

**SCHOOL DISTRICT**  
**OF**  
**HAMPTON BOROUGH**

**Hampton Borough School District**  
**Board of Education**  
**Hampton, Hunterdon County**  
**New Jersey**

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



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Hampton Borough School District**

**Board of Education**

**Hampton, New Jersey**

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

**Prepared by**

**Hampton Borough School District**

**Board of Education**

**Finance Department**



## OUTLINE OF CAFR

### INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

### FINANCIAL SECTION

<b>Independent Auditor's Report</b>	5-6
<b>Required Supplementary Information – Part I Management's Discussion and Analysis</b>	7
<b>Basic Financial Statements</b>	
A. District-Wide Financial Statements:	
A-1 Statement of Net Assets	8
A-2 Statement of Activities	9
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	10
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	11
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Proprietary Funds:	
B-4 Statement of Net Assets	13
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	14
B-6 Statement of Cash Flows	15
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	16
B-8 Statement of Changes in Fiduciary Net Assets	N/A
<b>Notes to the Financial Statements</b>	17-36
<b>Required Supplementary Information – Part II</b>	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	37-48
C1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b Education Jobs Fund Program – Budget and Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	49
<b>Notes to Required Supplementary Information</b>	
C-3 Budget-to-GAAP Reconciliation	50

## OUTLINE OF CAFR

	<u>Page</u>
<b>Other Supplementary Information</b>	
D. School Level 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	51
E-2 Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	52
F-2 Summary Schedule of Revenues and Expenditures	53
F-2a Schedule of Project Revenues, Expenditures, Project Balance, and Project Status-Budgetary Basis-Building Improvements and Capital Additions	54
G. Proprietary Funds	
Enterprise Fund:	
G-1 Combining Statement of Net Assets	See B-4
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	See B-5
G-3 Combining Statement of Cash Flows	See B-6
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
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Assets	55
H-2 Combining Statement of Changes in Fiduciary Net Assets	N/A
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	56
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	57
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	58
I-2 Schedule of Obligations Under Capital Leases	N/A
I-3 Budgetary Comparison Schedule Debt Service Fund	59

# OUTLINE OF CAFR

## STATISTICAL SECTION (Unaudited)

	<u>Page</u>
<b>Introduction to the Statistical Section</b>	60
<b>Financial Trends</b>	
J-1 Net Assets by Component	61
J-2 Changes in Net Assets	62-63
J-3 Fund Balances - Governmental Funds	64
J-4 Changes in Fund Balances - Governmental Funds	65
J-5 General Fund Other Local Revenue by Source	66
<b>Revenue Capacity</b>	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	67
J-7 Direct and Overlapping Property Tax Rates	68
J-8 Principal Property Taxpayers	69
J-9 Property Tax Levies and Collections	70
<b>Debt Capacity</b>	
J-10 Ratios of Outstanding Debt by Type	71
J-11 Ratios of General Bonded Debt Outstanding	72
J-12 Direct and Overlapping Governmental Activities Debt	73
J-13 Legal Debt Margin Information	74
<b>Demographic and Economic Information</b>	
J-14 Demographic and Economic Statistics	75
J-15 Principal Employers	76
<b>Operating Information</b>	
J-16 Full-time Equivalent District Employees by Function/Program	77
J-17 Operating Statistics	78
J-18 School Building Information	79
J-19 Schedule of Required Maintenance Expenditures by School Facility	80
J-20 Insurance Schedule	81

## SINGLE AUDIT SECTION

K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	82-83
K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with New Jersey OMB Circular 04-04	84-86
K-3 Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	87
K-5 Notes to the Schedules of Awards and Financial Assistance	88-89
K-6 Schedule of Findings and Questioned Costs	90-111
K-7 Summary Schedule of Prior Audit Findings	112

# Introductory Section

**HAMPTON BOROUGH BOARD OF EDUCATION**

**32-41 South Street  
Hampton, NJ 08827  
(908) 537-4101  
(908) 537-6871 Fax**

*Joanna Hughes*  
*Chief School Administrator*

*Christine M. Werner*  
*Interim Business Administrator/  
Board Secretary*

December 5, 2011

Honorable President and  
Members of the Board of Education  
Hampton School District  
County of Hunterdon, NJ

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, P.L. 98-502 and as amended by the Single Audit Act Amendments of 1996, P.L. 104-156 and the U.S. Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" as revised June 24, 1997, and the 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 Hampton School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Hampton Board of Education constitutes the District's entire reporting entity.

The District is an elementary school district consisting of grades Pre-K through 8. Services are also provided to Special Education students at other public and private schools in accordance with individual education plans established for these students. The District completed the 2010-2011 fiscal year with an average daily enrollment of: 130.5 students at Hampton Borough School District, Hunterdon County.

The following details the changes in the student enrollment of the District over the last ten years.

FISCAL YEAR	AVERAGE DAILY STUDENT ENROLLMENT	PERCENT CHANGE
2010-2011	130.5	-12.23%
2009-2010	148.7	-7.75%
2008-2009	161.2	-5.01%
2007-2008	169.7	-3.80%
2006-2007	176.4	3.76 %
2005-2006	170.0	-12.33%
2004-2005	193.9	11.24%
2003-2004	174.3	-0.97%
2002-2003	176.0	-2.55%
2001-2002	180.6	-2.69%

2. ECONOMIC CONDITION AND OUTLOOK: Hampton Borough is a small stable community in rural Hunterdon County.

3. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the

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

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

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

4. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgeting controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. Since this district maintains no facilities there is little likelihood of the need for capital improvements now or in the near future. Therefore the same is true of Debt Service requirements. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

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

6. **FINANCIAL INFORMATION AT FISCAL YEAR END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

7. **DEBT ADMINISTRATION:** At June 30, 2011, the District had no outstanding debt.

8. **CASH MANAGEMENT:** The investment policy of the District is guided in large part by statute as detailed in "Notes to Financial Statements" Notes 1 and 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit

Protection Act (“GUDPA”) GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with the Act. During the 2010-2011 fiscal year all funds were maintained in accounts at PNC Bank, Washington, NJ.

9. RISK MANAGEMENT: The Board carried various forms of insurance, including by not limited to general liability, hazard and theft, insurance on property and contents, and fidelity bonds. Brown and Brown of Washington, NJ served as the Board’s insurance agent of record for the 2010-2011 school year.

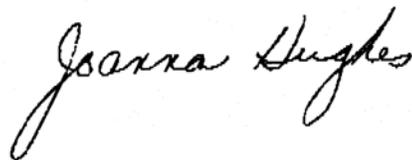
10. INDEPENDENT AUDIT: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ardito & Company, LLP, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984, PL 98-502 and as amended by the Single Audit Act Amendments of 1996, PL 104-156 and U.S. Office of Management and Budget Circular A-133 “Audits of States, Local Governments, and Non-Profit Organizations” as revised June 24, 1997, and the New Jersey OMB’s Circular 04-04, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.” The auditor’s report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the Hampton Borough School District and thereby contributing their full support to the development and maintenance of the district’s financial operation.

Respectfully Submitted,

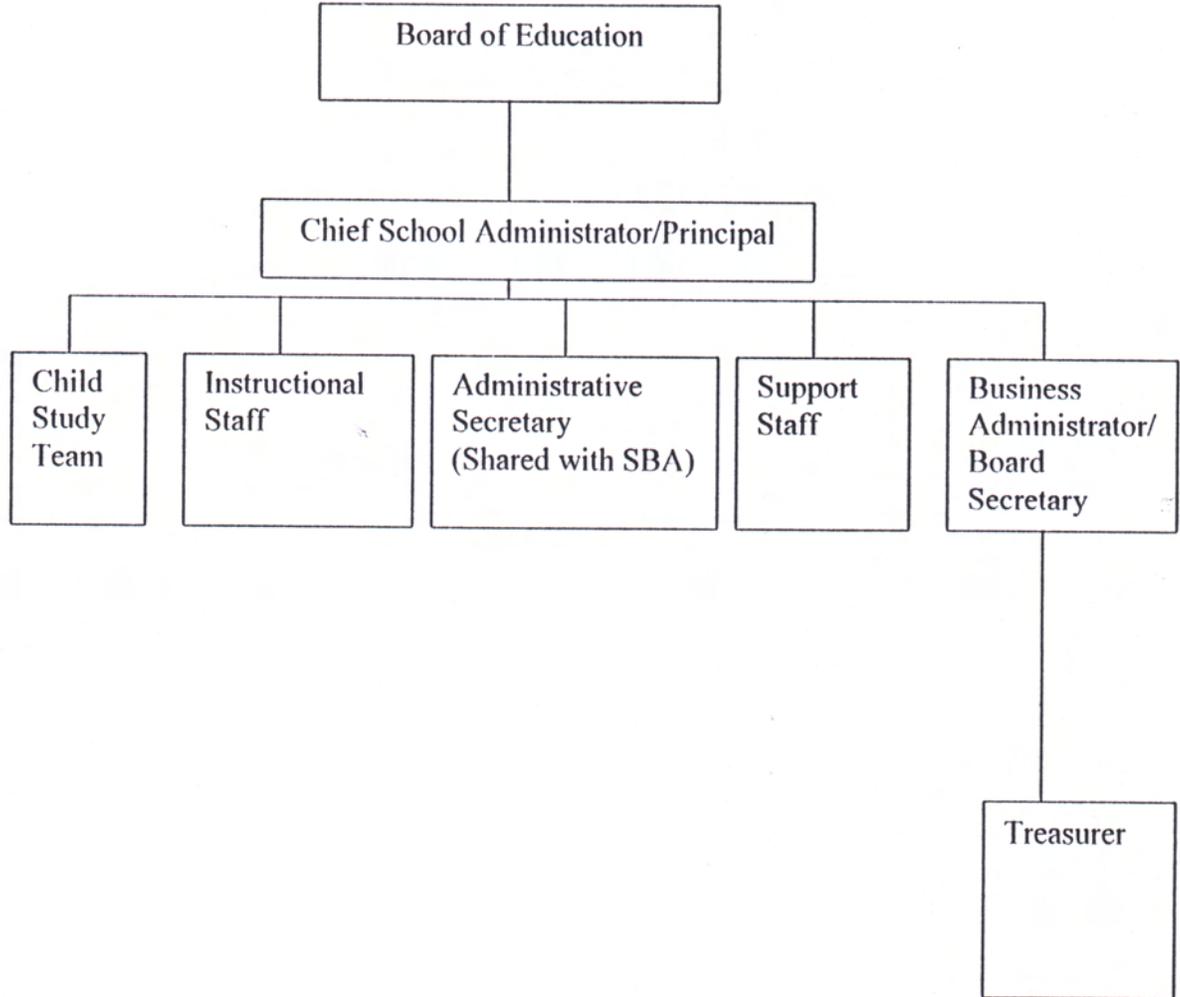


Christine M. Werner  
Interim Business Administrator/  
Board Secretary



Joanna Hughes  
Chief School Administrator

**HAMPTON BOARD OF EDUCATION  
Organizational Chart  
(Unit Control)**



**HAMPTON BOROUGH SCHOOL DISTRICT  
BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**JUNE 30, 2011**

**Members of the Board of Education**

**Term Expires**

Timothy Reeve, <i>President</i>	2012
Cheryl Drzewoszewski, <i>Vice-President</i>	2014
Gina Sharkey	2014
William Peterson	2013
Kimberly Donnenberg	2013

**Other Officials**

Joanna Hughes, *Superintendent*

Robert Sulvinski, *Business Administrator/Board Secretary*

Patti Lee Fischer, *Treasurer*

**HAMPTON BOROUGH SCHOOL DISTRICT  
BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

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

**BOARD ATTORNEY**

**Schwartz, Simon, Edelstein, Celso, & Kessler, LLC**  
44 Wippany Road  
Morristown, New Jersey 07962-2355

**OFFICIAL DEPOSITORIES**

**PNC Bank**  
48 West Washington Avenue  
Washington, New Jersey 07882

# Financial Section

# Independent Auditor's Report





## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: anthony@arditoandcompany.com

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

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

#### **Independent Auditor's Report**

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

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

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

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

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2011, on our consideration of the Hampton Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 37 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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



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

Date: December 1, 2011

**Required Supplementary Information -  
Part I**

**Management's Discussion and Analysis**



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

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

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- ◆ In total, net assets decreased \$169,216 which represents a 68.0 percent decrease from 2010.
- ◆ General revenues accounted for \$1,775,107 in revenue or 57.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants were \$1,274,306 or 42.1 percent of total revenues of \$3,049,413.
- ◆ Total assets of governmental activities decreased by \$83,214 as cash and cash equivalents increased by \$58,380, receivables decreased by \$58,888 and capital assests decreased by \$81,064.
- ◆ The School District had \$3,218,629 in expenses; only \$1,274,306 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$1,775,107 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$2,785,847 in revenues and \$2,856,977 in expenditures. After transfers to food service of \$2,800, the General Fund's surplus balance decreased \$73,930 over 2010.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

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

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

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

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

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

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

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

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

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

**Fund Financial Statements**

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

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

**Governmental Funds**

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

**The School District as a Whole**

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

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

**Table 1**  
**Net Assets**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current and Other Assets	\$505,352	\$ 507,502
Capital Assets	<u>3,098,547</u>	<u>3,179,611</u>
<b>Total Assets</b>	<u>3,603,899</u>	<u>3,687,113</u>
<b>Liabilities</b>		
Long-Term Liabilities	2,976,237	3,128,947
Other Liabilities	<u>390,655</u>	<u>156,007</u>
<b>Total Liabilities</b>	<u>3,366,892</u>	<u>3,284,954</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	(4,453)	(328,389)
Restricted	47,100	47,100
Unrestricted	<u>36,840</u>	<u>529,992</u>
<b>Total Net Assets</b>	<u>\$ 79,487</u>	<u>\$ 248,703</u>

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

Total assets decreased \$83,214. Cash and cash equivalents increased by \$58,380, receivables decreased by \$58,888, and capital assets decreased by \$81,064. The decrease in capital assets was due to depreciation expense.

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

**Table 2**  
**Changes in Net Assets**

	<u>2011</u>	<u>2010</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 25,265	\$ 29,570
Operating Grants and Contributions	1,249,041	1,334,073
General Revenues:		
Property Taxes	1,764,660	1,696,788
Investment Earnings	531	3,486
Other	<u>9,916</u>	<u>8,100</u>
<b>Total Revenues</b>	<u>3,049,413</u>	<u>3,072,017</u>
<b>Program Expenses</b>		
Instruction	2,011,935	1,874,206
Support Services:		
Pupils and Instructional Staff	446,401	457,206
General Administration, School Administration, Bu	285,008	284,043
Operations and Maintenance of Facilities	278,066	307,801
Pupil Transportation	21,921	23,478
Interest and Other	122,553	126,315
Business-Type Activities	52,745	52,124
Interest and Fiscal Charges	<u>-</u>	<u>-</u>
<b>Total Expenses</b>	<u>3,218,629</u>	<u>3,125,173</u>
Increase in Net Assets	<u>\$ (169,216)</u>	<u>\$ (53,156)</u>

HAMPTON BOROUGH SCHOOL DISTRICT

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

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 58.2 percent of revenues for governmental activities for the Hampton Borough School District for the fiscal year 2011.

Instruction comprises 62.5 percent of district expenses. Support services expenses make up 35.9 percent of the expenses.

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

**Table 3**

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Instruction	\$ 2,011,935	\$ 1,303,985	\$ 1,874,206	\$ 1,165,979
Support Services:				
Pupils and Instructional Staff	446,401	241,061	457,206	275,434
General Administration, School Administration, Business	285,008	186,206	284,043	176,709
Operation and Maintenance of Facilities	278,066	179,691	307,801	191,489
Pupil Transportation	21,921	14,205	23,478	14,606
Interest and Other	122,553	15,085	126,315	(62,927)
Business-Type Activities	52,745	4,090	52,124	240
Interest and Fiscal Charges	-	-	-	-
<b>Total Expenses</b>	<u>\$ 3,218,629</u>	<u>\$ 1,944,323</u>	<u>\$ 3,125,173</u>	<u>\$ 1,761,530</u>

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

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

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

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

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

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

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

Interest and fiscal charges involve the transactions associated with the unallocated depreciation.

The dependence upon tax revenues is apparent. Over 64.8 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 55.1 percent. The community, as a whole, is the primary support for the Hampton Borough School District.

### **The School District's Funds**

Information about the School District's major funds starts on page 10 (Balance Sheet/Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,000,754 and expenditures of \$3,233,466. The net change in fund balance for the year was most significant in the Debt Service Fund, a decrease of \$141,021 due to improper certification of an adequate tax levy to support the debt service payments. The general fund decreased by \$73,930 was due to over-expended budget line items in various categories.

### **General Fund Budgeting Highlights**

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

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

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$2,565,355, \$8,824 over original budgeted estimates of \$2,556,831. This difference was due primarily to unbudgeted miscellaneous revenues.

The General fund revenues and other financing sources of the School District fell short of expenditures by \$86,459 due primarily to various budget line item overexpenditures.

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

**Capital Assets**

At the end of the fiscal year 2011, the School District had \$3,098,547 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2011 balances compared to 2010.

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

	<u>2011</u>	<u>2010</u>
Land	\$ 3,977	\$ 3,977
Buildings and Improvements	3,094,570	3,175,634
Machinery and Equipment	<u>-</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 3,098,547</u></b>	<b><u>\$ 3,179,611</u></b>

Overall capital assets decreased by \$81,064 due to depreciation.

**Debt Administration**

At June 30, 2011, the School District had \$3,106,237 as outstanding debt, of which \$3,237 is for compensated absences and \$3,103,000 is for school improvement bonds.

At June 30, 2011, the School District's overall legal debt margin was \$4,255,997 and the unvoted debt margin was \$1,152,997.

**For the Future**

The Hampton Borough School District is in very good financial condition presently, however a major concern is the increased reliance on local property taxes, while state funding continues to decrease.

Hampton Borough School District did successfully pass the 2011-2012 school budget. It has been increasingly difficult to balance educational needs with increases in property tax rates. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. In the past, the District garnered local support of its budget for over 10 years. This problem seems to be statewide and is not exclusive to the Hampton Borough School District. The Hampton Borough School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Christine Werner, School Business Administrator/ Board Secretary at Hampton Borough School District, 32-41 South Street, Hampton, NJ, 08827.

# Basic Financial Statements

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2011

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$270,835	\$1,690	\$272,525
Receivables from Other Governments	152,875	1,766	154,641
Interfund Receivable	28,808	1,240	30,048
Inventory		1,038	1,038
Restricted Assets:			
Emergency Reserve - Cash	20,000		20,000
Capital Reserve Account - Cash	27,100		27,100
Capital Assets, Net (Note 6):	3,098,547		3,098,547
<b>Total Assets</b>	<b>3,598,165</b>	<b>5,734</b>	<b>3,603,899</b>
<b>LIABILITIES</b>			
Accounts Payable	205,944	4,505	210,449
Interfund Payable	1,240		1,240
Deferred Revenue	178,411	555	178,966
Accrued Interest	27,520		27,520
Noncurrent Liabilities (Note 7):			
Due Within One Year	130,000		130,000
Due Beyond One Year	2,976,237		2,976,237
<b>Total Liabilities</b>	<b>3,519,352</b>	<b>5,060</b>	<b>3,524,412</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	(4,453)		(4,453)
Restricted for:			
Other Purposes	47,100		47,100
Unrestricted	36,166	674	36,840
<b>Total Net Assets</b>	<b>\$78,813</b>	<b>\$674</b>	<b>\$79,487</b>

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

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Functions/Programs</b>							
Governmental Activities:							
Instruction:							
Regular	\$ 1,552,560		\$ 562,500		\$ (990,060)		\$ (990,060)
Special Education	383,291		118,533		(264,758)		(264,758)
Other Special Instruction	76,084		26,917		(49,167)		(49,167)
Support Services:							
Student & Instruction Related Serv.	446,401		205,340		(241,061)		(241,061)
School Administrative Services	59,829		19,612		(40,217)		(40,217)
General and Business Admin. Serv.	225,179		79,190		(145,989)		(145,989)
Plant Operations and Maintenance	278,066		98,375		(179,691)		(179,691)
Pupil Transportation	21,921		7,716		(14,205)		(14,205)
Interest Expense	122,553		107,468		(15,085)		(15,085)
Total Governmental Activities	3,165,884	-	1,225,651		(1,940,233)		(1,940,233)
Business-Type Activities:							
Food Service	52,745	\$ 25,265	23,390		\$ (4,090)		(4,090)
Total Business-Type Activities	52,745	25,265	23,390		(4,090)		(4,090)
Total Primary Government	\$ 3,218,629	\$ 25,265	\$ 1,249,041		\$ (1,940,233)	\$ (4,090)	\$ (1,944,323)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes,Net				\$ 1,764,660		\$ 1,764,660	
Investment Earnings				527	\$ 4	531	
Miscellaneous Income				9,916		9,916	
Transfers				(2,800)	2,800		
Total General Revenues, Special Items, Extraor. Items and Transfers				1,772,303	2,804	1,775,107	
Change in Net Assets				(167,930)	(1,286)	(169,216)	
Net Assets—Beginning(As Restated)				246,743	1,960	248,703	
Net Assets—Ending				\$ 78,813	\$ 674	\$ 79,487	

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

## **FUND FINANCIAL STATEMENTS**

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



HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 190,916	\$ 50,884	\$ 76,135		\$ 317,935
Interfund Receivables	268,404	368	85,773		354,545
Receivables from Other Governments	9,394	143,481	-		152,875
<b>TOTAL ASSETS</b>	<b>\$ 468,714</b>	<b>\$ 194,733</b>	<b>\$ 161,908</b>	<b>-</b>	<b>\$ 825,355</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 198,619	\$ 7,325			\$ 205,944
Interfund Payables	87,013	8,997	\$ 11,865	\$ 219,102	326,977
Deferred Revenue		178,411			178,411
<b>Total Liabilities</b>	<b>285,632</b>	<b>194,733</b>	<b>11,865</b>	<b>219,102</b>	<b>711,332</b>
<b>Fund Balances:</b>					
<u>Restricted for:</u>					
Capital Reserve Account	27,100				27,100
Emergency Reserve Account	20,000				20,000
<u>Assigned to:</u>					
Year-End Encumbrances	1,732				1,732
Capital Projects Fund			150,043		150,043
Debt Service Fund				(219,102)	(219,102)
<u>Unassigned:</u>					
General Fund	134,250				134,250
<b>Total Fund Balances</b>	<b>183,082</b>	<b>-</b>	<b>150,043</b>	<b>(219,102)</b>	<b>114,023</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 468,714</b>	<b>\$ 194,733</b>	<b>\$ 161,908</b>	<b>-</b>	<b>\$ 825,355</b>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,024,580 and the accumulated depreciation is \$926,033.

\$ 3,098,547

Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(27,520)

Long-term liabilities, such as bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(3,106,237)

Net assets of governmental activities

\$ 78,813

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
<b>Local sources:</b>					
Local Tax Levy	\$ 1,764,660				\$ 1,764,660
Miscellaneous	10,319		\$ 124		10,443
<b>Total - Local Sources</b>	<u>1,774,979</u>	-	124	-	<u>1,775,103</u>
<b>State Sources</b>	1,010,868			\$ 107,468	1,118,336
<b>Federal Sources</b>		\$ 107,315			107,315
<b>Total Revenues</b>	<u>2,785,847</u>	<u>107,315</u>	124	<u>107,468</u>	<u>3,000,754</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	1,300,717	51,971			1,352,688
Special Education Instruction	353,460				353,460
Other Special Instruction	70,163				70,163
Support services and undistributed costs:					
Student and Instruction Related Services	356,315	55,344			411,659
School Administrative Services	55,173				55,173
Other Administrative Services	207,654				207,654
Plant Operations and Maintenance	256,425				256,425
Pupil Transportation	21,921				21,921
Unallocated Benefits	235,149				235,149
<b>Debt Service:</b>					
Principal				125,000	125,000
Interest and Other Charges				123,489	123,489
<b>Capital Outlay</b>			\$ 20,685		20,685
<b>Total Expenditures</b>	<u>2,856,977</u>	<u>107,315</u>	<u>20,685</u>	<u>248,489</u>	<u>3,233,466</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(71,130)</u>	-	<u>(20,561)</u>	<u>(141,021)</u>	<u>(232,712)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond Proceeds					
Transfer to Food Service Fund	(2,800)				(2,800)
<b>Total Other Financing Sources and Uses</b>	<u>(2,800)</u>	-	-	-	<u>(2,800)</u>
Net Change in Fund Balances	(73,930)		(20,561)	(141,021)	(235,512)
Fund Balance—July 1	257,012		170,604	(78,081)	349,535
<b>Fund Balance—June 30</b>	<u>\$ 183,082</u>	-	<u>\$ 150,043</u>	<u>\$ (219,102)</u>	<u>\$ 114,023</u>

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

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit B-3

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

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ (235,512)

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

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

This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (81,064)	
Capital Outlays	<u>                    -</u>	(81,064)

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

125,000

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

936

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned.

22,710

**Change in Net Assets of Governmental Activities** \$ (167,930)

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

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS  
 PROPRIETARY FUNDS

JUNE 30, 2011

		<b>Business-Type Activities- Enterprise Funds</b>	
		<b>Food Service</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents		\$ 1,690	\$ 1,690
Accounts Receivable		1,766	1,766
Interfund Receivables		1,240	1,240
Inventories		1,038	1,038
<b>Total Current Assets</b>		<u>5,734</u>	<u>5,734</u>
<b>Noncurrent Assets:</b>			
Furniture, Machinery and Equipment		7,895	7,895
Less Accumulated Depreciation		(7,895)	(7,895)
<b>Total Noncurrent Assets</b>		<u>-</u>	<u>-</u>
	<b>Total Assets</b>	<u><b>5,734</b></u>	<u><b>5,734</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts Payable		4,505	4,505
Deferred Revenue		555	555
<b>Total Current Liabilities</b>		<u>5,060</u>	<u>5,060</u>
	<b>Total Liabilities</b>	<u><b>5,060</b></u>	<u><b>5,060</b></u>
<b>NET ASSETS</b>			
Unrestricted		674	674
<b>Total Net Assets</b>		<u><b>\$ 674</b></u>	<u><b>\$ 674</b></u>

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

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

	<b>Business-type Activities- Enterprise Fund</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
<b>Operating Revenues:</b>		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 18,133	\$ 18,133
Daily Sales - Non-Reimbursable Programs	7,132	7,132
Miscellaneous	4	4
<b>Total Operating Revenues</b>	<b>25,269</b>	<b>25,269</b>
 <b>Operating Expenses:</b>		
Cost of Sales	23,545	23,545
Salaries	16,683	16,683
Benefits	4,199	4,199
Other Purchased Professional Services	8,318	8,318
<b>Total Operating Expenses</b>	<b>52,745</b>	<b>52,745</b>
Operating Income (Loss)	<b>(27,476)</b>	<b>(27,476)</b>
 <b>Nonoperating Revenues (Expenses):</b>		
State Sources:		
State School Lunch Program	571	571
Federal Sources:		
National School Lunch Program	17,441	17,441
National School Breakfast Program	1,111	1,111
Food Distribution Program	4,267	4,267
<b>Total Nonoperating Revenues (Expenses)</b>	<b>23,390</b>	<b>23,390</b>
Income (Loss) Before Contributions and Transfers	(4,086)	(4,086)
Transfers In (Out)	2,800	2,800
Change in Net Assets	<b>(1,286)</b>	<b>(1,286)</b>
Total Net Assets—Beginning	1,960	1,960
<b>Total Net Assets—Ending</b>	<b>\$ 674</b>	<b>\$ 674</b>

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

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<b>Business-Type Activities - Enterprise Funds</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 25,249	\$ 25,249
Payments to Employees	(16,683)	(16,683)
Payments to Suppliers	(27,120)	(27,120)
<b>Net Cash Provided by (used for) Operating Activities</b>	<b>(18,554)</b>	<b>(18,554)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	389	389
Federal Sources	12,667	12,667
Operating Subsidies and Transfers to Other Funds	4,678	4,678
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<b>17,734</b>	<b>17,734</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(820)	(820)
Balances—Beginning of Year	2,510	2,510
<b>Balances—End of Year</b>	<b>\$ 1,690</b>	<b>\$ 1,690</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (27,476)	\$ (27,476)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Federal Commodities	4,267	4,267
(Increase) Decrease in Inventories	(151)	(151)
Increase (Decrease) in Accounts Payable	4,806	4,806
Total Adjustments	8,922	8,922
Net Cash Provided by (used for) Operating Activities	\$ (18,554)	\$ (18,554)

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

HAMPTON BOROUGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

Exhibit B-7

JUNE 30, 2011

	<b><u>Agency Fund</u></b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 28,924
Interfund Receivable	-
<b>Total Assets</b>	<u>\$ 28,924</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ (1,265)
Interfund Payable	28,808
Payable to Student Groups	<u>1,381</u>
<b>Total Liabilities</b>	<u>\$ 28,924</u>
<b>NET ASSETS</b>	<u>-</u>

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

# Notes to Financial Statements

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. Reporting Entity:**

The Hampton Borough School District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of five members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Hampton Borough School District had an approximate enrollment at June 30, 2011, of 131 students.

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

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

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting:**

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

**Basis of Presentation**

*District-wide Statements:* The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

**GOVERNMENTAL FUNDS**

The District reports the following governmental funds:

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**GOVERNMENTAL FUNDS (Continued)**

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

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

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

**PROPRIETARY FUNDS**

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Basis of Accounting**

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

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

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

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgets/Budgetary Control:**

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

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

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

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

**D. Encumbrance Accounting:**

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

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

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity:**

**Cash and Cash Equivalents:**

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

**Interfund Transactions:**

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

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

**Inventories:**

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

**Allowance for Uncollectible Accounts:**

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

**Capital Assets:**

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

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

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

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

**Compensated Absences:**

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

District employees are granted sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after twenty years of service and become payable at predetermined amounts upon retirement in the state pension system.

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

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

**Deferred Revenue:**

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

**Accrued Liabilities and Long-Term Obligations:**

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Net Assets:**

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

**Fund Balance Reserves:**

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

**Revenues—Exchange and Nonexchange Transactions**

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

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

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

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Operating Revenues and Expenses:**

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

**Allocation of Indirect Expenses:**

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

**Extraordinary and Special Items:**

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

**Management Estimates:**

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

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

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

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

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

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(H-1)</u>	<u>Total</u>
Checking Accounts	<u>\$319,625</u>	<u>\$28,924</u>	<u>\$348,549</u>
	<u>\$319,625</u>	<u>\$28,924</u>	<u>\$348,549</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$348,549 and the bank balance was \$410,194. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$160,194 was covered by collateral pool.

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 3: RECEIVABLES**

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

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$9,394	\$9,451
Federal Aid	143,481	145,190
Gross Receivable	<u>\$152,875</u>	<u>\$154,641</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$152,875</u></u>	<u><u>\$154,641</u></u>

**NOTE 4: INVENTORY**

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

Supplies	\$352
Food	<u>686</u>
	<u>\$1,038</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) 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 5: DEFERRED BOND ISSUANCE COSTS**

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 6: CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 3,977			\$ 3,977
Total Capital Assets Not Being Depreciated	<u>3,977</u>	-	-	<u>3,977</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Building Improvements	3,639,968			3,639,968
Machinery and Equipment	380,635			380,635
Total at Historical Cost	<u>4,020,603</u>	-	-	<u>4,020,603</u>
Less Accumulated Depreciation for:				
Building and Improvements	(464,334)	(81,064)		(545,398)
Equipment	(380,635)			(380,635)
Total Accumulated Depreciation	<u>(844,969)</u>	<u>(81,064)</u>	-	<u>(926,033)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>3,175,634</u>	<u>(81,064)</u>	-	<u>3,094,570</u>
<b>Government Activity Capital Assets, Net</b>	<b><u>\$ 3,179,611</u></b>	<b><u>\$ (81,064)</u></b>	<b>-</b>	<b><u>\$ 3,098,547</u></b>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 81,064
Total	<u>\$ 81,064</u>

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 7: LONG-TERM OBLIGATIONS**

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

**A. Long-Term Obligation Activity:**

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

	Balance <u>7/1/10</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/11</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Debt	\$3,228,000		(\$125,000)	\$3,103,000	\$130,000
Other Liabilities:					
Compensated Absences Payable	\$25,947		(\$22,710)	\$3,237	-
<b>Total Other Liabilities</b>	<b>\$3,253,947</b>		<b>(147,710)</b>	<b>\$3,106,237</b>	<b>\$130,000</b>

Compensated absences have been liquidated in the General Fund.

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

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

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

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

	Government Activities			Balance
	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>6/30/10</u>
Improvements and Various Capital Projects for the Borough School	5/8/2008	3.125%-4.0%	3/1/2028	\$ 3,103,000
<b>Total Bonds</b>				<b>\$ 3,103,000</b>

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 7: LONG-TERM OBLIGATIONS (Continued)**

**B. Debt Service Requirements:**

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 130,000	\$ 119,426	\$ 249,426
2013	135,000	115,039	250,039
2014	140,000	110,314	250,314
2015	145,000	105,414	250,414
2016	150,000	100,339	250,339
Thereafter	<u>2,403,000</u>	<u>666,802</u>	<u>3,069,802</u>
	<u>\$ 3,103,000</u>	<u>\$ 1,217,334</u>	<u>\$ 4,320,334</u>

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

**NOTE 8: PENSION PLANS**

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

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

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 9: PENSION PLANS (Continued)**

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

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

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

Year Funding	<u>Three-Year Trend Information for PERS</u>		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$27,186	100 %	-0-
6/30/2010	\$17,240	100	-0-
6/30/2009	\$9,187	100	-0-

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 8: PENSION PLANS (Continued)**

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2011	-0-	100 %	-0-
6/30/2010	-0-	100	-0-
6/30/2009	-0-	100	-0-

During the fiscal year ended June 30, 2011, the State of New Jersey did contribute \$96,518 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$111,445 during the year ended June 30, 2011, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

**NOTE 9: POST-RETIREMENT BENEFITS**

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

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

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

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 10: DEFERRED COMPENSATION**

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

Equitable  
Oppenheim

**NOTE 11: COMPENSATED ABSENCES**

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

District employees are granted sick leave in varying amounts under the District's contracted personnel policies. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after twenty years of service and become payable at predetermined amounts upon retirement in the state pension system.

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

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

**NOTE 12: 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.

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 13: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

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

**LITIGATION**

The Board is not involved in claims or lawsuits incidental to its operations.

**NOTE 14: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1) - Of the \$183,082 General Fund fund balance at June 30, 2011, \$1,732 is reserved for encumbrances; \$20,000 has been reserved in the emergency reserve account; \$27,100 has been reserved in the Capital Reserve Account; and, \$134,250 is unreserved and undesignated.

**NOTE 15: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Hampton Borough School District Board of Education by inclusion of \$100. on October 2, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ 27,100
Interest Earnings	-
Deposits (PL 2007 c.62 (A1)) - Board Resolution:	
Ending Balance, June 30, 2011	<u>\$ 27,100</u>

HAMPTON BOROUGH SCHOOL DISTRICT

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

**NOTE 16: CALCULATION OF EXCESS SURPLUS**

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

**NOTE 17: DEFICIT FUND BALANCES**

The district has a deficit fund balance of \$219,102 in the Debt Service fund, as a result of the district not establishing and certifying a debt service tax levy for the for the period ended June 30, 2010 and June 30, 2011. This deficit balance will be liquidated through Board of Education certification of the debt service levy for the year ended June 30, 2012 and June 30, 2013.

**NOTE 18: INTERFUND BALANCES**

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 268,404	\$ 87,013
Special Revenue Fund	368	8,997
Capital Projects Fund	85,773	11,865
Debt Service Fund		219,102
Enterprise Fund	1,240	
Trust and Agency Fund	-	28,808
Total	<u>\$ 355,785</u>	<u>\$ 355,785</u>

The interfund receivable in the current fund of \$268,404 is related to interfund advances to the special revenue fund in anticipation of NCLB and IDEA receipts (\$8,629), excess funds advanced to the payroll agency fund (\$28,808), advances to cover debt service obligations (\$219,102), and interest earned on construction funds due to the current fund (\$11,865).

The current fund owes the capital projects fund \$85,773 for cash advances.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 1,764,660		\$ 1,764,660	\$ 1,764,660	
Miscellaneous	2,500		2,500	10,319	\$7,819
<b>Total - Local Sources</b>	<u>1,767,160</u>		<u>1,767,160</u>	<u>1,774,979</u>	<u>7,819</u>
<b>State Sources:</b>					
Equalization Aid	759,775	\$ (46,355)	713,420	713,420	
Special Education Aid	29,896	46,355	76,251	76,251	
Other State Aid				705	705
TPAF Pension (On-Behalf - Non-Budgeted)				96,518	96,518
TPAF Social Security (Reimbursed - Non-Budgeted)				111,445	111,445
<b>Total State Sources</b>	<u>789,671</u>		<u>789,671</u>	<u>998,339</u>	<u>208,668</u>
<b>TOTAL REVENUES</b>	<u><b>2,556,831</b></u>		<u><b>2,556,831</b></u>	<u><b>2,773,318</b></u>	<u><b>216,487</b></u>

HAMPTON BOROUGH SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

Exhibit C-1

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Preschool - Salaries of Teachers	21,280	4,799	26,079	30,602	(4,523)
Kindergarten - Salaries of Teachers	91,295		91,295	98,525	(7,230)
Grades 1-5 - Salaries of Teachers	430,925		430,925	488,423	(57,498)
Grades 6-8 - Salaries of Teachers	256,453	37,316	293,769	262,069	31,700
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	45,196		45,196	48,618	(3,422)
Purchased Technical Services	4,000		4,000	2,248	1,752
Other Purchased Services (400-500 series)	1,000	195	1,195	313	882
General Supplies	10,000	142	10,142	7,543	2,599
Textbooks	9,425	23	9,448	5,506	3,942
Other Objects	2,000	166	2,166	266	1,900
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>871,574</b>	<b>42,641</b>	<b>914,215</b>	<b>944,113</b>	<b>(29,898)</b>

HAMPTON BOROUGH SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

Exhibit C-1

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Multiple Disabilities:</b>					
Other Salaries for Instruction		10,200	10,200	10,200	
General Supplies	3,000		3,000	13	2,987
<b>Total Multiple Disabilities</b>	3,000	10,200	13,200	10,213	2,987
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	334,015	51,201	385,216	273,890	111,326
Purchased Professional-Educational Services	1,000		1,000		1,000
<b>Total Resource Room/Resource Center</b>	335,015	51,201	386,216	273,890	112,326
<b><u>TOTAL SPECIAL EDUCATION - INSTRUCTION</u></b>	<b>338,015</b>	<b>61,401</b>	<b>399,416</b>	<b>284,103</b>	<b>115,313</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	55,410	44,503	99,913	53,499	46,414
<b>Total Basic Skills/Remedial - Instruction</b>	55,410	44,503	99,913	53,499	46,414
<b>School Sponsored Co/Extra Curricular Activities - Instruction:</b>					
Salaries	5,000		5,000	4,060	940
<b>Total School Sponsored Co/Extra Cur. Activities - Instruction</b>	5,000		5,000	4,060	940

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>School Sponsored Athletics - Instruction:</b>					
Salaries of Teachers	9,200		9,200	9,072	128
Purchased Services (300-500 series)	4,100		4,100	3,532	568
General Supplies	200		200		200
<b>Total School Sponsored Athletics - Instruction</b>	<b>13,500</b>		<b>13,500</b>	<b>12,604</b>	<b>896</b>
<b>TOTAL INSTRUCTION</b>	<b>1,283,499</b>	<b>148,545</b>	<b>1,432,044</b>	<b>1,298,379</b>	<b>133,665</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Health Services:</b>					
Salaries	56,490	18,164	74,654	73,664	990
Purchased Professional and Technical Services	1,500		1,500	1,500	
Purchased Services (400-500 series)	250		250		250
Supplies and Materials	1,300		1,300	508	792
<b>Total Health Services</b>	<b>59,540</b>	<b>18,164</b>	<b>77,704</b>	<b>75,672</b>	<b>2,032</b>

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Other Supp. Services Students-Related Services:</b>					
Salaries of Other Professional Staff	64,150		64,150	63,928	222
Purchased Professional - Educational Services	25,000	164	25,164	7,300	17,864
Supplies and Materials	500		500	496	4
<b>Total Other Supp. Services Students-Related Services</b>	<b>89,650</b>	<b>164</b>	<b>89,814</b>	<b>71,724</b>	<b>18,090</b>
<b>Other Supp. Services Students-Extra Services:</b>					
<b>Other Supp. Services Students-Special:</b>					
Salaries of Other Professional Staff	53,932		53,932	50,732	3,200
Salaries of Secretarial and Clerical Assistants	20,700	18,049	38,749	38,577	172
Supplies and Materials		32	32		32
<b>Total Other Supp. Services Students-Special</b>	<b>74,632</b>	<b>18,081</b>	<b>92,713</b>	<b>89,309</b>	<b>3,404</b>
<b>Educational Media Services/School Library:</b>					
Salaries	52,710	23,733	76,443	74,924	1,519
Purchased Professional and Technical Services	500		500		500
Other Purchased Services (400-500 series)	3,000	667	3,667	2,067	1,600
Supplies and Materials	4,000		4,000	1,115	2,885
Other Objects					
<b>Total Educational Media Services/School Library</b>	<b>60,210</b>	<b>24,400</b>	<b>84,610</b>	<b>78,106</b>	<b>6,504</b>

HAMPTON BOROUGH SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

**Exhibit C-1**

Fiscal Year Ended June 30, 2011

	<b><u>Original</u></b>	<b><u>Budget</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Supp. Services - General Administration:</b>					
Salaries	57,300	1,370	58,670	63,031	(4,361)
Legal Services	2,000		2,000	1,052	948
Audit Fees	8,500		8,500	8,500	
Other Purchased Professional Services	1,000		1,000	944	56
Purchased Technical Services	2,000		2,000	1,938	62
Communications/Telephone	8,000		8,000	7,140	860
BOE Other Purchased Services	2,000	74	2,074	1,832	242
Other Purchased Services (400-500 series)	1,000	100	1,100		1,100
Miscellaneous Expenditures	1,500		1,500	12,471	(10,971)
BOE Membership Dues and Fees	1,500		1,500		1,500
<b>Total Supp. Services - General Administration</b>	<b>84,800</b>	<b>1,544</b>	<b>86,344</b>	<b>96,908</b>	<b>(10,564)</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	43,500		43,500	43,500	
Salaries of Secretarial and Clerical Assistants				8,933	(8,933)
Other Purchased Services (400-500 series)	11,500		11,500		11,500
Supplies and Materials	1,500		1,500	1,318	182
<b>Total Support Services - School Administration</b>	<b>56,500</b>		<b>56,500</b>	<b>53,751</b>	<b>2,749</b>

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Central Services:</b>					
Salaries	64,880	20,733	85,613	85,078	535
Purchased Technical Services	2,000		2,000	1,902	98
Miscellaneous Purchased Services (400-500 series)	1,000		1,000	14,034	(13,034)
Supplies and Materials	1,000		1,000	915	85
Other Objects	500		500	371	129
<b>Total Central Services</b>	<b>69,380</b>	<b>20,733</b>	<b>90,113</b>	<b>102,300</b>	<b>(12,187)</b>
<b>Required Maintenance of School Facilities:</b>					
Cleaning, Repair and Maintenance Services	24,000	885	24,885	22,056	2,829
Supplies and Materials	3,000		3,000	2,522	478
<b>Total Required Maintenance of School Facilities</b>	<b>27,000</b>	<b>885</b>	<b>27,885</b>	<b>24,578</b>	<b>3,307</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries	100,610		100,610	97,171	3,439
Purchased Professional and Technical Services	3,000		3,000	2,032	968
Cleaning, Repair and Maintenance Services	3,500		3,500	3,310	190
Other Purchased Property Services	1,000		1,000	494	506
Insurance	35,000		35,000	33,963	1,037
Miscellaneous Purchased Services	500		500	50	450
General Supplies	5,000	58	5,058	5,429	(371)
Energy (Electricity)	55,000		55,000	62,056	(7,056)
Other Objects				262	(262)
<b>Total Other Operations and Maintenance of Plant</b>	<b>203,610</b>	<b>58</b>	<b>203,668</b>	<b>204,767</b>	<b>(1,099)</b>

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Student Transportation Services</b>					
Contracted Services (Other than Between Home and School)-Vendors	10,000		10,000	6,398	3,602
Contracted Services (Special Education Students)-ESC's	20,000		20,000	13,161	6,839
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	3,500		3,500	2,362	1,138
Miscellaneous Purch. Services - Transportation	6,500		6,500		6,500
<b>Total Student Transportation Services</b>	<b>40,000</b>		<b>40,000</b>	<b>21,921</b>	<b>18,079</b>
<b>ALLOCATED BENEFITS</b>					
<b>Regular Programs - Instruction:</b>					
Social Security Contributions	5,487		5,487	7,753	(2,266)
Other Retirement Contributions-Regular	18,685		18,685		18,685
Unemployment Compensation	2,055		2,055	2,583	(528)
Workmen's Compensation	9,921		9,921	105	9,816
Health Benefits	294,555	51,448	346,003	342,863	3,140
Tuition Reimbursement	2,000		2,000	3,300	(1,300)
<b>Total Regular Programs - Instruction</b>	<b>332,703</b>	<b>51,448</b>	<b>384,151</b>	<b>356,604</b>	<b>27,547</b>
<b>Special Programs - Instruction:</b>					
Social Security Contributions	1,046		1,046	851	195
Unemployment Compensation	705		705	705	
Workmen's Compensation	3,742		3,742		3,742
Health Benefits	44,501	23,300	67,801	67,801	
Tuition Reimbursement	2,000		2,000		2,000
<b>Total Special Programs - Instruction</b>	<b>51,994</b>	<b>23,300</b>	<b>75,294</b>	<b>69,357</b>	<b>5,937</b>

HAMPTON BOROUGH SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

**Exhibit C-1**

Fiscal Year Ended June 30, 2011

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Health Services:</b>					
Unemployment Compensation	118		118	118	
Workmen's Compensation	543		543		543
Health Benefits		214	214	14,377	(14,163)
<b>Total Health Services</b>	<b>661</b>	<b>214</b>	<b>875</b>	<b>14,495</b>	<b>(13,620)</b>
<b>Other Support Services-Students-Related Services:</b>					
Unemployment Compensation	118		118	118	
Workmen's Compensation	724		724		724
Health Benefits	15,434	403	15,837	14,786	1,051
<b>Total Other Support Services-Students-Related Services</b>	<b>16,276</b>	<b>403</b>	<b>16,679</b>	<b>14,904</b>	<b>1,775</b>
<b>Other Support Services-Students-Extraor. Services:</b>					
Health Benefits		2,414	2,414	2,413	1
<b>Total Other Support Services-Students-Extraor. Services</b>		<b>2,414</b>	<b>2,414</b>	<b>2,413</b>	<b>1</b>
<b>Other Support Services-Students-Special:</b>					
Social Security Contributions	1,491		1,491	1,491	
Unemployment Compensation	293		293	293	
Workmen's Compensation	785		785		785
Health Benefits	11,496	6,373	17,869	6,372	11,497
<b>Total Other Support Services-Students-Special</b>	<b>14,065</b>	<b>6,373</b>	<b>20,438</b>	<b>8,156</b>	<b>12,282</b>

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Educational Media Services - School Library:</b>					
Unemployment Compensation	118		118	118	
Workmen's Compensation	563		563		563
Health Benefits	16,909	1,418	18,327	1,418	16,909
<b>Total Educational Media Services - School Library</b>	<b>17,590</b>	<b>1,418</b>	<b>19,008</b>	<b>1,536</b>	<b>17,472</b>
<b>Support Services - General Administration:</b>					
Social Security Contributions	1,262		1,262	1,262	
Unemployment Compensation	62		62	62	
Workmen's Compensation	845		845		845
Health Benefits	5,044	5	5,049	283	4,766
Other Employee Benefits	1,500		1,500	1,131	369
<b>Total Support Services - General Administration</b>	<b>8,713</b>	<b>5</b>	<b>8,718</b>	<b>2,738</b>	<b>5,980</b>
<b>Support Services - School Administration:</b>					
Social Security Contributions	1,052		1,052	958	94
Unemployment Compensation	58		58	21	37
Workmen's Compensation					
Health Benefits	2,645	443	3,088	443	2,645
<b>Total Support Services - School Administration</b>	<b>3,755</b>	<b>443</b>	<b>4,198</b>	<b>1,422</b>	<b>2,776</b>
<b>Support Services - Central Services:</b>					
Unemployment Compensation	147		147	142	5
Workmen's Compensation	1,046		1,046		1,046
Health Benefits	5,000	566	5,566	5,566	
<b>Total Support Services - Central Services</b>	<b>6,193</b>	<b>566</b>	<b>6,759</b>	<b>5,708</b>	<b>1,051</b>

HAMPTON BOROUGH SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

Exhibit C-1

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Operation and Maintenance of Plant Services:</b>					
Social Security Contributions	7,362		7,362	7,196	166
Unemployment Compensation	266		266	266	
Workmen's Compensation	1,006		1,006		1,006
Health Benefits	40,426	1,590	42,016	19,618	22,398
<b>Total Operation and Maintenance of Plant Services</b>	<b>49,060</b>	<b>1,590</b>	<b>50,650</b>	<b>27,080</b>	<b>23,570</b>
<b>TOTAL ALLOCATED BENEFITS</b>	<b>501,010</b>	<b>88,174</b>	<b>589,184</b>	<b>504,413</b>	<b>84,771</b>
<b>UNALLOCATED BENEFITS</b>					
Other Retirement Contributions - PERS				27,186	(27,186)
<b>TOTAL UNALLOCATED BENEFITS</b>				<b>27,186</b>	<b>(27,186)</b>
On-behalf TPAF pension Contrib. (non-budgeted)				96,518	(96,518)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				111,445	(111,445)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>207,963</b>	<b>(207,963)</b>
<b>TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS</b>	<b>501,010</b>	<b>88,174</b>	<b>589,184</b>	<b>739,562</b>	<b>(150,378)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>1,266,332</b>	<b>172,203</b>	<b>1,438,535</b>	<b>1,558,598</b>	<b>(120,063)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>2,549,831</b>	<b>320,748</b>	<b>2,870,579</b>	<b>2,856,977</b>	<b>13,602</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>7,000</b>	<b>(320,748)</b>	<b>(313,748)</b>	<b>(83,659)</b>	<b>(230,089)</b>

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Other Financing Sources:</b>					
<b>Operating Transfer Out:</b>					
Transfer to Food Service Fund	(7,000)		(7,000)	(2,800)	(4,200)
<b>Total Other Financing Sources:</b>	<u>(7,000)</u>		<u>(7,000)</u>	<u>(2,800)</u>	<u>(4,200)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>		(320,748)	(320,748)	(86,459)	(234,289)
<b>Fund Balance, July 1</b>	348,500		348,500	348,500	
<b>Fund Balance, June 30</b>	<u>\$ 348,500</u>	<u>\$ (320,748)</u>	<u>\$ 27,752</u>	<u>\$ 262,041</u>	<u>\$ (234,289)</u>
<b>Recapitulation:</b>					
<b>Restricted for:</b>					
Capital Reserve				\$ 27,100	
Emergency Reserve				20,000	
<b>Assigned to:</b>					
Year-End Encumbrances				1,732	
<b>Unassigned:</b>					
Unrestricted Fund Balance				<u>213,209</u>	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				262,041	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				<u>(78,959)</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>\$ 183,082</u>	

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>REVENUES:</b>					
Federal Sources		\$ 285,725	\$ 285,725	\$ 116,893	\$ (168,832)
<b>Total Revenues</b>		<b>285,725</b>	<b>285,725</b>	<b>116,893</b>	<b>(168,832)</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries & Wages		48,291	48,291	47,775	516
Other Salaries		12,014	12,014	12,000	14
Supplies		70,021	70,021	1,774	68,247
<b>Total Instruction</b>		<b>130,326</b>	<b>130,326</b>	<b>61,549</b>	<b>68,777</b>
<b>Support Services</b>					
Employee Benefits		39,690	39,690	3,547	36,143
Purchased Professional - Educational Services		92,631	92,631	44,390	48,241
Other purchased Services (400-500 series)		13,826	13,826	3,523	10,303
Supplies		9,252	9,252	3,884	5,368
<b>Total Support Services</b>		<b>155,399</b>	<b>155,399</b>	<b>55,344</b>	<b>100,055</b>
Total Expenditures		285,725	285,725	116,893	168,832
<b>Total Outflows</b>		<b>285,725</b>	<b>285,725</b>	<b>116,893</b>	<b>168,832</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>					None
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis					
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>					None

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

For the Fiscal Year Ended June 30, 2011

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 2,773,318	\$ 116,893
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	(9,578)
Adjustment for: Prior Year Final State Aid Payment not included in Budgetary State Source Revenues and is considered a revenue for GAAP reporting purposes	91,488	
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(78,959)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 2,785,847</u>	<u>\$ 107,315</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 2,856,977	\$ 116,893
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for Grant <i>budgetary</i> purposes, but in the year the supplies are received for Grant <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	(9,578)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>                    </u>	<u>                    </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 2,856,977</u>	<u>\$ 107,315</u>

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

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

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2011

	TITLE I	ARRA TITLE I	TITLE IIA	TITLE IV	IDEA Basic	IDEA Preschool	ARRA IDEA Basic	ARRA IDEA Preschool	Totals
<b>REVENUES</b>									
Federal Sources	\$ 20,000	\$ 6,384	\$ 1,242	\$ 501	\$ 52,449	\$ 3,722	\$ 31,322	\$ 1,273	\$ 116,893
<b>TOTAL REVENUES</b>	<b>20,000</b>	<b>6,384</b>	<b>1,242</b>	<b>501</b>	<b>52,449</b>	<b>3,722</b>	<b>31,322</b>	<b>1,273</b>	<b>116,893</b>
<b>EXPENDITURES:</b>									
<b>Instruction:</b>									
Salaries of Teachers	20,000						27,775		47,775
Other Salaries for Instruction					12,000				12,000
Supplies				501				1,273	1,774
<b>Total Instruction</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>501</b>	<b>12,000</b>	<b>-</b>	<b>27,775</b>	<b>1,273</b>	<b>61,549</b>
<b>Support Services:</b>									
Employee Benefits							3,547		3,547
Purchased Profess.-Educ. Serv.			219		40,449	3,722			44,390
Other Purchased Serv. (400-500 Series)		2,500	1,023						3,523
Supplies and Materials		3,884							3,884
<b>Total Support Services</b>	<b>-</b>	<b>6,384</b>	<b>1,242</b>	<b>-</b>	<b>40,449</b>	<b>3,722</b>	<b>3,547</b>	<b>-</b>	<b>55,344</b>
<b>TOTAL EXPENDITURES</b>	<b>20,000</b>	<b>6,384</b>	<b>1,242</b>	<b>501</b>	<b>52,449</b>	<b>3,722</b>	<b>31,322</b>	<b>1,273</b>	<b>116,893</b>
<b>Total Outflows</b>	<b>\$ 20,000</b>	<b>\$ 6,384</b>	<b>\$ 1,242</b>	<b>\$ 501</b>	<b>\$ 52,449</b>	<b>\$ 3,722</b>	<b>\$ 31,322</b>	<b>\$ 1,273</b>	<b>\$ 116,893</b>
<b>Excess (Deficiency) of Revenues Over(Under)</b>									
<b>Expenditures and Other Financing Sources (Uses)</b>									

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit F-1

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

For the Fiscal Year Ended June 30, 2011

	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2011</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Improvements and Capital Additions to Borough School:					
Bonds Authorized	2/19/2008	\$ 3,368,000	\$ 3,242,576	\$ 20,685	\$ 104,739
Total Imps and Capital Additions to Borough School		<u>3,368,000</u>	<u>3,242,576</u>	<u>20,685</u>	<u>104,739</u>
 Total Capital Projects		 <u><b>\$ 3,368,000</b></u>	 <u><b>\$ 3,242,576</b></u>	 <u><b>\$ 20,685</b></u>	 <u><b>\$ 104,739</b></u>
				Interest Earnings - Project to Date	<u>45,304</u>
				Fund Balance - June 30, 2011	<u><u>\$ 150,043</u></u>

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit F-2

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

For the Fiscal Year Ended June 30, 2011

**Revenues and Other Financing**

**Sources**

Interest Income	\$ 124
Total Revenues	<u>124</u>

**Expenditures and Other Financing**

**Sources**

Construction services	20,685
Total Expenditures	<u>20,685</u>

Excess(deficiency) of revenues over(under) expenditures	(20,561)
--	----------

Fund Balance - Beginning	<u>170,604</u>
--------------------------	----------------

Fund Balance - Ending	<u><u>\$ 150,043</u></u>
-----------------------	--------------------------

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit F-2a

**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND**  
**PROJECT STATUS-BUDGETARY BASIS**  
**IMPROVEMENTS AND CAPITAL ADDITIONS TO BOROUGH SCHOOL**

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

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
<b>Revenues and Other Financing Sources</b>				
Bond Proceeds	\$ 3,368,000		\$ 3,368,000	\$ 3,368,000
Total Revenues	<u>3,368,000</u>	-	<u>3,368,000</u>	<u>3,368,000</u>
<b>Expenditures and Other Financing Sources</b>				
Purchased professional and technical services	624,737	\$ 20,685	645,422	625,000
Construction services	2,617,839		2,617,839	2,743,000
Total Expenditures	<u>3,242,576</u>	<u>20,685</u>	<u>3,263,261</u>	<u>3,368,000</u>
Excess(deficiency) of revenues over(under) expenditures	<u>\$ 125,424</u>	<u>\$ (20,685)</u>	<u>\$ 104,739</u>	<u>\$ -</u>

**Additional project information:**

Project number	N/A
Grant Date	N/A
Bond Authorization Date	2/19/2008
Bonds Authorized	\$3,368,000
Bonds Issued	\$3,368,000
Original Authorized Cost	\$3,368,000
Additional Authorized Cost	N/A
Revised Authorized Cost	\$3,368,000
Percentage Increase over Original Authorized Cost	
	N/A
Percentage Completion	9%
Original Target Completion Date	6/30/08
Revised Target Completion Date	12/31/09

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

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

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

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

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

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

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

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

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

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit H-1

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

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,381	\$ 27,543	\$ 28,924
Interfund Receivable		-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,381</u>	<u>\$ 27,543</u>	<u>\$ 28,924</u>
<b>LIABILITIES:</b>			
Liabilities:			
Accounts Payable		\$ (1,265)	\$ (1,265)
Interfund Payable		28,808	28,808
Payable to Student Groups	\$ 1,381		1,381
<b>Total Liabilities</b>	<u>1,381</u>	<u>27,543</u>	<u>28,924</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,381</u>	<u>\$ 27,543</u>	<u>\$ 28,924</u>

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit H-3

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

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2010</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2011</u>
Student Leadership Account	\$609	\$7,554	\$7,067	\$1,096
Interest Account	285			285
	<u>\$894</u>	<u>\$7,554</u>	<u>\$7,067</u>	<u>\$1,381</u>

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit H-4

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

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 30,212	\$ 1,880,320	\$ 1,882,989	\$ 27,543
Interfund Receivable				-
<b>Total Assets</b>	<u>\$ 30,212</u>	<u>\$ 1,880,320</u>	<u>\$ 1,882,989</u>	<u>\$ 27,543</u>
 <b>LIABILITIES:</b>				
Payroll Deductions and Withholdings		\$ 701,537	\$ 701,537	
Salaries and Wages		1,178,783	1,178,783	
Interfund Payable	\$ 28,808			\$ 28,808
Accounts Payable	1,404		2,669	(1,265)
<b>Total Liabilities</b>	<u>\$ 30,212</u>	<u>\$ 1,880,320</u>	<u>\$ 1,882,989</u>	<u>\$ 27,543</u>

## **LONG-TERM DEBT SCHEDULES**

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

HAMPTON BOROUGH SCHOOL DISTRICT

Exhibit I-1

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

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE June 30, 2010</u>	<u>PRINCIPAL PAID</u>	<u>BALANCE June 30, 2011</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Improvements and Various Capital Projects for the Borough School	5/8/2008	\$3,368,000	3/1/2012	\$ 130,000	3.375%	\$ 3,228,000	\$ 125,000	\$ 3,103,000
			3/1/2013	135,000	3.500%			
			3/1/2014	140,000	3.500%			
			3/1/2015	145,000	3.500%			
			3/1/2016	150,000	3.625%			
			3/1/2017	160,000	3.625%			
			3/1/2018	165,000	3.625%			
			3/1/2019	170,000 *	4.000%			
			3/1/2020	180,000 *	4.000%			
			3/1/2021	190,000 *	4.000%			
			3/1/2022	195,000 *	4.000%			
			3/1/2023	205,000 *	4.000%			
			3/1/2024	215,000 *	4.000%			
			3/1/2025	220,000 *	4.000%			
			3/1/2026	230,000 *	4.000%			
			3/1/2027	235,000 *	4.000%			
			3/1/2028	238,000 *	4.000%			
<b>Total</b>						<b>\$ 3,228,000</b>	<b>125,000</b>	<b>\$ 3,103,000</b>

\* - Callable

HAMPTON BOROUGH SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**

Exhibit I-3

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	<hr/>				
State Sources:					
Debt Service Aid Type II	\$ 107,468		\$ 107,468	\$ 107,468	
Total - State Sources	<hr/> 107,468		<hr/> 107,468	<hr/> 107,468	
<b>TOTAL REVENUES</b>	<hr/> <b>107,468</b>		<hr/> <b>107,468</b>	<hr/> <b>107,468</b>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	107,468		107,468	123,489	\$ (16,021)
Redemption of Principal			-	125,000	(125,000)
Total Regular Debt Service	<hr/> 107,468		<hr/> 107,468	<hr/> 248,489	
<b>TOTAL EXPENDITURES</b>	<hr/> <b>\$ 107,468</b>		<hr/> <b>\$ 107,468</b>	<hr/> <b>248,489</b>	<hr/> <b>(141,021)</b>
Fund Balance, July 1	<hr/> (78,081)		<hr/> (78,081)	<hr/> (78,081)	
Fund Balance, June 30	<hr/> (78,081)		<hr/> (78,081)	<hr/> \$ (219,102)	<hr/> \$ (141,021)
<b>Recapitulation of Excess (Deficiency) of</b>					
<b><u>Revenues Over (Under) Expenditures</u></b>					
Budgeted Fund Balance					
<hr/> <hr/>					

Hampton Borough School District  
**Statistical Section**

<u>Contents</u>	<u>Page</u>
<b>Financial Trends (J-1 thru J-5)</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	61-66
<b>Revenue Capacity (J-6 thru J-9)</b> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	67-70
<b>Debt Capacity (J-10 thru J-13)</b> These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	71-74
<b>Demographic and Economic Information (J-14 and J-15)</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	75-76
<b>Operating Information (J-16 thru J-20)</b> These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	77-81

**Sources:**

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

**Hampton Borough School District**  
**Net Assets by Component,**  
**Last Eight Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-1**

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
	<b>N/A</b>								
Governmental activities									
Invested in capital assets, net of related debt		\$ 213,622	\$ 24,665	\$ 3,977	\$ 3,977	\$ 3,977	\$ (1,003,304)	\$ (328,389)	\$ (4,453)
Restricted		111,739	141,899	65,144	35,084	19,767	47,100	47,100	47,100
Unrestricted		45,702	96,735	2,242	56,355	80,149	1,262,895	528,032	36,166
Total governmental activities net assets	-	<u>\$ 371,063</u>	<u>\$ 263,299</u>	<u>\$ 71,363</u>	<u>\$ 95,416</u>	<u>\$ 103,893</u>	<u>\$ 306,691</u>	<u>\$ 246,743</u>	<u>\$ 78,813</u>
Business-type activities									
Invested in capital assets, net of related debt									-
Restricted									-
Unrestricted		\$ 5,582	\$ 7,328	\$ 5,495	\$ 5,244	\$ (116)	\$ (4,832)	\$ 1,960	\$ 674
Total business-type activities net assets	-	<u>\$ 5,582</u>	<u>\$ 7,328</u>	<u>\$ 5,495</u>	<u>\$ 5,244</u>	<u>\$ (116)</u>	<u>\$ (4,832)</u>	<u>\$ 1,960</u>	<u>\$ 674</u>
District-wide									
Invested in capital assets, net of related debt		\$ 213,622	\$ 24,665	\$ 3,977	\$ 3,977	\$ 3,977	\$ (1,003,304)	\$ (328,389)	\$ (4,453)
Restricted		111,739	141,899	65,144	35,084	19,767	47,100	47,100	47,100
Unrestricted		51,284	104,063	7,737	61,599	80,033	1,258,063	529,992	36,840
Total district net assets	-	<u>\$ 376,645</u>	<u>\$ 270,627</u>	<u>\$ 76,858</u>	<u>\$ 100,660</u>	<u>\$ 103,777</u>	<u>\$ 301,859</u>	<u>\$ 248,703</u>	<u>\$ 79,487</u>

Source: CAFR Schedule A-1

**Hampton Borough School District**  
**Changes in Net Assets, Last Nine Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>									
Governmental activities	<b>N/A</b>								
Instruction									
Regular		\$ 954,964	\$ 1,012,237	\$ 1,123,768	\$ 1,269,921	\$ 1,460,067	\$ 1,248,855	\$ 1,410,980	\$ 1,552,560
Special education		331,994	334,216	341,795	360,810	367,700	361,010	396,299	383,291
Other special education		53,309	81,715	97,926	82,520	20,254	23,290	66,927	76,084
Support Services:									
Tuition		64,924	47,798	72,213	39,708	3,272	-	-	
Student & instruction related services		417,241	423,710	464,416	463,209	454,554	398,565	457,206	446,401
School administrative services		81,621	89,298	126,242	35,121	59,741	58,084	72,144	59,829
General and business administrative services		302,952	265,792	271,774	278,934	324,531	359,917	211,899	225,179
Plant operations and maintenance		219,655	266,929	305,859	295,722	336,441	227,419	307,801	278,066
Pupil transportation		47,868	57,725	53,002	68,890	26,326	30,013	23,478	21,921
Special Schools			10,086	11,665	9,941	3,463	-	-	
Interest on long-term debt		350				18,462	11,002	126,315	122,553
Unallocated depreciation		2,387	21,082	2,069	-	-	-	-	
Total governmental activities expenses	-	<u>2,477,265</u>	<u>2,610,588</u>	<u>2,870,729</u>	<u>2,904,776</u>	<u>3,074,811</u>	<u>2,718,155</u>	<u>3,073,049</u>	<u>3,165,884</u>
Business-type activities:									
Food service		52,496	65,964	66,931	72,002	87,429	63,984	52,124	52,745
Total business-type activities expense	-	<u>52,496</u>	<u>65,964</u>	<u>66,931</u>	<u>72,002</u>	<u>87,429</u>	<u>63,984</u>	<u>52,124</u>	<u>52,745</u>
Total district expenses	-	<u>\$ 2,529,761</u>	<u>\$ 2,676,552</u>	<u>\$ 2,937,660</u>	<u>\$ 2,976,778</u>	<u>\$ 3,162,240</u>	<u>\$ 2,782,139</u>	<u>\$ 3,125,173</u>	<u>\$ 3,218,629</u>
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
Instruction-regular									
Tuition			\$ 950						
Operating grants and contributions		\$ 1,079,145	1,049,375	\$ 1,129,630	\$ 1,227,095	\$ 1,293,376	\$ 1,111,151	\$ 1,311,759	\$ 1,225,651
Capital grants and contributions									
Total governmental activities program revenues	-	<u>1,079,145</u>	<u>1,050,325</u>	<u>1,129,630</u>	<u>1,227,095</u>	<u>1,293,376</u>	<u>1,111,151</u>	<u>1,311,759</u>	<u>1,225,651</u>

**Hampton Borough School District**  
**Changes in Net Assets, Last Nine Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Business-type activities:</b>									
Charges for services									
Food service		14,009	22,463	18,979	19,261	24,830	31,592	29,570	25,265
Operating grants and contributions		12,334	14,306	13,755	18,718	16,737	19,687	22,314	23,390
Capital grants and contributions		-	-	-	-	-	-	-	-
Total business type activities program revenues	-	26,343	36,769	32,734	37,979	41,567	51,279	51,884	48,655
Total district program revenues	-	<u>\$ 1,105,488</u>	<u>\$ 1,087,094</u>	<u>\$ 1,162,364</u>	<u>\$ 1,265,074</u>	<u>\$ 1,334,943</u>	<u>\$ 1,162,430</u>	<u>\$ 1,363,643</u>	<u>\$ 1,274,306</u>
<b>Net (Expense)/Revenue</b>									
Governmental activities		\$ (1,398,120)	\$ (1,560,263)	\$ (1,741,099)	\$ (1,677,681)	\$ (1,781,435)	\$ (1,607,004)	\$ (1,761,290)	\$ (1,940,233)
Business-type activities		(26,153)	(29,195)	(34,197)	(34,023)	(45,862)	(12,705)	(240)	(4,090)
Total district-wide net expense		<u>\$ (1,424,273)</u>	<u>\$ (1,589,458)</u>	<u>\$ (1,775,296)</u>	<u>\$ (1,711,704)</u>	<u>\$ (1,827,297)</u>	<u>\$ (1,619,709)</u>	<u>\$ (1,761,530)</u>	<u>\$ (1,944,323)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Property taxes levied for general purposes, net		\$ 1,414,455	\$ 1,607,420	\$ 1,572,624	\$ 1,729,693	\$ 1,807,076	\$ 1,819,059	\$ 1,696,788	\$ 1,764,660
Taxes levied for debt service		8,001							
Investment earnings		1,382	1,721	2,290	2,728	13,967	44,064	3,454	527
Miscellaneous income		7,247	12,640	6,607	3,079	9,364	3,679	8,100	9,916
Transfers		(23,208)	(30,935)	(32,358)	(33,766)	(40,495)	(7,000)	(7,000)	(2,800)
Total governmental activities	-	<u>1,407,877</u>	<u>1,590,846</u>	<u>1,549,163</u>	<u>1,701,734</u>	<u>1,789,912</u>	<u>1,859,802</u>	<u>1,701,342</u>	<u>1,772,303</u>
Business-type activities:									
Investment earnings		10	6	6	6	7	989	32	4
Transfers		23,208	30,935	32,358	33,766	40,495	7,000	7,000	2,800
Total business-type activities	-	<u>23,218</u>	<u>30,941</u>	<u>32,364</u>	<u>33,772</u>	<u>40,502</u>	<u>7,989</u>	<u>7,032</u>	<u>2,804</u>
Total district-wide		<u>\$ 1,431,095</u>	<u>\$ 1,621,787</u>	<u>\$ 1,581,527</u>	<u>\$ 1,735,506</u>	<u>\$ 1,830,414</u>	<u>\$ 1,867,791</u>	<u>\$ 1,708,374</u>	<u>\$ 1,775,107</u>
<b>Change in Net Assets</b>									
Governmental activities		\$ 9,757	\$ 30,583	\$ (191,936)	\$ 24,053	\$ 8,477	\$ 252,798	\$ (59,948)	\$ (167,930)
Business-type activities		(2,935)	1,746	(1,833)	(251)	(5,360)	(4,716)	6,792	(1,286)
Total district		<u>\$ 6,822</u>	<u>\$ 32,329</u>	<u>\$ (193,769)</u>	<u>\$ 23,802</u>	<u>\$ 3,117</u>	<u>\$ 248,082</u>	<u>\$ (53,156)</u>	<u>\$ (169,216)</u>

Source: CAFR Schedule A-2

**Hampton Borough School District  
Fund Balances, Governmental Funds,  
Last Nine Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit J-3**

	Fiscal Year Ending June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Reserved	\$ 104,945	\$ 148,433	\$ 210,931	\$ 79,848	\$ 57,263	\$ 34,920	\$ 232,082	\$ 367,848	\$ 48,832
Unreserved	89,516	62,538	61,160	65,832	90,515	115,838	99,437	(110,836)	134,250
Total general fund	<u>\$ 194,461</u>	<u>\$ 210,971</u>	<u>\$ 272,091</u>	<u>\$ 145,680</u>	<u>\$ 147,778</u>	<u>\$ 150,758</u>	<u>\$ 331,519</u>	<u>\$ 257,012</u>	<u>\$ 183,082</u>
All Other Governmental Funds									
Reserved							\$ 16,400		-
Unreserved, reported in:									
Special revenue fund	\$ (773)	\$ (333)	\$ (333)	\$ (333)	\$ (333)	\$ (333)			
Capital projects fund	(14,000)					3,058,757	1,025,808	\$ 170,604	\$ 150,043
Debt service fund								(78,081)	(219,102)
Trust and agency fund		-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ (14,773)</u>	<u>\$ (333)</u>	<u>\$ (333)</u>	<u>\$ (333)</u>	<u>\$ (333)</u>	<u>\$ 3,058,424</u>	<u>\$ 1,042,208</u>	<u>\$ 92,523</u>	<u>\$ (69,059)</u>

Source: CAFR Schedule B-1

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

**Exhibit J-4**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Revenues</b>										
Tax levy	\$ 1,286,339	\$ 1,342,743	\$ 1,422,456	\$ 1,607,420	\$ 1,572,624	\$ 1,729,693	\$ 1,807,076	\$ 1,819,059	\$ 1,696,788	\$ 1,764,660
Tuition charges				950	-	-	-	-	-	-
Interest earnings										
Miscellaneous	16,188	5,272	8,629	14,361	8,897	5,807	23,331	47,743	11,554	10,443
State sources	811,286	906,697	989,684	1,018,766	1,060,229	1,159,418	1,215,336	1,075,293	1,155,008	1,118,336
Federal sources	59,033	90,174	89,461	30,609	69,401	67,677	78,040	35,858	156,751	107,315
<b>Total revenue</b>	<b>2,172,846</b>	<b>2,344,886</b>	<b>2,510,230</b>	<b>2,672,106</b>	<b>2,711,151</b>	<b>2,962,595</b>	<b>3,123,783</b>	<b>2,977,953</b>	<b>3,020,101</b>	<b>3,000,754</b>
<b>Expenditures</b>										
Instruction										
Regular Instruction	623,684	564,791	681,431	708,760	783,290	1,135,936	1,308,158	1,148,495	1,252,927	1,352,688
Special education instruction	215,910	201,268	244,371	245,536	244,540	316,504	323,410	334,876	366,200	353,460
Other special instruction	11,567	12,723	39,239	60,033	70,062	72,387	17,814	21,604	61,844	70,163
Support Services:										
Tuition	76,987	234,444	64,924	47,798	72,213	39,708	3,272	-	-	-
Student & instruction related services	206,125	203,895	307,119	311,284	332,270	406,329	399,802	369,712	422,482	411,659
School administrative services	48,439	55,485	60,079	65,604	90,321	30,808	52,545	53,879	66,665	55,173
Other administrative services	222,741	196,924	222,994	195,268	194,443	244,682	285,441	333,862	195,805	207,654
Plant operations and maintenance	146,288	207,238	161,682	196,103	218,829	259,409	295,916	257,336	284,424	256,425
Pupil transportation	45,187	117,245	47,868	57,725	53,002	68,890	26,326	30,013	23,478	21,921
Unallocated employee benefits	391,689	480,371	626,015	679,164	735,788	343,358	364,578	197,424	222,019	235,149
Special Schools				7,410	8,346	8,720	3,046	-	-	-
Special Revenue	66,325	120,751								
Capital Outlay	8,911	1,976		5,366	2,100	-	309,243	-	-	-
Debt service:										
Principal	14,000	14,000	14,000						140,000	125,000
Interest and other charges	2,304	910	350						127,323	123,489
<b>Total expenditures</b>	<b>2,080,157</b>	<b>2,412,021</b>	<b>2,470,072</b>	<b>2,580,051</b>	<b>2,805,204</b>	<b>2,926,731</b>	<b>3,389,551</b>	<b>2,747,201</b>	<b>3,163,167</b>	<b>3,212,781</b>
Excess (Deficiency) of revenues over (under) expenditures	92,689	(67,135)	40,158	92,055	(94,053)	35,864	(265,768)	230,752	(143,066)	(212,027)
<b>Other Financing Sources (uses)</b>										
Temporary note redeemed	14,000	14,000								
Transfers in			14,000							
Transfers out	(25,777)		(23,208)	(30,935)	(32,358)	(33,766)	(40,495)	(7,000)	(7,000)	(2,800)
<b>Total other financing sources (uses)</b>	<b>(11,777)</b>	<b>14,000</b>	<b>(9,208)</b>	<b>(30,935)</b>	<b>(32,358)</b>	<b>(33,766)</b>	<b>(40,495)</b>	<b>(7,000)</b>	<b>(7,000)</b>	<b>(2,800)</b>
<b>Net change in fund balances</b>	<b>\$ 80,912</b>	<b>\$ (53,135)</b>	<b>\$ 30,950</b>	<b>\$ 61,120</b>	<b>\$ (126,411)</b>	<b>\$ 2,098</b>	<b>\$ (306,263)</b>	<b>\$ 223,752</b>	<b>\$ (150,066)</b>	<b>\$ (214,827)</b>
Debt service as a percentage of noncapital expenditures	0.8%	0.6%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	8.5%	7.7%

Source: CAFR Schedule B-2

**Note: Excludes Capital Projects**

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2002	\$ 6,345	\$ 304	\$ 2,000	\$ 5,315	\$ 1,371	\$ 15,335
2003	3,618				1,654	5,272
2004	1,382	2,678			4,569	8,629
2005	1,721	727		950	6,355	9,753
2006	2,290		4,000		115	6,405
2007	2,728		2,000		684	5,412
2008	13,967	169			1,130	15,266
2009	1,406	250	2,000		1,829	5,485
2010	932	4,331	2,000		1,769	9,032
2011	403	2,880	2,120		4,916	10,319

SOURCE: District Records

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

**Exhibit J-6**

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2002	\$1,778,701	\$54,807,400	\$1,763,800	\$106,890	\$3,605,100	\$562,400	\$2,400,200	\$74,016,681	\$8,467,600	\$524,590	\$65,024,491	\$1.954	\$72,800,517
2003	1,623,701	56,134,400	1,763,800	106,890	3,641,300	562,400	1,648,000	74,545,568	8,262,300	802,777	65,480,491	2.027	81,992,432
2004	1,599,401	56,271,500	1,763,800	110,932	3,641,300	562,400	1,648,000	74,667,935	8,290,900	779,702	65,597,333	2.144	82,207,786
2005	2,138,101	56,776,900	1,764,800	106,874	3,670,600	562,400	1,648,000	75,699,353	8,399,400	632,278	66,667,675	2.385	92,845,346
2006	2,849,151	56,708,600	1,764,800	106,874	3,670,600	562,400	1,648,000	76,343,343	8,399,400	633,518	67,310,425	2.316	109,122,594
2007	6,677,151	123,097,485	3,725,800	106,874	6,962,218	1,011,500	2,745,800	158,000,096	12,550,200	1,123,068	144,326,828	1.199	117,335,316
2008	6,434,869	128,480,585	3,547,400	107,199	5,839,050	1,011,500	2,745,800	161,242,071	11,952,600	1,123,068	148,166,403	1.221	152,074,563
2009	4,460,701	132,531,285	3,547,400	142,299	5,839,050	1,011,500	2,745,800	163,228,963	11,952,600	998,328	151,276,363	1.203	153,712,104
2010	4,460,701	132,915,485	3,547,400	142,299	5,839,050	1,011,500	2,745,800	163,733,163	12,072,600	998,328	151,660,563	1.119	150,008,401
2011	2,942,301	133,572,285	3,547,400	142,299	5,830,250	1,011,500	2,745,800	162,657,682	12,087,600	778,247	150,570,082	1.172	141,918,884

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

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

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Hampton Borough Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Regional School District	Borough	Library	Hunterdon County	
2002	\$1.954	\$0.000	\$1.954	\$0.592	\$0.530	\$0.035	\$0.469	\$3.580
2003	\$2.027	\$0.000	\$2.027	\$0.685	\$0.540	\$0.037	\$0.521	\$3.810
2004	\$2.144	\$0.000	\$2.144	\$0.800	\$0.551	\$0.035	\$0.500	\$4.030
2005	\$2.385	\$0.000	\$2.385	\$0.930	\$0.561	\$0.039	\$0.525	\$4.440
2006	\$2.316	\$0.000	\$2.316	\$0.852	\$0.562	\$0.044	\$0.566	\$4.340
2007 *	\$1.199	\$0.000	\$1.199	\$0.444	\$0.285	\$0.022	\$0.270	\$2.220
2008	\$1.221	\$0.000	\$1.221	\$0.396	\$0.307	\$0.026	\$0.320	\$2.270
2009	\$1.203	\$0.000	\$1.203	\$0.450	\$0.309	\$0.025	\$0.314	\$2.301
2010	\$1.119	\$0.000	\$1.119	\$0.523	\$0.309	\$0.024	\$0.316	\$2.291
2011	\$1.172	\$0.000	\$1.172	\$0.502	\$0.332	\$0.023	\$0.299	\$2.328

Source: District Records and Municipal Tax Collector

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

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

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

\* Rate decrease due to revaluation.

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

**Exhibit J-8**

Taxpayer	2011			2000		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Robin Hill Affordable Housing	\$2,100,000	1	1.39%	\$ 1,592,600	1	2.43%
K-Land No. 6l, LLC	2,089,800	2	1.39%			
United Telephone Co. of NJ	1,292,468	3	0.86%			
Stickel Investment, LLC	1,252,000	4	0.83%			
Individual Taxpayer #1	1,086,000	5	0.72%	459,600	2	0.70%
Individual Taxpayer #2	1,034,100	6	0.69%	350,600	4	0.54%
Hampton Point Assoc., LLC	820,000	7	0.54%			
Individual Taxpayer #3	812,066	8	0.54%	342,000	5	0.52%
Kappus Plastic Co., Inc.	797,300	9	0.53%	415,000	3	0.63%
Individual Taxpayer #4	762,705	10	0.51%	331,600	6	0.51%
Individual Taxpayer #5				322,300	7	0.49%
Mac Holdings, Inc.				277,500	8	0.42%
Individual Taxpayer #6				272,600	9	0.42%
Mac Holdings, Inc.				262,300	10	0.40%
<b>Total</b>	<b>\$ 12,046,439</b>		<b>8.00%</b>	<b>\$ 4,626,100</b>		<b>7.06%</b>

Source: District CAFR & Municipal Tax Assessor

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

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2002	\$ 1,278,721	\$ 1,278,721	100.00%	-
2003	\$ 1,334,471	\$ 1,334,471	100.00%	-
2004	\$ 1,414,455	\$ 1,414,455	100.00%	-
2005	\$ 1,607,420	\$ 1,607,420	100.00%	-
2006	\$ 1,572,624	\$ 1,572,624	100.00%	-
2007	\$ 1,729,693	\$ 1,729,693	100.00%	-
2008	\$ 1,807,076	\$ 1,807,076	100.00%	-
2009	\$ 1,819,059	\$ 1,819,059	100.00%	-
2010	\$ 1,696,788	\$ 1,696,788	100.00%	-
2011	\$ 1,764,660	\$ 1,764,660	100.00%	-

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

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

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

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2002	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2003	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2004	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2005	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2006	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2007	-0-	-0-	-0-	-0-	-0-	-0-	N/A	N/A
2008	\$ 3,368,000	-0-	-0-	-0-	-0-	\$ 3,368,000	2.97%	\$2,045
2009	\$ 3,368,000	-0-	-0-	-0-	-0-	\$ 3,368,000	3.14%	\$2,054
2010	\$ 3,228,000	-0-	-0-	-0-	-0-	\$ 3,228,000	3.01%	\$1,965
2011	\$ 3,103,000	-0-	-0-	-0-	-0-	\$ 3,103,000	2.89%	\$1,889

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

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

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

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

**Exhibit J-11**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2002	-0-	-0-	-0-	0.00%	-0-
2003	-0-	-0-	-0-	0.00%	-0-
2004	-0-	-0-	-0-	0.00%	-0-
2005	-0-	-0-	-0-	0.00%	-0-
2006	-0-	-0-	-0-	0.00%	-0-
2007	-0-	-0-	-0-	0.00%	-0-
2008	\$ 3,368,000	-0-	\$ 3,368,000	2.27%	\$2,045
2009	\$ 3,368,000	-0-	\$ 3,368,000	2.23%	\$2,054
2010	\$ 3,228,000	-0-	\$ 3,228,000	2.13%	\$1,965
2011	\$ 3,103,000	-0-	\$ 3,103,000	2.06%	\$1,889

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

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

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

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

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Borough of Hampton	\$ 895,066	100.000%	\$ 895,066
<b>Other debt</b>			
North Hunterdon Regional School District	4,615,000	1.533%	70,767
Hunterdon County	99,997,478	0.594%	<u>593,535</u>
Subtotal, overlapping debt			1,559,368
<b>Hampton Borough School District Direct Debt</b>			<u>3,103,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 4,662,368</u></u>

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

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

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

Hampton Borough School District  
 Legal Debt Margin Information,  
 Last Ten Fiscal Years

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized valuation basis	
2010	\$ 135,988,956
2009	141,626,466
2008	147,984,279
<b>[A]</b>	<b>\$ 425,599,701</b>

Average equalized valuation of taxable property **[A/3]** \$ 141,866,567

Debt limit (3 % of average equalization value) **[B]** 4,255,997

Net bonded school debt **[C]** 3,103,000

Legal debt margin **[B-C]** \$ 1,152,997

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$2,100,598	\$2,246,433	\$2,466,234	\$2,785,360	\$3,039,044	\$3,418,515	\$3,843,586	\$4,201,401	\$4,333,903	4,255,997
Total net debt applicable to limit	-	-	-	-	-	-	3,368,000	3,368,000	3,228,000	3,103,000
Legal debt margin	<u>\$2,100,598</u>	<u>\$2,246,433</u>	<u>\$2,466,234</u>	<u>\$2,785,360</u>	<u>\$3,039,044</u>	<u>\$3,418,515</u>	<u>\$475,586</u>	<u>\$833,401</u>	<u>\$1,105,903</u>	<u>\$1,152,997</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	87.63%	80.16%	74.48%	72.91%

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

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

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

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2002	1,563	\$ 89,262,930	\$57,110 R	5.2%
2003	1,572	\$ 92,222,952	\$58,666 R	5.6%
2004	1,579	\$ 94,608,943	\$59,917 R	5.2%
2005	1,574	\$ 93,797,808	\$59,592 R	4.6%
2006	1,590	\$ 102,278,340	\$64,326 R	5.2%
2007	1,642	\$ 111,908,868	\$68,154 R	4.5%
2008	1,647	\$ 113,232,897	\$68,751 R	5.9%
2009	1,640	\$ 107,164,160	\$65,344 P	10.5%
2010	1,643	\$ 107,360,192	\$65,344 *	10.8%
2011	1,643	* \$ 107,360,192	\$65,344 *	*

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal Income provided by US Dept of Commerce

<sup>c</sup> Per Capita provided by US Dept of Commerce

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

R =Revised

\* Current data unavailable



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

**Exhibit J-16**

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction										
Regular	12.2	12.2	13.2	13.2	13.2	14.2	11.0	11.0	11.0	11.0
Special education	5.2	4.0	5.5	5.5	5.5	5.0	7.0	6.5	7.0	7.0
Other special education	2.5	2.6	2.8	2.6	2.4	2.4	2.0	1.0	1.0	1.0
Other instruction	2.0	1.5	2.5	3.0	4.0	3.5	5.5	5.0	5.0	5.0
Support Services:										
Student & instruction related services	1.0	1.0	1.0	1.0	1.0	2.0	3.0	3.0	3.0	3.0
General administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
School administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Business administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Pupil transportation										
Food Service	2.0	2.0	2.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0
Total	<u>29.9</u>	<u>28.3</u>	<u>32.0</u>	<u>32.3</u>	<u>33.1</u>	<u>34.1</u>	<u>33.5</u>	<u>31.5</u>	<u>32.0</u>	<u>32.0</u>

**Source:** District Personnel Records

Hampton Borough School District  
 Operating Statistics  
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2002	184	5,276,626	28,677	5.34%	27	6.8:1		180.6	171.6	-2.69%	95.0%
2003	176	5,592,265	31,774	10.80%	28	6.3:1		176.0	167.5	-2.55%	95.2%
2004	174	5,276,239	30,323	-4.57%	26	6.7:1		174.3	165.6	-0.97%	95.0%
2005	195	5,542,775	28,424	-6.26%	30	6.5:1		193.9	184.4	11.24%	95.1%
2006	180	2,803,104	15,573	-45.21%	29	6.2:1		170.0	162.1	-12.33%	95.4%
2007	187	2,926,731	15,651	0.50%	26	7.2:1		176.4	169.1	3.76%	95.9%
2008	176	3,080,308	17,502	11.83%	29	6.1:1		169.7	161.5	-3.80%	95.2%
2009	163	2,747,201	16,854	-3.70%	24	6.8:1		161.2	153.5	-5.01%	95.2%
2010	153	2,895,844	18,927	12.30%	24	6.4:1		148.6	142.0	-7.82%	95.6%
2011	131	2,964,292	22,628	19.55%	24	6.4:1		130.5	125.1	-12.18%	95.9%

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

Note: Enrollment based on annual October district count.

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

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

**Exhibit J-18**

<u>District Building</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b><u>Elementary</u></b>										
Hampton Elementary ( 1912 )										
Square Feet	23,515	23,515	23,515	23,515	23,515	23,515	23,515	23,515	23,515	23,515
Capacity (students)	300	300	300	300	300	300	300	300	300	300
Enrollment	184	176	174	195	180	187	176	163	153	131

Number of Schools at June 30, 2011

**Source:** District records, ASSA

Elementary = 1

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

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

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Hampton Borough School	N/A	\$25,524	\$21,979	\$43,826	\$34,320	\$35,784	\$44,754	\$36,608	\$34,518	\$24,578	\$ 301,891
Total School Facilities		25,524	21,979	43,826	34,320	35,784	44,754	36,608	34,518	24,578	301,891
Other Facilities		NONE	NONE		NONE						
<b>Grand Total</b>		<b>\$25,524</b>	<b>\$21,979</b>	<b>\$43,826</b>	<b>\$34,320</b>	<b>\$35,784</b>	<b>\$44,754</b>	<b>\$36,608</b>	<b>\$34,518</b>	<b>\$24,578</b>	<b>\$301,891</b>

HAMPTON BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2011

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b>SCHOOL PACKAGE POLICY -NJSBA Insurance Corp.</b>		
Property-Blanket Building and Contents - Consortium Amount	\$300,000,000	\$1,000
Comprehensive General Liability (\$1,000,000 Aggregate-per Occurrence)	11,000,000	
Business Auto Liability	11,000,000	
Employee Benefits	11,000,000	
<b>ELECTRONIC DATA PROCESSING</b>		
Blanket Hardware/Software	100,000	1,000
<b>PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET POSITION BOND -</b>		
Treasurer of School Monies	25,000	500
Board Secretary/School Business Administrator	170,000	
	35,000	
<b>WORKERS COMPENSATION -</b>		
Bodily Injury by Accident-Each Accident	2,000,000	

SOURCE: District Records

# Single Audit Section





## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
 Frenchtown, New Jersey 08825-1192  
 908-996-4711 Fax: 908-996-4688  
 e-mail: anthony@arditoandcompany.com

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

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

Honorable President and  
 Members of the Board of Education  
 Hampton Borough School District  
 County of Hunterdon  
 Hampton, New Jersey 08827

We have audited the financial statements of the Board of Education of the Hampton Borough School District in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

-Continued-

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as findings 2011-1 through 2011-4, to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as findings 2011-5 through 2011-9 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hampton Borough School District Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, and which are described in the accompanying schedule of findings and questioned costs, as findings 2011-10 through 2011-14.

We noted certain matters that we reported to the Board of Education of the Hampton Borough School District in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated December 1, 2011.

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



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

Date: December 1, 2011



## **ARDITO & Co., LLP**

1110 Harrison Street, Suite C  
 Frenchtown, New Jersey 08825-1192  
 908-996-4711 Fax: 908-996-4688  
 e-mail: anthony@arditoandcompany.com

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

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

Honorable President and  
 Members of the Board of Education  
 Hampton Borough School District  
 County of Hunterdon  
 Hampton, New Jersey 08827

### **Compliance**

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Hampton Borough School District Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Hampton Borough School District Board of Education's compliance with those requirements.

-Continued-

As described in items 2011-15 through 2011-19 in the accompanying schedule of findings and questioned costs, the district did not comply with requirements regarding financial reporting, budgeting, state assistance applications that are applicable to its Equalization, Special Education, and Debt Service Aid. Compliance with such requirements is necessary, in our opinion, for the district to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the district did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on Equalization, Special Education, and Debt Service Aid. Also, in our opinion, the district complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major state programs for the year ended June 30, 2011.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with New Jersey OMB's Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as items 2011-20 through 2011-25.

### **Internal Control Over Compliance**

The management of the Board of Education of the Hampton Borough School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Hampton Borough School Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Hampton Borough School Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-15 and 2011-19 to be material weaknesses.

-Continued-

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-20 and 2011-25 to be significant deficiencies.

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



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

Date: December 1, 2011

HAMPTON BOROUGH SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year ended June 30, 2011

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2010	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2011			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
<b>State Department of Education</b>															
<b>General Fund:</b>															
Equalization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 713,420			\$ 713,420	\$ (713,420)								
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	76,251			76,251	(76,251)								
Non-Public Transportation Aid	10-100-034-5120-068	7/1/09-6/30/10	705			705	(705)								
On-behalf TPAF Pension Contrib.	11-495-034-5095-001	7/1/10-6/30/11	96,518			96,518	(96,518)								
Reimbursed TPAF Soc.Secur.Contrib.	11-495-034-5095-002	7/1/10-6/30/11	111,445			112,299	(111,445)				\$ (9,394)				
<b>Total General Fund</b>				(10,248)		999,193	(998,339)	-			(9,394)			78,959	998,339
<b>Special Revenue Fund:</b>															
Character Education Program	06-495-034-5120-053	7/1/05-6/30/06		14		-					\$ 14				-
Amistad Grant	N/A	7/1/05-6/30/06		315							315				-
<b>Total Special Revenue Fund</b>				329	-	-	-	-	-	-	329	-	-	-	-
<b>Debt Service Fund:</b>															
Debt Service Aid	11-495-034-5120-017	7/1/10-6/30/11	107,468			107,468	(107,468)								107,468
<b>State Department of Agriculture:</b>															
<b>Enterprise Fund:</b>															
Nat.School Breakfast Prog.(State Share)	10-100-010-3350-021	7/1/09-6/30/10		(16)		16									
Nat.School Lunch Prog.(State Share)	10-100-010-3350-023	7/1/09-6/30/10		(77)		77									
Nat.School Lunch Prog.(State Share)	11-100-010-3350-023	7/1/10-6/30/11	571			514	(571)				(57)				571
<b>Total Enterprise Fund</b>				(93)		607	(571)				(57)				571
<b>Total State Financial Assistance</b>				\$ (10,012)		\$ 1,107,268	\$ (1,106,378)	-			\$ (9,451)	\$ 329	-	\$ 78,959	\$ 1,106,378

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
JUNE 30, 2011

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO 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 (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and 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:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$12,529 for the general fund and (\$9,578) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
 JUNE 30, 2011

**NOTE 3. (Continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,010,868	\$ 1,010,868
Special Revenue Fund	\$ 107,315	-	107,315
Debt Service Fund		107,468	107,468
Food Service Fund	<u>22,819</u>	<u>571</u>	<u>23,390</u>
Total Financial Assistance	<u>\$ 130,134</u>	<u>\$ 1,118,907</u>	<u>\$ 1,249,041</u>

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

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

**NOTE 5. OTHER**

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

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

Part I - Summary of Auditor's Results

**Financial Statement Section**

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

**Federal Awards Section**

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000
  
- E) Auditee qualified as low-risk auditee?   Yes   No
  
- F) Type of auditor's report on compliance for major programs: Unqualified
  
- G) Internal Control over compliance:
  - 1) Material weakness(es) identified?   Yes   No
  - 2) Were significant deficiencies identified that were not considered to be material weaknesses?   Yes   No
  
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))?   Yes   No
  
- I) Identification of major programs:

**CFDA NUMBER(S)**

**NAME OF FEDERAL PROGRAM OR CLUSTER**

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

Part I - Summary of Auditor's Results

**State Financial Assistance Section**

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? \_\_yes x no
- L) Type of auditor's report on compliance for major programs: Adverse and Unqualified
- M) Internal Control over compliance:
  - 1) Material weakness(es) identified? \_x\_ yes \_\_no
  - 2) Were significant deficiencies identified that were not considered to be material weaknesses? \_x\_ yes \_\_none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? \_x\_ yes \_\_no
- O) Identification of major programs:

**GMIS Number(s)**

**Name of State Program**

<u>11-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>11-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>11-495-034-5095-002</u>	<u>Reimbursed TPAF Soc. Sec.</u>
<u>11-495-034-5120-017</u>	<u>Debt Service Aid</u>
_____	_____

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

**Section II-Financial Statement Findings**

There following are material weaknesses and/or significant deficiencies, grant agreement compliance, and other matters that are required to be reported in accordance with Government Auditing Standards.

**Finding 2011-1**

**Criteria:**

Reimbursement for federal grants should be requested through the EWEG on-line system after grant funds have been spent, recorded in the accounting system, and charged to the proper grant appropriation line item. Proper documentation of expenditures charged to the federal grants also must be maintained.

**Condition:**

NCLB, IDEA, REAP, and ARRA funds for fiscal years 2009 and 2010 were drawn down and deposited in the district's bank accounts during fiscal year 2011, however, grant funds were not spent, nor recorded in the accounting system. Furthermore, no documentation exists to support the various reimbursement drawn downs through the EWEG on-line system.

**Questioned Costs:**

Grant funds received without supporting documentation for expenditures:

Title I	\$ 16,463
Title IIA	6,259
Title IIA	137
IDEA Basic	6,907
IDEA Preschool	176
R.E.A.P.	23,709
ARRA IDEA B	3,976

**Context:**

Federal funds were wired to district bank accounts without proper support for expenditures.

**Effect:**

Premature reimbursement receipts for federal grant expenditures. Possible refund due to the federal government if grants are not timely spent.

**Cause:**

Federal grant expenditures not accounted for through the special revenue fund. Grant awards not reconciled to budgeted awards or actual expenditures.

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

**Section II-Financial Statement Findings (Continued)**

**Recommendation:**

The Board Secretary should record the budget for each federal grant in the special revenue fund, record and post grant expenditures to the budgeted line items, reconcile expenditures to the grant awards, and maintain detail documentation for grant expenditures before reimbursement is requested through the EWEG on-line system.

**Finding 2011-2**

**Criteria:**

Federal grants should be spent during the award or subsequent carry-over periods.

**Condition:**

Small Rural School Achievement Program (REAP) funds for 2009, 2010, and 2011 remain unspent as of June 30, 2011, in the amount of \$70,635.

**Questioned Costs:**

\$47,035 in unspent federal grants for 2009 and 2010.

**Context:**

REAP awards were not spent. The 2009 grant was drawn down and collected, but not spent. The 2009 grant carry over period ended September 30, 2010, and the 2010 grant carry over period ended September 30, 2011.

**Effect:**

General fund expenditures could have been utilized towards the federal grants. Potential disallowance of expenditures by federal authorities.

**Cause:**

Federal grant expenditures not accounted for through the special revenue fund. Grant awards not reconciled to budgeted awards or actual expenditures.

**Recommendation:**

The Board Secretary should record the budget for each federal grant in the special revenue fund, record and post grant expenditures to the budgeted line items, reconcile expenditures to the grant awards, maintain detail documentation, and drawn down grant revenues after grants are expended.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**Section II-Financial Statement Findings (Continued)****Finding 2011-3****Criteria:**

General ledger control accounts should be reconciled to the underlying subsidiary account detail.

**Condition:**

Tax levy receivable, state aid receivable, federal and state lunch reimbursements due to the food service fund, and encumbrance general ledger accounts were not reconciled to the underlying account detail resulting in significant account misstatements. Various audit adjusting entries were needed to correct financial statements.

**Questioned Costs:**

The tax levy receivable was over-stated by \$643,787, the state aid receivable was over-stated by \$90,793, amounts due to the food service fund was under-stated by \$12,185, and encumbrances were over-stated by \$9,323.

**Effect:**

Significant overstatements of receivables and related revenues, and out-of balance interfund balances and encumbrance balances.

**Cause:**

General ledger control accounts were not reconciled to the underlying detailed subsidiary accounts on a timely basis.

**Recommendation:**

The Board Secretary should reconcile the general ledger control accounts to the underlying subsidiary detail.

**Finding 2011-4****Criteria:**

The books and accounts of the district should be maintained and updated in a timely manner.

**Condition:**

Accounting entries were not maintained in a timely manner. Reconciliations to the general ledger were not completed and the June payroll was not posted at the time of the field audit.

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

**Section II-Financial Statement Findings (Continued)**

**Questioned Costs:**

None

**Effect:**

Significant mis-statements of balance sheet account balances, incomplete financial data, and understatement of expenditures.

**Cause:**

General ledger control accounts were not reconciled to the underlying detailed subsidiary accounts on a timely basis.

**Recommendation:**

The Board Secretary should post transactions in a timely manner reconcile the general ledger control accounts to the underlying subsidiary detail on a monthly basis.

**Finding 2011-5**

**Criteria:**

District liabilities and commitments should be budgeted, approved, and paid on a timely basis.

**Condition:**

The PERS payment, due on April 1, 2011, of \$27,186 was not paid until July 7, 2011. Furthermore, the amount was not appropriated (budgeted) in the fiscal 2011 general fund budget.

**Questioned Costs:**

\$27,186.00

**Effect:**

Statutory pension payment not paid, understatement of liabilities, and budget over-expenditures.

**Cause:**

State voucher was not processed for payment in a timely fashion and budget not properly developed and subsequently monitored.

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

**Section II-Financial Statement Findings (Continued)**

**Recommendation:**

The Board Secretary should budget for district PERS liabilities and controls should be in place to ensure subsequent payment.

**Finding 2011-6**

**Criteria:**

Accounts payable liabilities should be set-up at year end for goods and services received.

**Condition:**

Employees paid in July and August for services rendered for the period ending June 30, 2011, were set-up as an encumbrance (open purchase order) instead of an accounts payable.

**Questioned Costs:**

\$171,433.00

**Effect:**

Understatement of liabilities and expenditures as of June 30, 2011.

**Cause:**

Not properly classifying received goods and services as accounts payable.

**Recommendation:**

The district should develop controls to ensure all goods and services received are properly classified as an accounts payable.

**Finding 2011-7**

**Criteria:**

Separate governmental funds should be maintained to account for capital projects activity.

**Condition:**

It appears that certain capital projects fund expenditures were paid from the general fund budget.

**Questioned Costs:**

The dollar amount impact is estimated to be between \$1,000-\$7,000.

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

**Section II-Financial Statement Findings (Continued)**

**Effect:**

Understatement of capital fund expenditures and overstatement of general fund expenditures.

**Cause:**

Payments were made from the general fund checking account, and not properly accounted for as an inter-fund transaction.

**Recommendation:**

The district should develop controls to ensure all capital fund goods and services paid from the general fund bank account are properly classified as inter-fund transactions.

**Finding 2011-8**

**Criteria:**

Separate governmental funds should be maintained to account for debt service activity.

**Condition:**

The September 1, 2010 debt service interest payment was paid from the current fund but not properly classified as an expense in the debt service fund.

**Questioned Costs:**

\$61,744

**Effect:**

Understatement of debt service fund expenditures and inter-fund liabilities.

**Cause:**

Interfund accounts not reconciled between funds.

**Recommendation:**

The board secretary should reconcile the inter-fund accounts on a monthly basis.

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

**Section II-Financial Statement Findings (Continued)**

**Finding 2011-9**

**Criteria:**

The district should maintain a detail of compensated absences in accordance with GASB No. 16 for use in development of the district-wide statement of net assets.

**Condition:**

Detail of accrued sick and vacation time not maintained as of June 30, 2011.

**Questioned Costs:**

None.

**Effect:**

Possible understatement of net assets in government wide financial statements.

**Cause:**

Detail of compensated absences not maintained.

**Recommendation:**

The board secretary should maintain a detail of compensated absences as of June 30 of each fiscal year.

**Finding 2011-10**

**Criteria:**

Employee portion of pension contributions (PERS) should be withheld from employees payroll.

**Condition:**

Underpayment notices for PERS, received from the State of New Jersey, were charged and expensed to the general fund budget but not charged back to employees.

**Effect:**

Overstatement of expenditures.

**Cause:**

Controls are not in place to ensure payments to state for underpayment notices are first charged back to the proper employees.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**Section II-Financial Statement Findings (Continued)****Recommendation:**

The district should develop controls to ensure employee deductions for pension are properly withheld along with any subsequent underpayment notice requirements.

**Finding 2011-11****Criteria:**

Petty cash account activity must be accounted for and reimbursements to the petty cash fund must be properly classified as expenditures.

**Condition:**

The petty cash fund expense reimbursements were not properly charged to expenditures and were posted to a balance sheet inter-fund account.

**Questioned Costs:**

\$3,567

**Effect:**

Understatement of expenditures.

**Cause:**

Balance sheet account reconciliations not prepared in a timely manner. Improper account coding of reimbursement checks.

**Recommendation:**

Reimbursements to the petty cash fund should be coded to expenditures and balance sheet accounts should be reconciled on a timely basis.

**Finding 2011-12****Criteria:**

Payroll and payroll agency accounts should be maintained as zero dollar balance imprest cash accounts.

**Condition:**

Excess idle cash of \$3,800 exists as of June 30, 2011

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

**Section II-Financial Statement Findings (Continued)**

**Questioned Costs:**

\$3,800

**Effect:**

Overstatement of expenditures, and understatement of fund balance in the current fund.

**Cause:**

Accumulated excess cash not transferred back to the general fund.

**Recommendation:**

Payroll and payroll agency accounts should be maintained as zero dollar balance imprest cash accounts. Any excess should be transferred back to the general fund.

**Finding 2011-13**

**Criteria:**

Bank account reconciliations to the general ledger should not include aged reconciling items.

**Condition:**

Older outstanding checks from the prior fiscal year are included in the payroll agency bank reconciliation in the amount of \$24,648.

**Questioned Costs:**

\$24,648

**Effect:**

Possible overstatement of expenditures, and understatement of fund balance in the current fund.

**Cause:**

Outstanding check listing not investigated for aged items and subsequent resolution.

**Recommendation:**

Investigate and void older outstanding checks as necessary, and transfer funds back to the general fund.

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

**Section II-Financial Statement Findings (Continued)**

**Finding 2011-14**

**Criteria:**

IRS regulations require the issuance of 1099's to non-employee individuals, partnerships, and other business types, for amounts paid in excess of \$600 on a calendar year basis.

**Condition:**

It does not appear that 1099's were issued for the calendar year 2010.

**Questioned Costs:**

None.

**Effect:**

There is no financial statement effect, however the district is in violation of IRS regulations.

**Cause:**

Proper year-end tax reporting not performed.

**Recommendation:**

The district should issue 1099's based on IRS regulations.

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

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

**STATE FINANCIAL ASSISTANCE**-The following state financial assistance findings or questioned costs noted, are required to be reported in accordance with NJOMB Circular 04-04, that are material to a state major program.

**Finding 2011-15 - See finding 2011-3 under "Section II - Financial Statement Findings".**

**Finding 2011-16**

**Information on state program:**

11-495-034-5120-078

State Aid - Public (Equalization, et. al.)

**Criteria:**

The Board Secretary must certify that budgetary line accounts are not over-expended (N.J.A.C. 6A:23-2.12). Also, Board of Education approved budget line-item transfers must be made whenever the line item is in danger of going into a deficit condition.

**Condition:**

Several budgetary line accounts were over-expended during the fiscal year and at June 30 despite the board secretary's certification to the contrary (N.J.A.C. 6A:23-2.12). Additionally, budget line-item transfers were not approved or documented in the board minutes.

**Questioned Costs:**

\$163,104 in cumulative overexpended line items.

**Context:**

Budgetary line items over-expended.

**Effect:**

Budgetary line items over-expended.

**Cause:**

Budget transfers not approved by the Board of Education.

**Recommendation:**

Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause an over-expenditure in the line account to be charged, prior to the Board approving the requested transfer of additional appropriations to cover such orders.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**Section III - State Financial Assistance Findings and Questioned Costs (Continued)****Finding 2011-17****Information on state program:**

11-495-034-5120-017

Debt Service Type II Aid

**Criteria:**

Debt service requirements should be sufficiently funded with matching revenue sources.

**Condition:**

As illustrated in exhibit I-3, the district has a deficit fund balance of \$219,101 in the Debt Service fund, as a result of the district not establishing and certifying a debt service tax levy for the period ended June 30, 2010 and 2011

**Questioned Costs:**

None.

**Context:**

Underfunding of debt service obligations on outstanding bonds.

**Effect:**

The fiscal year 2010 deficit of \$78,081 and the fiscal year 2011 deficit of \$141,020 will need to be funded in subsequent budgets.

**Cause:**

The district did not establish and certify a tax levy for the payment of debt service obligations.

**Recommendation:**

The Board Secretary should reconcile the required debt service payments with the anticipated revenue sources, and establish and certify the appropriate tax levy to support such obligations.

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

**Section III - State Financial Assistance Findings and Questioned Costs (Continued)**

**Finding 2011-18**

**Information on state program:**

11-495-034-5120-078

Special Education Aid

**Criteria:**

School districts must complete a set of workpapers which document the compilation of register data for the ASSA student count DRTRS and provide an audit trail for the auditor to use as a basis for testing.

**Condition:**

No supporting documentation was available for the October 15, 2010 ASSA count or DRTRS reporting.

**Questioned Costs:**

None.

**Context:**

Documentation was not maintained for the ASSA or DRTRS count.

**Effect:**

Documentation was not maintained for the ASSA or DRTRS count.

**Cause:**

Documentation was not maintained for the ASSA or DRTRS count.

**Recommendation:**

The Board Secretary should complete a set of workpapers which document the compilation of register data for the ASSA student count and DRTRS count, and provide an audit trail for the auditor to use as a basis for testing.

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

**Section III - State Financial Assistance Findings and Questioned Costs (Continued)**

**Finding 2011-19**

**Information on state program:**

11-495-034-5120-078

State Aid - Public (Equalization, et. al.)

**Criteria:**

The certified annual budget should be entered into the board secretary report.

**Condition:**

The original budget was incorrectly recorded as to various line item amounts and in total.

**Questioned Costs:**

Total budget entered was \$14,157 higher than the actual budget and fourteen appropriation line items were incorrect as to amount or account.

**Context:**

Improper monitoring of general fund actual expenditures to budgeted expenditures.

**Effect:**

Potential for over-expending account line items and the overall budget.

**Cause:**

Original budget was not reconciled to the board secretary report.

**Recommendation:**

The Board Secretary should ensure the original certified budget is entered properly in the board secretary report.

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

**Section III - State Financial Assistance Findings and Questioned Costs (Continued)**

**Finding 2011-20**

**Information on state program:**

11-495-034-5120-078

State Aid - Public (Equalization, et. al.)

**Criteria:**

Approval for payroll expenditures must be documented with the signatures of the Board President, Chief School Administrator, and Board Secretary.

**Condition:**

Approval signatures not documented on the payroll registers.

**Questioned Costs:**

None.

**Context:**

Documentation of signatures ensures the control mechanism of proper payroll approval is working as intended.

**Effect:**

No documentation as to assure proper approval of payroll expenditures.

**Cause:**

Over-sight of payroll processing approval not documented.

**Recommendation:**

Approval for payroll expenditures should be documented with the signatures of the Board President, Chief School Administrator, and Board Secretary.

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

**Section III - State Financial Assistance Findings and Questioned Costs (Continued)**

**Finding 2011-21**

**Information on state program:**

11-495-034-5120-078

State Aid - Public (Equalization, et. al.)

**Criteria:**

Board secretary reports should be approved within 60 days from the end of each month during the fiscal year.

**Condition:**

Board secretary reports were not approved within 60 days for all months of the fiscal year.

**Questioned Costs:**

None.

**Effect:**

Board of Education over-sight on financial operations are not timely.

**Cause:**

Late submission and approval of monthly Board Secretary reports.

**Recommendation:**

Board secretary reports should be approved within 60 days from the end of each month during the fiscal year.

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

**Section III - State Financial Assistance Findings and Questioned Costs (Continued)**

**Finding 2011-22**

**Information on state program:**

11-495-034-5120-078

State Aid - Public (Equalization, et. al.)

**Criteria:**

N.J.S.A. 18A:17-14.4 requires the school business administrator, or any other person designated by the board of education, to certify to the Department of Treasury that all documentation prepared for income tax related purposes, in regard to superintendents of schools, assistant superintendents of schools and school business administrators, complies fully with the requirements of federal and state laws and regulations regarding the types of compensation which are required to be reported. The certification (Form E-Cert1) is due annually on or before March 15 for the prior calendar year.

**Condition:**

The E-CERT1 was not available for audit and does not appear to be filed.

**Questioned Costs:**

None.

**Effect:**

Unfiled E-CERT1

**Cause:**

Unfiled E-CERT1

**Recommendation:**

The school business administrator and the chief school administrator sign and certify the annual E-CERT1 form to the New Jersey Department of Treasury.

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

**Section III - State Financial Assistance Findings and Questioned Costs (Continued)**

**Finding 2011-23**

**Information on state program:**

11-495-034-5095-001	On-Behalf TPAF Pension
11-495-034-5095-002	On-Behalf TPAF Social Security

**Criteria:**

N.J.S.A. 18A:66-90 requires that each local board of education reimburse the state for the employer share of pensions, group life insurance, FICA and other benefits of the Teachers' Pension and Annuity Fund (TPAF) for TPAF members carrying out and paid from federally funded programs

**Condition:**

The district did not file or accrue for TPAF pension and social security owed to the state for federally funded TPAF benefits.

**Questioned Costs:**

\$3,547.00

**Effect:**

Understated expenditures and liabilities.

**Cause:**

Unfiled TPAF Pension and Social Security reimbursement form.

**Recommendation:**

The district should file the TPAF Pension and Social Security reimbursement form for fiscal year 2011 and refund \$3,547 to the state of New Jersey.

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

**Section III - State Financial Assistance Findings and Questioned Costs (Continued)**

**Finding 2011-24**

**Information on state program:**

11-100-010-3350-023

School Lunch Program (State)

**Criteria:**

Food Service Management (FSM) company contracts must include a provision that the food service program will break even.

**Condition:**

The FSM contract was not available for review and the food service program incurred an annual loss of \$1,286.

**Questioned Costs:**

\$1,286.00

**Effect:**

Annual loss eroding available food service surplus. \$674 in food service surplus remains at June 30, 2011 .

**Cause:**

Paid lunch counts are down by 1,631 lunches served compared to the prior year.

**Recommendation:**

The district should ensure the Food Service Management (FSM) company contract includes a provision that the food service program will break even.

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

**Section III - State Financial Assistance Findings and Questioned Costs (Continued)**

**Finding 2011-25**

**Information on state program:**

11-495-034-5120-078

State Aid - Public (Equalization, et. al.)

**Criteria:**

The proceedings of the meeting of the board of education should be recorded in a bound or an acceptable loose-leaf type minute book and signed by the secretary.

**Condition:**

The board minutes were not maintained in a formal minute book and were not properly signed by the board secretary.

**Questioned Costs:**

None

**Effect:**

Minutes do not meet the minimum requirements of the "Sunshine Law" per N.J.S.A. 10:4-6 et seq.

**Recommendation:**

The board minutes should be maintained in a formal minute book and properly signed by the board secretary.

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

**STATUS OF PRIOR YEAR FINDINGS**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations.

**Finding 2010-1**

**Recommendation:**

The Board Secretary should reconcile the general ledger control accounts to the underlying subsidiary detail.

**Status:**

Finding is repeated in the current fiscal year.

**Finding 2010-2**

**Recommendation:**

Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause an over-expenditure in the line account to be charged, prior to the Board approving the requested transfer of additional appropriations to cover such orders.

**Status:**

Finding is repeated in the current fiscal year.

**Finding 2010-3**

**Recommendation:**

The Board Secretary should reconcile the required debt service payments with the anticipated revenue sources, and establish and certify the appropriate tax levy to support such obligations.

**Status:**

Finding is repeated in the current fiscal year.