLI Insurance Company	Surety Bonds		
	Treasurer	169,000	
	Board Secretary/Business Administrator	25,000	

**SINGLE AUDIT SECTION**

# PREZIOSI·NICHOLSON

& ASSOCIATES PA

Certified Public Accountants

EXHIBIT K-1

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

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

We have audited the financial statements of the governmental activities, the business-type activities and each major fund and the aggregate fund information of the Board of Education of the Borough of Folsom School District, in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as described by the Division of Finance, Department of Education, State of New Jersey.

### Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Educations' 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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in the 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 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.

We noted certain matters that we reported to the Board of Education in a separate report entitled, *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 3, 2011.

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

**PREZIOSI • NICHOLSON & ASSOCIATES**  
Certified Public Accountants



James M. Preziosi  
Certified Public Accountant  
Public School Accountant No. CS 01141

October 3, 2011  
Millville, NJ

# PREZIOSI·NICHOLSON

& ASSOCIATES PA

Certified Public Accountants

EXHIBIT K-2

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
NEW JERSEY OMB CIRCULAR 04-04**

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

## Compliance

We have audited the Board of Education of the Borough of Folsom School District's compliance 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 could have a direct and material effect on the District's major state programs for the fiscal year ended June 30, 2011. The District's major state programs are identified in the *Summary of Auditor's Results Section* of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 *Government 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 OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the 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 District's compliance with those requirements.

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

#### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purposes of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Expenditure for federal awards were less than the single audit threshold required by OMB Circular A-133 and therefore were not subject to a single audit. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Division of Finance, Department of Education, State of New Jersey and is not a required part of basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

This report is intended solely for the information and use of the management of the 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 these specified parties.

#### **PREZIOSI • NICHOLSON & ASSOCIATES**

Certified Public Accountants



James M. Preziosi  
Certified Public Accountant  
Public School Accountant No. CS 01141

October 3, 2011  
Millville, NJ

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Schedule A**

For The Fiscal Year Ended June 30, 2011

See Accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Grant Period	Balance at June 30, 2010	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Accounts Receivable	Due to Grantor
<b>U.S. Department of Education</b>										
<b>Passed-through State Department of Education</b>										
<b>Special Revenue Fund:</b>										
Title I	84.010	76,923.00	9/1/10 - 8/31/11			40,480.00	76,923.00		(36,443.00)	
Title I	84.010	77,494.00	9/1/09 - 8/31/10	(20,684.00)					(20,684.00)	
ARRA - Title 1	84.389	22,270.00	9/1/09 - 8/31/10	(22,270.00)		22,270.00				
Title II A	84.367	16,779.00	9/1/10 - 8/31/11			3,000.00	16,779.00		(13,779.00)	
Title II A	84.367	16,950.00	9/1/09 - 8/31/10	(3,158.00)					(3,158.00)	
Title II D	84.318	166.00	9/1/10 - 8/31/11			776.00	166.00		(166.00)	
Title II D	84.318	776.00	9/1/09 - 8/31/10	(776.00)						
Title IV	84.186	1,462.00	9/1/09 - 8/31/10	(1,462.00)					(1,462.00)	
I.D.E.A. Part B, Basic Regular	84.027	103,437.00	9/1/10 - 8/31/11			103,437.00	103,437.00			
I.D.E.A. Part B, Basic Regular	84.027	103,029.00	9/1/09 - 8/31/10	(52,573.00)		52,573.00				
I.D.E.A. Part B, Preschool	84.173	4,377.00	9/1/10 - 8/31/11			4,377.00	4,377.00			
I.D.E.A. Part B, Preschool	84.173	4,176.00	9/1/09 - 8/31/10	(1,769.00)		1,769.00				
Title VI REAP	84.358	34,051.00	9/1/10 - 8/31/11			34,051.00	34,051.00			
<b>Total Special Revenue Fund</b>				<b>(102,692.00)</b>	<b>-</b>	<b>262,733.00</b>	<b>235,733.00</b>	<b>-</b>	<b>(75,692.00)</b>	<b>-</b>
<b>U.S. Department of Agriculture</b>										
<b>Passed-through State Department of Education</b>										
<b>Enterprise Fund:</b>										
Food Distribution Program	10.550	9,716.34	7/1/10 - 6/30/11			9,716.34	9,716.34			
School Breakfast Program	10.553	18,197.58	7/1/10 - 6/30/11			16,916.46	18,197.58		(1,281.12)	
School Breakfast Program	10.553	18,439.96	7/1/09 - 6/30/10	(1,841.00)		1,841.00				
National School Lunch Program	10.555	53,022.98	7/1/10 - 6/30/11			49,228.28	53,022.98		(3,794.70)	
National School Lunch Program	10.555	55,997.05	7/1/09 - 6/30/10	(5,381.17)		5,381.17				
<b>Total Enterprise Fund</b>				<b>(7,222.17)</b>	<b>-</b>	<b>83,083.25</b>	<b>80,936.90</b>	<b>-</b>	<b>(5,075.82)</b>	<b>-</b>
<b>Total Federal Financial Awards</b>				<b>\$(109,914.17)</b>	<b>\$</b>	<b>\$ 345,816.25</b>	<b>\$ 316,669.90</b>	<b>\$</b>	<b>\$ (80,767.82)</b>	<b>\$</b>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance**  
**Schedule B**

For The Fiscal Year Ended June 30, 2011

See Accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance

State Grantor/Program Title	Project Number	Grant or Period	Program or Award Amount	Balance at June 30, 2010	Cash Received	Budgetary Expenditures	Adjustments	Accounts Receivable	Due To State
<b>State Department of Education</b>									
<b>General Fund</b>									
Equalization Aid	11-495-034-5120-078	07/01/10-06/30/11	\$ 3,951,148.00	\$ -	\$ 3,476,857.00	\$ 3,951,148.00	\$ -	\$(474,291.00)	\$ -
Equalization Aid	10-495-034-5120-078	07/01/09-06/30/10	2,247,065.00	(523,167.00)	523,167.00				
Extraordinary Special Education Aid	11-100-034-5120-473	07/01/10-06/30/11	64,259.00			64,259.00		(64,259.00)	
School Choice Aid	11-495-034-5120-068	07/01/10-06/30/11	655,356.00		655,356.00				
Special Education Categorical Aid	11-495-034-5120-089	07/01/10-06/30/11	251,928.00		251,928.00				
Nonpublic Transportation Aid	11-495-034-5120-014	07/01/10-06/30/11	870.00			870.00		(870.00)	
Nonpublic Transportation Aid	10-495-034-5120-014	07/01/09-06/30/10	35,934.00	(35,934.00)	35,934.00				
On Behalf TPAF									
Pension Contributions	11-495-034-5095-006	07/01/10-06/30/11	149,036.00		149,036.00	149,036.00			
Social Security Contributions	11-495-034-5095-002	07/01/10-06/30/11	174,771.65		166,152.26	174,771.65		(8,619.39)	
<b>Total General Fund</b>				(559,101.00)	5,258,430.26	5,247,368.65	-	(548,039.39)	-
<b>Special Revenue Fund</b>									
Preschool Education Aid	11-495-034-5120-086	07/01/10-06/30/11	69,342.00		69,342.00	69,342.00			
<b>Total Enterprise Fund</b>				(490.82)	2,176.55	1,830.87		(145.14)	
<b>U.S. Department of Agriculture</b>									
<b>Passed-through State Department of Education</b>									
<b>Enterprise Fund:</b>									
National School Lunch Program	11-100-010-3360-067	07/01/10-06/30/11	1,830.87		1,885.73	1,830.87			
National School Lunch Program	10-100-010-3360-067	07/01/09-06/30/10	2,897.10	(281.32)	281.32				
School Breakfast Program	10-100-010-3360-096	07/01/09-06/30/10	2,141.60	(209.50)	209.50				
<b>Total Enterprise Fund</b>				(490.82)	2,176.55	1,830.87		(145.14)	
<b>Total State Financial Assistance</b>				<u>\$(559,591.82)</u>	<u>\$ 5,329,948.81</u>	<u>\$ 5,318,541.52</u>	<u>\$ -</u>	<u>\$(548,184.53)</u>	<u>\$ -</u>

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Schedules of Awards and Financial Assistance**  
**June 30, 2011**

**NOTE 1           GENERAL**

The accompanying Schedules of Expenditures of Awards and Financial Assistance include federal and state award activity of the Board of Education of the Borough of Folsom School District. The Board of Education is defined in Note 1 to the District'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 schedules 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 Note 1 to the District's basic financial statements. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3           RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules 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 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, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

See Exhibit C-3, the Notes to Required Supplementary Information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Notes to Schedules of Awards and Financial Assistance**  
**June 30, 2011**

**NOTE 3 RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**

Awards and financial assistance revenues are reported in the basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 5,267,049.65	\$ 5,267,049.65
Special Revenue Fund	237,771.17	69,342.00	307,113.17
Enterprise Fund	80,936.90	1,830.87	82,767.77
Total GAAP	318,708.07	5,338,222.52	5,656,930.59
Budgetary Adjustment			
State Aid Payment			
Current Year		539,420.00	539,420.00
Prior Year		( 559,101.00)	( 559,101.00)
Encumbrances			
Current Year			
Prior Year	( 2,038.17)		( 2,038.17)
Total Budgetary	<u>\$ 316,669.90</u>	<u>\$ 5,318,541.52</u>	<u>\$ 5,635,211.42</u>

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

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

**NOTE 5 OTHER**

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

**NOTE 6 MAJOR PROGRAMS**

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**BOROUGH OF FOLSOM SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs**

For The Fiscal Year Ended June 30, 2011

**PART 1 - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

- A. Type of auditors' report issued:  
**Unqualified**
- B. Internal control over financial reporting:
  - 1. Material weakness(es) identified?  
**No**
  - 2. Were significant deficiencies identified that were not considered to be material weaknesses?  
**None Reported**
- C. Noncompliance material to financial statements noted.  
**No**

**Federal Awards Section**

N/A

**State Awards Section**

- A. Dollar threshold used to determine Type A programs.  
**\$300,000.00**
- B. Auditee qualified as low-risk auditee?  
**Yes**
- C. Type of auditors' report on compliance for major programs.  
**Unqualified**
- D. Internal control over compliance.
  - 1. Material weakness(es) identified?  
**No**
  - 2. Were significant deficiencies identified that were not considered to be material weaknesses?  
**None Reported**
- E. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 or New Jersey Circular 04-04-OMB?  
**No**
- F. Identification of major programs.
 

Equalization Aid	495-034-5120-078
School Choice Aid	495-034-5120-068
Special Education Categorical Aid	495-034-5120-089

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**

For The Fiscal Year Ended June 30, 2011

**PART 2 - SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

None

**BOROUGH OF FOLSOM SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**

For The Fiscal Year Ended June 30, 2011

**PART 3 - SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS**

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

**FEDERAL AWARDS**

Not Applicable

**STATE FINANCIAL ASSISTANCE**

None

**BOROUGH OF FOLSOM SCHOOL DISTRICT  
Summary Schedule of Prior-Year Findings and  
Questioned Costs as Prepared by Management  
For The Fiscal Year Ended June 30, 2011**

This section identifies the status of prior year findings related to the financial statements of Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, US OMB Circular A-133 State of New Jersey Circular 04-04-OMB.

**STATUS OF PRIOR YEAR FINDINGS**

**Financial Statement Findings**

None

**Federal Awards**

None

**State Financial Assistance**

None