

**Comprehensive Annual
Financial Report**

of the

City of Ocean City Board of Education

OCEAN CITY, NEW JERSEY

For the Year Ended June 30, 2011

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INTRODUCTORY SECTION

OCEAN CITY BOARD OF EDUCATION

501 Atlantic Avenue, Suite 1
Ocean City, New Jersey 08226 - 3891
Phone: (609) 399-4161
Fax: (609) 399-4656

November 22, 2011

Honorable President and
Members of the Board of Education
City of Ocean City School District
County of Cape May, New Jersey

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial Section includes the basic financial statements and schedules, as well as the auditor's report thereon. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." 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 City of Ocean City School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the District are included in this report. The City of Ocean City Board of Education and all its schools constitute the District's reporting entity.

1. REPORTING ENTITY AND ITS SERVICES (Continued):

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational, as well as special education for handicapped youngsters. The District completed the 2010-2011 fiscal year with an enrollment of 2,052 students, which is 43 students lower than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years:

Average Daily Enrollment

<u>Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2010-11	2,052	-2.05%
2009-10	2,095	-1.74%
2008-09	2,132	2.11%
2007-08	2,088	-1.51%
2006-07	2,120	0.70%

2. ECONOMIC CONDITION AND OUTLOOK:

The Ocean City area is experiencing no particular increase or decrease in its economic environment. This is a barrier island, resort community, which relies predominantly on tourism during the summer months for its economy. There is neither light nor heavy industry to contribute to the employment picture, construction of single family and duplex homes replacing other facilities is increasing, and ratables have shown an increase this past year.

3. MAJOR INITIATIVES:

The district has made a sustained effort to maintain the efficiency and use of the facilities for the Ocean City Schools. Additionally, the district has integrated improved security district-wide to better safeguard the students and staff. The school district has applied for and received a one-time grant in the amount of \$3,408,856 toward the replacement of the Intermediate School roof and HVAC systems. Both of these projects have been in the school district's approved Long Range Facility Plan. A public referendum held September 29, 2009 was approved by the voters of Ocean City authorizing the issuance of bonds to fund these projects. Construction began during the summer of 2010 and is currently substantially complete. The school district is also continuing its evaluation of alternative energy projects for implementation during the 2011-2012 school year. The district maintained its focus on the utilization of technology in the classroom environment by implementing its hardware replacement schedule as well as continuing to install Interactive White Boards. Additionally, the district successfully passed the NJ Department of Education Quality Single Accountability Continuum monitoring program and received designation as a High Performing District for the period from the 2010-2011 school year through the 2012-2013 school year.

An investment has been made in standardized testing materials to establish benchmark expectations in various grades and provide better insight to students' preparedness for state assessments and college via MAP, PSSS and ACT Plan. We are reviewing how to engage students who are at risk by focusing on scaffolding and acceleration strategies and beyond the school day support program to afford success in the regular classroom rather than the more traditional remediation model encouraging a slower delivery and never quite catching-up students with grade level expectations. The district has also made an investment in professional development for the staff by focusing on curriculum, instruction and assessment.

4. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

5. BUDGETARY CONTROLS:

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

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

6. ACCOUNTING SYSTEM AND REPORTS:

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

7. DEBT ADMINISTRATION:

At June 30, 2011, the District's outstanding debt consists of \$22,244,000 in general obligation bonds. This balance consists of \$19,075,000 from the refunding bonds issued in September 2005, and \$3,169,000 from bonds issued on February 24, 2010.

8. CASH MANAGEMENT:

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

9. RISK MANAGEMENT:

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

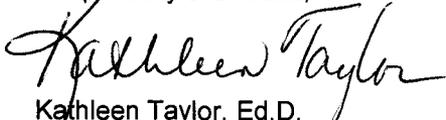
10. OTHER INFORMATION:

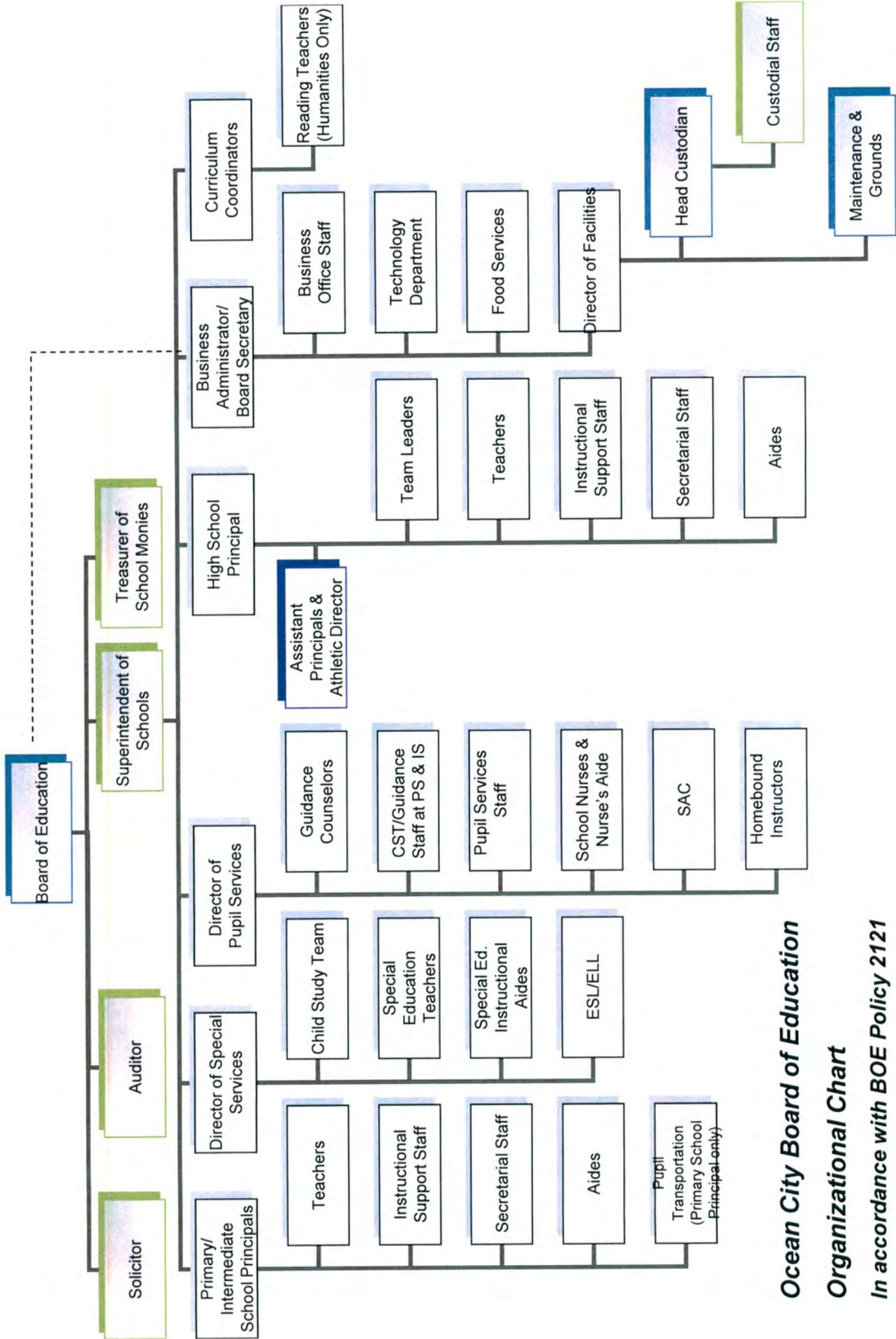
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford, Scott & Associates, L.L.C., CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS:

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

Respectfully submitted,


Kathleen Taylor, Ed.D.
Superintendent of Schools



Ocean City Board of Education
Organizational Chart
 In accordance with BOE Policy 2121

CITY OF OCEAN CITY BOARD OF EDUCATION
COUNTY OF CAPE MAY, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2011

Members of the Board of Education

Term Expires

Gregory Donahue, President	2014
H. James Bauer, Vice President	2012
Joseph S. Clark, Jr.	2014
Peter Madden	2012
H. Lloyd Hayes, III	2013
Thomas R. Oves, Jr.	2012
Brenda C. Moiso	2013
Raymond Clark	2013
Antwan McClellan	2014
Kim Breckley, Upper Township	2012
Jill Casaccio, Upper Township	2012
Michele Barbieri, Upper Township	2012

Other Officials

Kathleen Taylor, Ed. D., Superintendent of Schools
Thomas P. Grossi, Business Administrator/Board Secretary
Frank Donato, Treasurer
Michael P. Stanton, Esq., Solicitor

**CITY OF OCEAN CITY BOARD OF EDUCATION
CONSULTANTS AND ADVISORS**

ARCHITECT

Garrison Architects
14000 F. Commerce Parkway
Mount Laurel, New Jersey 08054

AUDIT FIRM

Ford, Scott & Associates, L.L.C.
Certified Public Accountants
1535 Haven Avenue
P.O. Box 538
Ocean City, New Jersey 08226-0538

ATTORNEY

Michael P. Stanton, Esq.
618 West Avenue
2nd Floor
Ocean City, New Jersey 08226

OFFICIAL DEPOSITORIES

Ocean City Home Bank
1001 Asbury Avenue
Ocean City, New Jersey 08226

Bank of America
661 Asbury Avenue
Ocean City, New Jersey 08226

FINANCIAL SECTION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
City of Ocean City School District
County of Cape May,
Ocean City, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Board of Education of the City of Ocean City School District, in the County of Cape May, State of New Jersey, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ocean City 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 opinion.

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, of the City of Ocean City School District Board of Education, in the County of Cape May, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

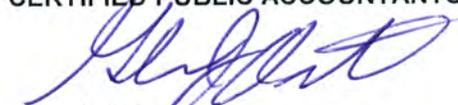
In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 on our consideration of the City of Ocean City School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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 our 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, as listed in the accompanying table of contents, 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 we no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Ocean City School District Board of Education's basic financial statements. The accompanying introductory section, combining statements, and related major fund supporting statements and schedules, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and related major fund supporting statements and 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 tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



Glen J. Ortman
Certified Public Accountant
Licensed Public School Accountant
No. 853

November 22, 2011

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of City of Ocean City 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 basic financial statements and notes 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 increased \$2,044,205, which represents an increase of approximately 7 percent from 2010.
- General revenues accounted for \$38,279,263 in revenue or 88 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$4,987,821 or 12 percent of total revenues of \$43,267,084.
- Total assets of governmental activities increased \$3,132,333 as Cash and cash equivalents increased by \$32,675, receivables decreased by \$2,104,810, and net capital assets increased by \$5,204,468.
- The School District had \$41,061,637 in expenses; only \$4,987,821 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and tuition) of \$43,267,084 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$38,867,314 in revenues and \$37,151,879 in expenditures. The General Fund's fund balance increased \$1,715,435 from 2010. This increase was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand City of Ocean City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Using this Comprehensive Annual Financial Report (CAFR) (Continued)

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 City of Ocean City School District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and ask 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 businesses. 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 position of the School district have 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

Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transaction. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Reporting the School District's Most Significant Funds (Continued)

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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 32 to 54 of this report.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

The School District as a Whole (Continued)

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

**Table 1
Net Assets**

	<u>2011</u>	<u>2010</u>
Assets		
Current and Other Assets	\$ 11,002,832.89	\$ 12,920,352.90
Capital Assets	48,158,532.90	43,156,657.80
	<u>59,161,365.79</u>	<u>56,077,010.70</u>
Liabilities		
Long-Term Liabilities	25,163,742.57	27,156,836.63
Other Liabilities	3,806,176.99	772,932.71
	<u>28,969,919.56</u>	<u>27,929,769.34</u>
Net Assets		
Invested in Capital Assets, Net of Debt	26,110,341.95	19,384,140.83
Restricted	6,126,935.00	9,724,691.68
Unrestricted	(2,045,830.72)	(961,591.15)
	<u>30,191,446.23</u>	<u>28,147,241.36</u>
Total Net Assets	\$ <u>30,191,446.23</u>	\$ <u>28,147,241.36</u>

The District's combined net assets were \$30,191,446 on June 30, 2011. This was an increase of 7 percent from the prior year.

**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

The School District as a Whole (Continued)

Table 2 shows changes in net assets for fiscal year 2011 and 2010.

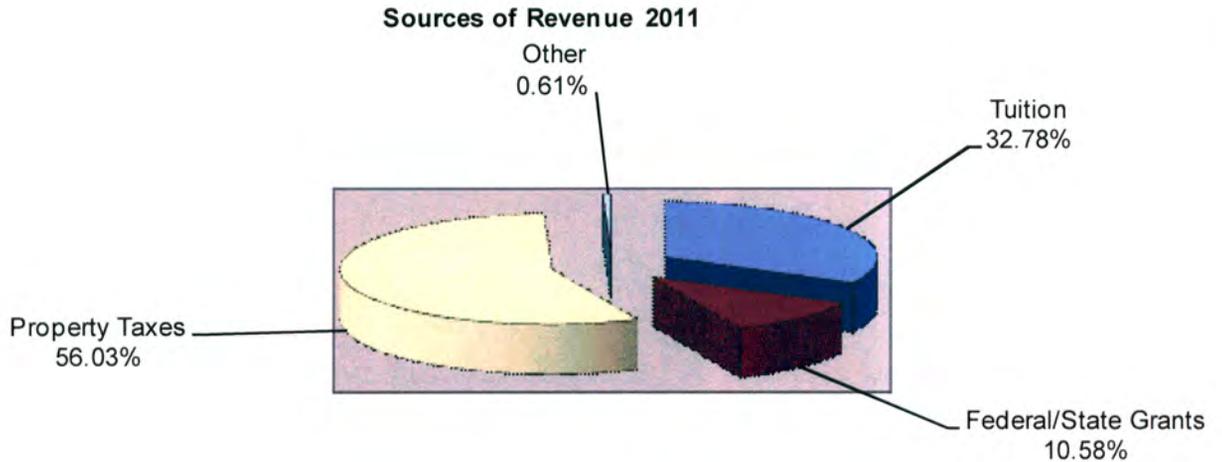
**Table 2
Changes in Net Assets**

	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 460,308.11	\$ 497,173.88
Operating Grants and Contributions	4,527,512.83	1,093,130.13
General Revenues:		
Property Taxes	23,862,118.00	22,686,960.00
Grants and Entitlements	196,745.00	7,945,836.28
Tuition	13,959,021.15	14,464,450.67
Other	261,378.87	333,174.23
Total Revenues	<u>43,267,083.96</u>	<u>47,020,725.19</u>
Program Expenses		
Instruction	25,693,648.65	25,825,829.22
Support Services:		
Tuition	135,328.22	195,863.86
Pupils and Instructional Staff	5,171,935.42	5,280,237.81
General and School Administration, Business Operations and Maintenance of Facilities	7,435,412.10	8,219,254.50
Pupil Transportation	887,414.24	913,898.02
Special Schools and Charter Schools	68,561.11	141,225.02
Interest on Debt	939,858.59	1,021,506.31
Food Service	729,478.20	740,085.75
Other	161,242.56	-
Total Expenses	<u>41,222,879.09</u>	<u>42,337,900.49</u>
Increase (Decrease) in Net Assets	<u>\$ 2,044,204.87</u>	<u>\$ 4,682,824.70</u>

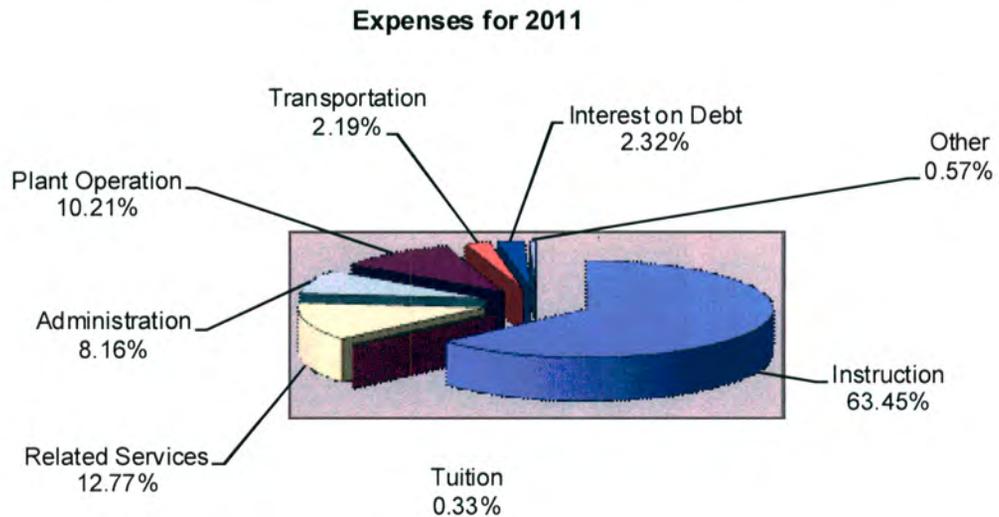
**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District operations. Property taxes made up 56 percent of revenues for governmental activities for the City of Ocean City District for fiscal year 2011. The District's total governmental revenues were \$42,585,584 for the year ended June 30, 2011. Tuition represents 33 percent of revenue and federal, state, and local grants accounted for another 11 percent of revenue.



The total cost of all program and services was \$40,493,491. Instruction comprises 61 percent of District expenses.



**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Business-Type Activities

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

- Food service expenses exceeded revenues by \$47,978.
- Charges for services represent \$460,308 of revenue. This represents amounts paid by patrons for daily food service.
- Federal and state reimbursement for meals, including payments for free and reduced lunches and breakfast, and donated commodities was \$220,648.

Governmental Activities

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

Table 3

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
Instruction	\$ 25,693,648.65	\$ 22,293,089.00	\$ 25,825,829.22	\$ 25,170,863.25
Support Services:				
Tuition	135,328.22	135,328.22	195,863.86	195,863.86
Pupils and Instructional Staff	5,171,935.42	4,528,291.39	5,280,237.81	5,068,344.34
General Administration and Business Services	1,478,864.85	1,386,997.96	1,645,113.34	1,645,113.34
School Administration	1,824,060.68	1,659,860.82	1,808,911.95	1,808,911.95
Operation of Plant	4,132,486.57	4,132,486.57	4,765,229.21	4,765,229.21
Pupil Transportation	887,414.24	882,368.24	913,898.02	913,898.02
Interest and Finance Charges	939,858.59	939,858.59	1,021,506.31	1,021,506.31
Other	68,561.11	67,013.18	141,225.02	141,225.02
Total Expenses	<u>\$ 40,332,158.33</u>	<u>\$ 36,025,293.97</u>	<u>\$ 41,597,814.74</u>	<u>\$ 40,730,955.30</u>

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

Tuition is predominately made up of charges for private schools for disabled students.

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

**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Governmental Activities (Continued)

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

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

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.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the School District.

"Other" includes special schools and unallocated depreciation.

The School District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$46,585,584 and expenditures were \$47,716,581. The net decrease in fund balance for the year was \$5,130,997.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2010, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2010</u>	<u>Percent of Increase (Decrease)</u>
Local Sources	\$ 38,181,391.33	89.66%	\$ 469,908.86	1.25%
State Sources	3,349,730.17	7.87%	(4,574,982.60)	-57.73%
Federal Sources	1,054,462.16	2.48%	234,807.91	28.65%
Total	<u>\$ 42,585,583.66</u>	100.00%	<u>\$ (3,870,265.83)</u>	-8.33%

The decrease in State funding is due to a one-time SDA grant which was awarded to the district to help the costs of the improvements and renovations to the Intermediate School in FY 2010.

**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

The School District's Funds (Continued)

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

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2010	Percent of Increase (Decrease)
Current expense:				
Instruction	\$ 18,973,226.47	39.76%	\$ (860,793.71)	-4.34%
Undistributed expenditures	19,052,439.39	39.93%	(694,468.19)	-3.52%
Capital Outlay	7,018,218.13	14.71%	5,276,408.84	302.93%
Special Schools & Charter Schools	63,904.00	0.13%	(61,866.30)	-49.19%
Debt Service:				
Principal	1,555,000.00	3.26%	355,000.00	29.58%
Interest	1,053,792.53	2.21%	23,775.03	2.31%
Total	<u>\$ 47,716,580.52</u>	100.00%	<u>\$ 4,038,055.67</u>	9.24%

Changes in expenditures were the results of varying factors. Capital Outlay expenditures increased due to the improvements and renovations made to the Intermediate School.

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.

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts. There is no material modification noted from the original adopted budget.

**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

Capital Assets

At the end of the fiscal year 2011, the School District had \$48,158,533 invested in land, building, furniture and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared to 2010.

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

	2011	2010
Land	\$ 879,750.00	\$ 879,750.00
Construction in Progress	-	1,678,805.02
Land Improvements	265,012.77	284,021.26
Sites, Buildings and Building Improvements	46,185,525.50	39,319,750.07
Machinery and Equipment	828,244.63	994,331.45
Total	\$ 48,158,532.90	\$ 43,156,657.80

Overall capital assets increased \$5,001,875 from fiscal year 2010 to fiscal year 2011. The increase in capital assets is due primarily to the renovations and improvements which are being completed at the Intermediate School. For more detailed information, please refer to the Notes to the Financial Statements.

Debt Administration

At June 30, 2011, the School District had \$25,163,743 of outstanding long term liabilities. Of this amount, \$2,876,347 is for compensated absences, \$74,419 for capital leases, and \$22,212,976 of serial bonds net of unamortized costs.

**Table 5
Bonded Outstanding Debt at June 30,**

	2011	2010
2002 General Obligation Bonds	\$ -	\$ 1,255,000.00
2005 Refunding Bonds	19,075,000.00	19,075,000.00
2010 General Obligation Bonds	3,169,000.00	3,469,000.00
Unamortized Bond Premium	1,348,737.37	1,348,737.37
Deferred Amount on Refunding	(1,379,760.52)	(1,379,760.52)
Total	\$ 22,212,976.85	\$ 23,767,976.85

At June 30, 2011, the School District was within its overall legal debt margin. For more detailed information, please refer to the Notes to the Financial Statements and Statistical Schedule J-13.

**CITY OF OCEAN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
UNAUDITED (CONTINUED)**

For the Future

The City of Ocean City School District is in good financial condition presently. The School District is proud of its community support of the public schools.

The voters passed the City of Ocean City School District's budget for the 2010-11 school year.

In conclusion, the City of Ocean City School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue to identify operational efficiencies which will allow it to meet the challenges of a declining student enrollment and tuition revenue base that will be realized in the future years.

Contacting the School District's 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 Thomas Grossi, Business Administration/Board Secretary at Ocean City Board of Education, 501 Atlantic Avenue, Suite 1, Ocean City, NJ 08226-3891. Please visit our website at www.oceancityschools.org.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

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

OCEAN CITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,103,300.22	\$ 25,902.11	\$ 3,129,202.33
Receivables, Net (Note #3)	4,274,595.94		4,274,595.94
Internal Balances	98,100.33	(37,134.57)	60,965.76
Inventory (Note #6)		20,545.42	20,545.42
Restricted Assets:			
Cash and Cash Equivalents	3,278,318.94		3,278,318.94
Deferred Debt Issue Costs	239,204.50		239,204.50
Capital Assets, Net (Note #5)	48,051,476.35	107,056.55	48,158,532.90
Total Assets	59,044,996.28	116,369.51	59,161,365.79
LIABILITIES			
Accounts Payable	115,505.95		115,505.95
Deferred Revenue	27,682.52		27,682.52
Accrued Interest	254,132.52		254,132.52
Grant Anticipation Note Payable	3,408,856.00		3,408,856.00
Noncurrent Liabilities (Note #7)			
Due Within One Year	1,702,320.57		1,702,320.57
Due Beyond One Year	23,461,422.00		23,461,422.00
Total Liabilities	28,969,919.56	-	28,969,919.56
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	26,003,285.40	107,056.55	26,110,341.95
Restricted for:			-
Debt Service	(252,624.23)		(252,624.23)
Capital Projects	1,689,217.04		1,689,217.04
Other Purposes	4,690,342.19		4,690,342.19
Unrestricted	(2,055,143.68)	9,312.96	(2,045,830.72)
Total Net Assets	\$ 30,075,076.72	\$ 116,369.51	\$ 30,191,446.23

OCEAN CITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Function/Programs	Program Revenue			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
Governmental Activities:							
Instruction:							
Regular	\$ 18,862,395.77	\$ -	\$ 1,697,406.65	\$ -	\$ (17,164,989.12)	\$ -	\$ (17,164,989.12)
Special Education	4,658,772.13		1,516,817.50		(3,141,954.63)		(3,141,954.63)
Other Special Instruction	2,172,480.75		186,335.50		(1,986,145.25)		(1,986,145.25)
Support Services:							
Tuition	135,328.22				(135,328.22)		(135,328.22)
Student & Instruction Related Services	5,171,935.42		643,644.03		(4,528,291.39)		(4,528,291.39)
General Administration and Business Services	1,478,864.85		91,866.89		(1,386,997.96)		(1,386,997.96)
School Administrative Services	1,824,060.68		164,199.86		(1,659,860.82)		(1,659,860.82)
Plant Operation and Maintenance	4,132,486.57				(4,132,486.57)		(4,132,486.57)
Pupil Transportation	887,414.24		5,046.00		(882,368.24)		(882,368.24)
Special Schools	16,402.11		1,547.93		(14,854.18)		(14,854.18)
Charter Schools	52,159.00				(52,159.00)		(52,159.00)
Interest on Long-Term Debt	939,858.59				(939,858.59)		(939,858.59)
Total Governmental Activities	40,332,158.33	-	4,306,864.36	-	(36,025,293.97)	-	(36,025,293.97)
Business-Type Activities:							
Food Service	729,478.20	460,308.11	220,648.47			(48,521.62)	(48,521.62)
Total Business-Type Activities	729,478.20	460,308.11	220,648.47			(48,521.62)	(48,521.62)
Total Primary Government	\$ 41,061,636.53	\$ 460,308.11	\$ 4,527,512.83	\$ -	\$ (36,025,293.97)	\$ (48,521.62)	\$ (36,073,815.59)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 21,289,923.00	\$ -	\$ 21,289,923.00
Taxes Levied for Debt Service					2,572,195.00		2,572,195.00
Federal and State Aid not Restricted					196,745.00		196,745.00
Tuition Received					13,959,021.15		13,959,021.15
Investment Earnings					65,887.39	543.72	66,431.11
Miscellaneous Income					194,947.76	-	194,947.76
Transfers						-	-
Special Items:							
Loss on Disposal of Capital Assets					(161,242.56)		(161,242.56)
Total General Revenues, Special Items, Extraordinary Items and Transfers					38,117,476.74	543.72	38,118,020.46
Change in Net Assets					2,092,182.77	(47,977.90)	2,044,204.87
Net Assets - Beginning					27,982,893.95	164,347.41	28,147,241.36
Net Assets - Ending					\$ 30,075,076.72	\$ 116,369.51	\$ 30,191,446.23

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

OCEAN CITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 3,103,300.22	\$ -	\$ -			\$ 3,103,300.22
Due from Other Funds	527,857.44					527,857.44
Receivables from Other Governments	39,940.28	284,390.00	3,927,209.65			4,251,539.93
Other Receivables	3,588.12	19,467.89				23,056.01
Restricted Cash & Cash Equivalents	3,222,684.00		55,626.65	8.29		3,278,318.94
Total Assets	\$ 6,897,370.06	\$ 303,857.89	\$ 3,982,836.30	\$ 8.29	\$ -	\$ 11,184,072.54
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 74,324.43	\$ 41,181.52	\$ -	\$ -	\$ -	\$ 115,505.95
Due to Other Funds		234,993.85	194,763.26			429,757.11
Grant Anticipation Note Payable			3,408,856.00			3,408,856.00
Deferred Revenue		27,682.52				27,682.52
Total Liabilities	74,324.43	303,857.89	3,603,619.26	-	-	3,981,801.58
Fund Balances:						
Restricted for:	1,554,712.19					1,554,712.19
Excess Surplus - Current Year	1,212,782.00					1,212,782.00
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	1,310,000.00					1,310,000.00
Capital Reserve	561,684.00					561,684.00
Maintenance Reserve	1,000,000.00					1,000,000.00
Tuition Reserve	351,000.00					351,000.00
Emergency Reserve			359,217.04			359,217.04
Capital Projects Fund				8.29		8.29
Debt Service						
Committed to:						
Other Purposes			20,000.00			20,000.00
Assigned to:						
Designated by BOE for						
Subsequent Year's Expenditures	10,164.00					10,164.00
Other Purposes	132,731.67					132,731.67
Unassigned						
General Fund	689,971.77					689,971.77
	6,823,045.63		379,217.04	8.29		7,202,270.96
Total Liabilities and Fund Balances	\$ 6,897,370.06	\$ 303,857.89	\$ 3,982,836.30	\$ 8.29	\$ -	\$ 11,184,072.54

OCEAN CITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
Amounts reported for <i>governmental activities</i> 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 \$61,520,595.34 and the accumulated depreciation is \$13,469,118.99.						48,051,476.35
Government funds report the effect of bond issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the difference in the treatment of the long-term debt related items. (See Note 8)						239,204.50
Interest on long-term debt in the statement of activities is accrued, regardless of when due.						(254,132.52)
Long-term liabilities, including bonds and capital lease payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.						(25,163,742.57)
Net assets of governmental activities						<u>\$ 30,075,076.72</u>

FUND FINANCIAL STATEMENTS

The individual fund financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

OCEAN CITY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 21,289,923.00	\$ -	\$ -	\$ 2,572,195.00	\$ 23,862,118.00
Tuition Charges	13,959,021.15				13,959,021.15
Interest Earned on Investments	54,984.75		10,902.64		65,887.39
Miscellaneous	194,947.76	99,417.03		-	294,364.79
Total Local Sources	35,498,876.66	99,417.03	10,902.64	2,572,195.00	38,181,391.33
State Sources	3,349,730.17	-	-		3,349,730.17
Federal Sources	18,707.19	1,035,754.97			1,054,462.16
Total Revenues	38,867,314.02	1,135,172.00	10,902.64	2,572,195.00	42,585,583.66
EXPENDITURES					
Current:					
Regular Instruction	13,811,632.24				13,811,632.24
Special Education Instruction	2,657,219.71	903,900.60			3,561,120.31
Other Special Instruction	1,600,473.92				1,600,473.92
Support Services:					
Tuition	135,328.22				135,328.22
Student & Instruction Related Serv.	3,537,865.93	225,229.40			3,763,095.33
General Administrative Services	641,088.65				641,088.65
School Administrative Services	1,325,203.07				1,325,203.07
Plant Operation and Maintenance	3,393,675.01				3,393,675.01
Pupil Transportation	876,971.68				876,971.68
Business and Other Support Serv.	533,811.38				533,811.38
Unallocated Employee Benefits	8,383,266.05				8,383,266.05
Special Schools	11,745.00				11,745.00
Transfer to Charter School	52,159.00				52,159.00
Debt Service:					
Principal				1,555,000.00	1,555,000.00
Interest and Other Charges				1,053,792.53	1,053,792.53
Capital Outlay	173,375.73	6,042.00	6,838,800.40		7,018,218.13
Total Expenditures	37,133,815.59	1,135,172.00	6,838,800.40	2,608,792.53	47,716,580.52
Excess (Deficiency) of Revenues Over Expenditures	1,733,498.43	-	(6,827,897.76)	(36,597.53)	(5,130,996.86)
OTHER FINANCING SOURCES (USES)					
Transfer in			-	36,577.53	36,577.53
Transfer out	(18,062.94)		(18,514.59)		(36,577.53)
Total Other Financing Sources and Uses	(18,062.94)	-	(18,514.59)	36,577.53	-
Net Changes in Fund Balance	1,715,435.49	-	(6,846,412.35)	(20.00)	(5,130,996.86)
Fund Balance - July 1	5,107,610.14	-	7,225,629.39	28.29	12,333,267.82
Fund Balance - June 30	\$ 6,823,045.63	\$ -	\$ 379,217.04	\$ 8.29	\$ 7,202,270.96

OCEAN CITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Total Net Change in Fund Balance - Governmental Funds (from B-2) \$ (5,130,996.86)

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, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

Depreciation expense	\$ (1,950,460.02)	
Capital Outlay	<u>7,124,277.36</u>	
		5,173,817.34

Repayment of bond principal and capital leases are expenditures 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.

Bonds	1,555,000.00	
Capital Lease Payments	<u>79,409.56</u>	
		1,634,409.56

Governmental funds report the effect of premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the difference in the treatment of the long-term debt related items.

Amortization of Bond Issuance Costs	-	
Amortization of Bond Premium	-	
Amortization of Deferred Amount on Refunding (Loss)	<u>89,916.46</u>	
		89,916.46

In the statement of activities, only the loss on the disposal of fixed assets is reported, whereas in the governmental funds there is no decrease in financial resources. Thus the change in net assets will differ from the change in fund balance by the net cost of the asset removed.

(161,242.56)

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

460,661.35

In the statement of activities, interest on long - term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a deduction in the reconciliation.

25,617.48

Change in Net Assets of Governmental Activities

\$ 2,092,182.77

OCEAN CITY SCHOOL DISTRICT
Proprietary Funds
Statement of Net Assets
June 30, 2011

	Business-Type Activities - Enterprise Fund		
	Food Service	Other Programs	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 25,902.11	\$ -	\$ 25,902.11
Accounts Receivable			-
Inventories	20,545.42		20,545.42
Total Current Assets	<u>46,447.53</u>	<u>-</u>	<u>46,447.53</u>
Noncurrent Assets:			
Furniture, Machinery & Equipment	362,400.74		362,400.74
Less: Accumulated Depreciation	(255,344.19)		(255,344.19)
Total Noncurrent Assets	<u>107,056.55</u>	<u>-</u>	<u>107,056.55</u>
Total Assets	<u>\$ 153,504.08</u>	<u>\$ -</u>	<u>\$ 153,504.08</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Interfund Payable	37,134.57		37,134.57
Total Current Liabilities	<u>37,134.57</u>	<u>-</u>	<u>37,134.57</u>
Noncurrent Liabilities:			
None			-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt	107,056.55		107,056.55
Unrestricted	9,312.96		9,312.96
Total Net Assets	<u>\$ 116,369.51</u>	<u>\$ -</u>	<u>\$ 116,369.51</u>

OCEAN CITY SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund		
	Food Service	Other Programs	Totals Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales	\$ 456,691.34	\$ -	\$ 456,691.34
Special Functions	526.48		526.48
Vending Machine Commissions	3,018.36		3,018.36
Miscellaneous	71.93		71.93
Total Operating Revenue	460,308.11	-	460,308.11
Operating Expenses:			
Cost of Sales	305,907.15		305,907.15
Salaries and Benefits	385,983.31		385,983.31
General Supplies	6,655.82		6,655.82
Repairs and Maintenance	1,298.46		1,298.46
Depreciation	10,699.68		10,699.68
Miscellaneous	18,933.78		18,933.78
Total Operating Expenses	729,478.20	-	729,478.20
Operating Income (Loss)	(269,170.09)	-	(269,170.09)
Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	5,914.76		5,914.76
State School Breakfast Program			-
Federal Sources:			
National School Lunch Program	172,977.52		172,977.52
School Breakfast Program	10,018.18		10,018.18
Food Distribution Program	31,738.01		31,738.01
Interest and Investment Income	543.72		543.72
Gain on Fixed Asset Adjustment			-
Total Nonoperating Revenues (Expenses)	221,192.19	-	221,192.19
Income (Loss) before Contributions & Transfers	(47,977.90)	-	(47,977.90)
Transfers In (Out)			-
Changes in Net Assets	(47,977.90)	-	(47,977.90)
Total Net Assets - Beginning	164,347.41		164,347.41
Total Net Assets - Ending	\$ 116,369.51	\$ -	\$ 116,369.51

OCEAN CITY SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund		
	Food Service	Other Programs	Totals Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Other Income	\$ 460,308.11	\$ -	\$ 460,308.11
Payments for Food and Supplies	(292,086.27)		(292,086.27)
Payments for Employees and Benefits	(369,191.12)		(369,191.12)
Net Cash Provided by (Used for) Operating Activities	<u>(200,969.28)</u>	<u>-</u>	<u>(200,969.28)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	6,380.96		6,380.96
Federal Sources	191,678.96		191,678.96
Operating Subsidies and Transfers to Other Funds			-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>198,059.92</u>	<u>-</u>	<u>198,059.92</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest and Dividends	543.72		543.72
Net Cash Provided by (Used for) Investing Activities	<u>543.72</u>	<u>-</u>	<u>543.72</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,365.64)	-	(2,365.64)
Balance - Beginning of Year	28,267.75	-	28,267.75
Balance - End of Year	<u>\$ 25,902.11</u>	<u>\$ -</u>	<u>\$ 25,902.11</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (269,170.09)	\$ -	\$ (269,170.09)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Net Amortization	10,699.68		10,699.68
Food Distribution Program	31,738.01		31,738.01
(Increase) Decrease in Inventories	8,970.93		8,970.93
Increase (Decrease) in Accrued Salaries	16,792.19		16,792.19
Total Adjustments	<u>68,200.81</u>	<u>-</u>	<u>68,200.81</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (200,969.28)</u>	<u>\$ -</u>	<u>\$ (200,969.28)</u>

**OCEAN CITY SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Assets
June 30, 2011**

	Unemployment Compensation	Private Purpose Scholarship Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	\$ 332,790.87	\$ 85,857.95	\$ 552,901.85
Investments, at Fair Value:			
None	-	-	-
Total Investments	-	-	-
 Total Assets	332,790.87	85,857.95	\$ 552,901.85
 LIABILITIES			
Accounts Payable	2,242.79		\$ -
Payable to Student Groups			253,688.20
Interfunds Payable			60,965.76
Payroll Deductions and Withholdings			238,247.89
 Total Liabilities	2,242.79	-	\$ 552,901.85
 NET ASSETS			
Held in Trust for Unemployment Claims and Other Purposes	\$ 330,548.08		
 Reserved for		\$ 85,857.95	

OCEAN CITY SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS		
Contributions:		
Plan Member	\$ -	\$ -
Other	-	120,780.00
Total Contributions	<u>-</u>	<u>120,780.00</u>
Investment Earnings:		
Interest	<u>1,780.35</u>	<u>821.78</u>
Total Additions	<u>1,780.35</u>	<u>121,601.78</u>
DEDUCTIONS		
Unemployment Claims	72,030.51	-
Scholarships Awarded	-	113,910.00
Total Deductions	<u>72,030.51</u>	<u>113,910.00</u>
Changes in Net Assets	(70,250.16)	7,691.78
Net Assets - Beginning of the Year	400,798.24	78,166.17
Net Assets - End of the Year	<u>\$ 330,548.08</u>	<u>\$ 85,857.95</u>

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of City of Ocean City School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

A. Reporting Entity

The District is an instrumentality of the State of New Jersey, established to function as an educational institution. The District is a Type II district located in Cape May County. The Board consists of nine members elected to three-year terms and three members from Upper Township, a High School sending district, appointed by the Township of Upper Board of Education for a period of one year. These members are limited to voting on issues concerning only the High School. The purpose of the district is to educate students in grades K-12. The District receives high school students on a tuition basis from Upper Township, Sea Isle City and Corbin City. The District operates one Primary School, one Intermediate School and one High School. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

B. Basis of Presentation, Measurement Focus and Basis of Accounting

Basis of Presentation

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

District-Wide Financial Statements: The statement of net assets and the statement of activities display information about the district as a whole. These statements report the financial activities of the overall District, except for fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by property taxes, intergovernmental revenues, and other non-exchange transactions from business-type activities, generally financed in whole or in part with fees charged to external parties.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

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) charges and fees 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 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 ("Department") 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 Department 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 non-instructional equipment, which are classified in the capital outlay sub-fund.

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.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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.

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

Proprietary Funds

The District reports the following proprietary fund:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business operations – where the intent of the District is that the costs of providing goods or services be financed or recovered primarily through user charges.

The District's Enterprise Fund is comprised of the Food Service Fund, which accounts for all revenues and expenses pertaining to the District's cafeteria operations.

Fiduciary Funds

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

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

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

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

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued

Measurement Focus and Basis of Accounting

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

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

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 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. 6A:23-2.2(g). All budget amendments/transfer must be approved by School Board resolution. 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 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.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity

Cash, Cash Equivalents and Investments

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

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

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 expenditure/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories

Inventories, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Inventories in the Enterprise Fund are recorded at cost, computed on a first-in, first out method. In the fund based financial statements, commodities received from the U.S. Department of Agriculture are recorded as deferred revenue until consumed.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

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 assets are recorded as capital assets at their estimated fair market value at the date of donation. 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 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 over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Compensated Absences

The District accounts for compensated absences (e.g., unused sick, vacation leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

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.

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.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received in the Special Revenue Fund before they have been earned are 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.

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

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classified governmental fund balances as follows;

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Education, Superintendent or Business Administrator.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Revenues – Exchange and Nonexchange Transactions

Revenues 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, 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, entitlement, and donations is recognized in the period 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 specific 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 as an advance, interest and tuition.

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 direct 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.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Assets, Liabilities and Equity - Continued

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 control of management and are either unusual in nature or infrequent in occurrence. The District has a loss on disposal of capital assets. The loss stems from the fact that the assets disposed of were not fully depreciated at the time of removal.

Management Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Of the School District's bank balance of \$7,724,939.17 as of June 30, 2011, \$783,640.41 was uninsured and uncollateralized.

Investments

Pursuant to state statutes, the District may invest in the following:

- Direct obligations of, or obligations as to which the principal and interest is guaranteed by, the United States of America
- Government money market mutual funds
- Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress
- Bonds or obligations of the local unit or other obligations of school districts within the local unit
- Local government investment pools
- State of New Jersey Cash Management Fund
- Agreements for the repurchase of fully collateralized securities

At June 30, 2011, the District had no investments.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 3 – RECEIVABLES

Receivables at June 30, 2011, consisted of accounts (tuition and transportation), interfund, intergovernmental, and other revenues. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government Wide Financial Statements
	<u> </u>	<u> </u>
Tuition and Transportation	\$ 24,114.62	\$ 24,114.62
State Aid	3,932,255.65	3,932,255.65
Federal Aid	298,757.78	298,757.78
Due from Other Funds	527,857.44	60,965.76
Other	19,467.89	19,467.89
Gross Receivables	<u>4,802,453.38</u>	<u>4,335,561.70</u>
Less: Allowance for Uncollectibles		
Total Receivables, Net	<u>\$ 4,802,453.38</u>	<u>\$ 4,335,561.70</u>

NOTE 4 – INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to (1) move investment income earned in the Capital Projects Fund that is required to be expended in the Debt Service Fund; (2) repay expenses paid by another fund; and (3) make a Board contribution to the Unemployment Compensation Trust Fund; and (4) transfer federal and state food subsidies received in the General Fund to the Food Service Fund.

The following interfund balances remained on the fund financial statements at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 527,857.44	\$
Special Revenue Fund		234,993.85
Capital Projects Fund		194,763.26
Food Service Fund		37,134.57
Fiduciary Funds		60,965.76
	<u>\$ 527,857.44</u>	<u>\$ 527,857.44</u>

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 5 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 879,750.00	\$	\$	\$ 879,750.00
Construction in Progress	1,678,805.02	6,838,800.40	(8,517,605.42)	-
Total capital assets not being depreciated	<u>2,558,555.02</u>	<u>6,838,800.40</u>	<u>(8,517,605.42)</u>	<u>879,750.00</u>
Capital assets being depreciated:				
Land Improvements	480,559.94			480,559.94
Buildings and building improvements	48,451,442.70	8,522,140.00		56,973,582.70
Machinery and Equipment	3,430,942.53	280,942.38	(525,182.21)	3,186,702.70
Total capital assets being depreciated at historical cost	<u>52,362,945.17</u>	<u>8,803,082.38</u>	<u>(525,182.21)</u>	<u>60,640,845.34</u>
Less accumulated depreciation for:				
Land Improvements	(196,538.68)	(19,008.49)		(215,547.17)
Buildings and improvements	(9,131,692.63)	(1,656,364.57)		(10,788,057.20)
Equipment	(2,554,367.31)	(275,086.96)	363,939.65	(2,465,514.62)
Total capital assets being depreciated, net of accumulated depreciation	<u>40,480,346.55</u>	<u>6,852,622.36</u>	<u>(161,242.56)</u>	<u>47,171,726.35</u>
Governmental activity capital assets, net	<u>43,038,901.57</u>	<u>13,691,422.76</u>	<u>(8,678,847.98)</u>	<u>48,051,476.35</u>
Business-type activities:				
Capital assets being depreciated:				
Equipment	362,404.89	3,562.10	(3,566.25)	362,400.74
Less accumulated depreciation	(244,648.66)	(14,261.78)	3,566.25	(255,344.19)
Enterprise Fund capital assets, net	<u>117,756.23</u>	<u>(10,699.68)</u>	<u>-</u>	<u>107,056.55</u>
	<u>\$ 43,156,657.80</u>	<u>\$ 13,680,723.08</u>	<u>\$ (8,678,847.98)</u>	<u>\$ 48,158,532.90</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 915,643.23
Special Education Instruction	217,402.79
Other Special Instruction	97,707.31
Student and Instruction Related Services	343,804.98
School Administrative Services	80,902.31
General and Business Administrative Services	71,726.45
Plant Operations and Maintenance	222,555.93
Special Schools	717.02
	<u>\$ 1,950,460.02</u>

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 6 – INVENTORY

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

Food	\$ 20,545.42
Supplies	-
	<u>\$ 20,545.42</u>

NOTE 7 – LONG-TERM OBLIGATIONS

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

	Balance July 1, 2010	Issues or Additions	Payments or Expenditures	Balance June 30, 2011	Amounts Due Within One Year
Compensated Absences	\$ 3,337,008.47	\$	\$ 460,661.35	\$ 2,876,347.12	\$ -
Capital Leases	153,828.16		79,409.56	74,418.60	74,418.60
Bonds Payable	23,799,000.00		1,555,000.00	22,244,000.00	1,630,000.00
Unamortized Costs:					
Bond Premiums		1,348,737.37		1,348,737.37	91,212.12
Loss on Bond Refunding		(1,379,760.52)		(1,379,760.52)	(93,310.15)
	<u>\$ 27,289,836.63</u>	<u>\$ (31,023.15)</u>	<u>\$ 2,095,070.91</u>	<u>\$ 25,163,742.57</u>	<u>\$ 1,702,320.57</u>

Compensated absences and capital leases have been liquidated in the General Fund.

Bonds Payable

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

At June 30, 2011, bonds payable consisted of the following issues:
\$19,510,000 School Refunding Bonds dated September 1, 2005, due in annual installments through April 1, 2022, bearing interest at rates ranging from 4.00% to 5.00%. The balance remaining as of June 30, 2011 is \$19,075,000.00.

On September 27, 2005, the District issued \$19,510,000 in Refunding School Bonds with a net interest cost of 3.85% to advance refund and redeem on April 1, 2011, \$19,282,000 aggregate principal amount of the School Districts outstanding callable School Bonds, Series 2002 with an average interest rate between 4.75 and 5.00 percent. The net proceeds of \$20,693,225.57, including a premium on the bonds of \$1,379,494.95 and net of payments of \$75,113.50 in underwriting fees and \$121,155.88 of issuance costs were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for part of future debt service payments until the call date (April 1, 2011) at which time the escrow will have sufficient funds to pay the principal of the 2002 bonds, when due.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 7 – LONG-TERM OBLIGATIONS - Continued

Bonds Payable - Continued

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old bonds of \$1,411,225.57. The difference, reported in the accompanying financial statements as a deduction from the bonds payable, is being charged to operations through the fiscal year 2022 using the Bonds Outstanding Method. The District completed the advance refunding to reduce its total debt service payments over the next 8 years by \$848,641.41 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$613,692.45.

\$3,469,000 School Bonds dated February 24, 2011, due in annual installments through September 15, 2019, bearing interest at rates ranging from 2.00% to 3.00%. The balance remaining as of June 30, 2011 is \$3,169,000.00.

Debt service requirements on serial bonds payable at June 30, 2011 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,630,000.00	\$ 983,162.50	\$ 2,613,162.50
2013	1,720,000.00	911,862.50	2,631,862.50
2014	1,805,000.00	836,062.50	2,641,062.50
2015	1,895,000.00	756,012.50	2,651,012.50
2016	1,985,000.00	671,412.50	2,656,412.50
2017-2021	11,104,000.00	1,906,943.75	13,010,943.75
2022	2,105,000.00	86,305.00	2,191,305.00
	<u>\$ 22,244,000.00</u>	<u>\$ 6,151,761.25</u>	<u>\$ 28,395,761.25</u>

Capital Leases

The District is computer and technology equipment amounting to \$303,851 under capital leases. The following is a schedule of the future minimum lease payments under these capital leases and the net minimum lease payments at June 30, 2011:

Fiscal Year Ending June 30,	Amount
2012	\$ 76,918.60
Total minimum lease payments	76,918.60
Less amount representing interest	2,500.00
Present value of lease payments	<u>\$ 74,418.60</u>

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 8 – OPERATING LEASES

The District has commitments to lease certain office equipment under operating leases that expire in 2015. Total operating lease payments made during the year ended June 30, 2011 were \$10,541.88. Future minimum lease payments are as follows:

Year Ending June 30,	Principal
2012	\$ 10,541.88
2013	10,541.88
2014	10,541.88
2015	6,149.43
Total future minimum lease payments	\$ 37,775.07

NOTE 9 – 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 over the life of the specific bonds using the Bonds Outstanding Method. The costs associated with the 2005 Refunding Bonds amounted to \$121,155.88. Amortization expense reflected in the District Wide Financial Statements for the year ended June 30, 2011 was \$0. During the year ended June 30, 2010, the District issued School g Bonds, Series 2010. Additional bond issuance costs of \$47,311.19 were incurred. Amortization of these costs will begin in fiscal year 2012 using the bonds outstanding method and continue for the remaining life of those bonds. The balance of deferred bond issuance costs at June 30, 2011 is \$239,204.50

NOTE 10 – DEFERRED REVENUE

The District has deferred revenue reflected on the Statement of Net Assets in the District-Wide Financial Statements of \$27,682.52. This consists of deferred revenue of \$27,682.52 in the special revenue fund which is made up of grant proceeds on hand where the grant period overlaps the district's fiscal year and encumbrances payable at year end.

NOTE 11 – 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.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 11 – PENSION PLANS - Continued

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.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contribution amounts for each pay period are required to be transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The School District has employees enrolled in the Defined Contribution Retirement Program (DCRP) during the fiscal year ended June 30, 2011.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 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.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 11 – PENSION PLANS - Continued

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) that 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, 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 5.5% 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 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. The School District's contributions to TPAF for the years ending June 30, 2011, 2010 and 2009 were \$0, \$0, and \$0 respectively, and normally paid by the State of New Jersey on behalf of the board. The State of New Jersey did not make the required contributions for the last three years. The School District's contributions to PERS for the years ending June 30, 2011, 2010, 2009 were \$387,185.00, \$301,230.00, and \$254,213.00 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2011, 2010 and 2009, the State of New Jersey contributed \$1,368,630.00, \$1,333,016.00, and \$1,267,879.00, respectively, to the TPAF for post-retirement medical benefits on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$1,472,524.17, \$1,551,129.77, and \$1,533,218.49 during the same fiscal years for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB 27.

NOTE 12 – POST-RETIREMENT BENEFITS

The School District contributes to the New Jersey State Health Benefits Program ("the SHBP"), a cost sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The Division of Pension and Benefits 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.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 12 – POST-RETIREMENT BENEFITS - Continued

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007 C. 103 amended the law to eliminate the funding and payment of post-retirement medical benefits for retired state employees through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a 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 for members PERS and the Alternative 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.

NOTE 13 – COMPENSATED ABSENCES

The liability for vested compensated absences for the governmental fund types is recorded in current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability of compensated absences.

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

NOTE 14 – DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit 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:

Vanguard Fiduciary Trust Co.
Lincoln Life
Lincoln Investment Planning, Inc.
Washington National Insurance Co.
Prudential Investments

The Equitable
Retirement Annuity Consultants, Inc.
Thomas Seely Agency
Siracusa Benefits Program

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 15 – CAPITAL RESERVE ACCOUNT

A capital reserve account was established by City of Ocean City Board of Education by the inclusion of \$1.00 on September 27, 2001 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-2.13(g) 7, 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 account for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning balance, July 1, 2010	\$		365,000.00	
Deposits				
Budgeted increase in capital reserve	\$	-		
Board Resolution - June 22, 2011		945,000.00		945,000.00
Withdrawals:				
None				
Ending balance, June 30, 2011	\$		1,310,000.00	

NOTE 16 – GRANT ANTICIPATION NOTE PAYABLE

On August 5, 2010, the District borrowed \$3,408,856.00 because the state grant payments related to the District's approved referendum project have been delayed. The note has an interest rate of 1.10% and is due on August 5, 2011.

NOTE 17 – COMMITMENTS

The District does not have encumbrance policy for the fiscal year end to determine significant encumbrances. All encumbrances are classified as either Assigned Fund Balance in the General Fund or Committed Fund Balance in the Capital Projects Fund. Significant encumbrances at June 30th are as follows;

Fund	Amount
General Fund Encumbered Orders	\$ 132,731.67
Capital Projects Fund - Encumbered Orders	20,000.00
	\$ 152,731.67

**OCEAN CITY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2011
 (CONTINUED)**

NOTE 18 – 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 and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest on Investments</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2010-2011	\$ -	\$ 1,780.35	\$ 72,030.51	\$ 330,548.08
2009-2010	3,507.47	2,457.88	53,609.36	400,798.24
2008-2009	31,508.12	2,759.95	35,687.00	448,442.25

NOTE 19 – CONTINGENT LIABILITIES

Federal and State Grants

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

NOTE 20 – FUND BALANCE APPROPRIATED

Restrictions of funds balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District does not have a formal fund balance spending policy therefore the default spending order requires committed, assigned and then unassigned to be used be spent first when expenditures are made.

The District follows the State of New Jersey's minimum fund balance policy for New Jersey Regular Public School Districts (N.J.S.A. 18A:7F-7). Pursuant to that policy, an undesignated fund balance of 2% of the general fund budget or \$250,000, whichever is greater may be maintained.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 20 – FUND BALANCE APPROPRIATED - Continued

The District's major sources of special revenue funds is federal grant funding for the No Child Left Behind (NCLB) program and federal grants for special education.

Specific classifications of fund balance are summarized below;

Non-Spendable Fund Balance – The District had no non-spendable fund balance at June 30, 2011.

Restricted Fund Balance

Capital Reserve Account – As of June 30, 2011, the balance in the capital reserve account was \$1,310,000.00 (See Note 15). These funds are restricted for future capital outlay expenditures for projects in the School District's long range facilities plan (LRFP).

Maintenance Reserve Account – As of June 30, 2011, the balance in the maintenance reserve account was \$561,684.00. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Excess Surplus – In accordance with N.J.S.A. 18A7F-7, as amended, the designation of restricted fund balance – excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2011 is \$2,767,494.19; \$1,212,782.00 of this restricted amount has designated for utilization in the 2011-12 budget and \$1,554,712.19 is required to be utilized in the 2012-13 budget.

Emergency Reserve Account – As of June 30, 2011. The balance in the emergency reserve was \$351,000.00. These funds are restricted for the purpose of financing unanticipated general fund expenditures required for a thorough and efficient education in accordance with N.J.S.A. 18A:7F-41c(1).

Tuition Reserve Account – In accordance with N.J.A.C. 6A:23-3.1(f)(8), the district has a restricted fund balance in the amount of the \$1,000,000.00 in a legal reserve for tuition adjustments. This reserve represents foreseeable future tuition adjustments up to a maximum of 10% of the estimated tuition cost of the respective year. As of June 30, 2011, \$1,000,000.00 has been reserved as follows;

Fiscal Year Ending June 30,	Payment Amount
2010	\$ 500,000.00 (1)
2011	500,000.00
	\$ 1,000,000.00

(1) - Designated for utilization in 2011-12 Budget

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 20 – FUND BALANCE APPROPRIATED - Continued

Restricted Fund Balance - Continued

Capital Projects Fund – As of June 30, 2011, the restricted balance in the capital projects fund was \$359,217.04. This amount has been restricted for referendum approved projects of the District.

Debt Service Fund – As of June 30, 2011, the restricted balance in the debt service fund was \$8.29. This amount has been utilized in the 2011-12 district budget to offset principal and interest payments on debt service.

Committed Fund Balance - The District's Committed Fund balance for other purposes of \$20,000.00 consists of construction contracts payable authorized by the Board of Education during 2010-11 for the Intermediate School Renovations Project.

Assigned Fund Balance – At June 30, 2011, the Board of Education has assigned \$10,164.00 of previously unassigned general fund balance to expenditures in the 2011-12 budget. In addition, the District assigned fund balance in the general fund for other purposes of \$132,731.67. This represents encumbrances resulting from issuing purchase orders as a result of normal purchasing activities approved by District Officials.

Unassigned Fund Balance – At June 30, 2011, the District has \$689,971.77 of unassigned fund balance in the general fund.

NOTE 21 – CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount of budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2011 is \$1,554,712.19.

NOTE 22 – LITIGATION

As of the date of this report, the Ocean City Board of Education is currently involved in various matters of litigation. One matter in particular is significant and could be material to the financial statements; as of the date of this report the outcome of this case cannot be determined. In all other cases it is believed that the outcome, or exposure to the Board of Education, from such litigation is either unknown or potential losses, if any would not be material to the financial statements.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

NOTE 23 – ECONOMIC DEPENDENCY

The District receives support from federal government and from the state governments through local school districts. A significant reduction in the level of support, if this were to occur, would have an effect on the District's programs and activities.

NOTE 24 – SUBSEQUENT EVENT

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2011 through November 22, 2011, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

OCEAN CITY SCHOOL DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 21,289,923.00	\$ -	\$ 21,289,923.00	\$ 21,289,923.00	\$ -
Tuition	13,997,829.00		13,997,829.00	13,959,021.15	(38,807.85)
Interest Earned on Maintenance Reserve	1,000.00		1,000.00	1,000.00	-
Interest Earned on Emergency Reserve	1,000.00		1,000.00	1,000.00	-
Other Interest	136,000.00		136,000.00	52,984.75	(83,015.25)
Unrestricted Miscellaneous	125,000.00		125,000.00	194,947.76	69,947.76
Total Local Sources	35,550,752.00	-	35,550,752.00	35,498,876.66	(51,875.34)
State Sources:					
Categorical Special Education Aid	248,391.00		248,391.00	248,391.00	-
Non Public Transportation Aid			-	5,046.00	5,046.00
TPAF Post-retirement (On-Behalf - Non-Budgeted)			-	1,433,066.00	1,433,066.00
TPAF Social Security (Reimbursed-Non-Budgeted)			-	1,472,524.17	1,472,524.17
Total State Sources	248,391.00	-	248,391.00	3,159,027.17	2,910,636.17
Federal Sources:					
Medicaid Reimbursement	32,568.00		32,568.00	18,707.19	(13,860.81)
Total Federal Sources	32,568.00	-	32,568.00	18,707.19	(13,860.81)
Total Revenues	35,831,711.00	-	35,831,711.00	38,676,611.02	2,844,900.02
EXPENDITURES:					
CURRENT EXPENSE					
REGULAR PROGRAMS - INSTRUCTION					
Kindergarten - Salaries of Teachers	251,315.00	500.00	251,815.00	251,815.00	-
Grades 1 - 5 Salaries of Teachers	2,532,845.00	149,227.75	2,682,072.75	2,681,894.76	177.99
Grades 6 - 8 Salaries of Teachers	2,106,007.00	(94,972.71)	2,011,034.29	2,010,963.60	70.69
Grades 9 - 12 Salaries of Teachers	7,930,639.00	(56,045.17)	7,874,593.83	7,873,977.05	616.78

OCEAN CITY SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Regular Instruction (Cont'd):					
Regular Programs - Home Instruction					
Salaries of Teachers	\$ 59,800.00	\$ 710.00	\$ 60,510.00	\$ 60,510.00	\$ -
Purchased Professional - Educational Services	12,000.00	(2,599.80)	9,400.20	9,400.20	-
Other Purchased Services (400-500 series)	4,800.00		4,800.00	4,721.69	78.31
Regular Programs - Undistributed Instruction					
Purchased Professional - Educational Services	7,550.00	(5,573.00)	1,977.00	1,977.00	-
Purchased Technical Services	157,000.00	(21,279.98)	135,720.02	135,720.02	-
Other Purchased Services (400-500 series)	250,553.00	(5,735.30)	244,817.70	235,532.26	9,285.44
General Supplies	480,108.00	(27,778.01)	452,329.99	440,761.75	11,568.24
Textbooks	143,477.00	(34,329.48)	109,147.52	102,853.91	6,293.61
Other Objects	12,240.00	(7,305.00)	4,935.00	1,505.00	3,430.00
TOTAL REGULAR PROGRAMS - INSTRUCTION	13,948,334.00	(105,180.70)	13,843,153.30	13,811,632.24	31,521.06
SPECIAL EDUCATION - INSTRUCTION					
Learning and or Language Disabilities					
Salaries of Teachers	91,314.00		91,314.00	90,714.00	600.00
Other Salaries for Instruction	24,860.00		24,860.00	16,624.40	8,235.60
General Supplies	649.00		649.00	214.98	434.02
Total Learning and or Language Disabilities	116,823.00	-	116,823.00	107,553.38	9,269.62
Behavioral Disabilities					
Salaries of Teachers	54,633.00	(53,000.00)	1,633.00		1,633.00
Other Salaries for Instruction	19,360.00		19,360.00	10,406.00	8,954.00
General Supplies	539.00		539.00		539.00
Total Behavioral Disabilities	74,532.00	(53,000.00)	21,532.00	10,406.00	11,126.00
Multiple Disabilities					
Salaries of Teachers	275,426.00	-	275,426.00	263,145.60	12,280.40
Other Salaries for Instruction	4,608.00		4,608.00	3,926.24	681.76
General Supplies	1,039.00		1,039.00	1,039.00	-
Total Multiple Disabilities	281,073.00	-	281,073.00	268,110.84	12,962.16

**OCEAN CITY SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Special Education Instruction (Cont'd):					
Resource Room/Resource Center	\$ 2,185,707.00	\$ -	\$ 2,185,707.00	\$ 2,170,326.06	\$ 15,380.94
Salaries of Teachers	539.00		539.00	293.75	245.25
General Supplies	2,186,246.00	-	2,186,246.00	2,170,619.81	15,626.19
Total Resource Room/Resource Center					
Preschool Disabilities - Part-Time	80,921.00		80,921.00	79,181.00	1,740.00
Salaries of Teachers	21,595.00		21,595.00	21,029.68	565.32
Other Salaries for Instruction	319.00		319.00	319.00	-
General Supplies	102,835.00	-	102,835.00	100,529.68	2,305.32
Total Preschool Disabilities - Part-Time					
TOTAL SPECIAL EDUCATION - INSTRUCTION	2,761,509.00	(53,000.00)	2,708,509.00	2,657,219.71	51,289.29
Basic Skills/Remedial - Instruction					
Salaries of Teachers	270,294.00	38,242.00	308,536.00	261,668.60	46,867.40
General Supplies		71.23	71.23	71.23	-
Total Basic Skills/Remedial - Instruction	270,294.00	38,313.23	308,607.23	261,739.83	46,867.40
Bilingual Education - Instruction					
Salaries of Teachers	142,995.00	14,758.00	157,753.00	157,753.00	-
General Supplies	2,500.00	(71.23)	2,428.77	1,662.96	765.81
Total Bilingual Education - Instruction	145,495.00	14,686.77	160,181.77	159,415.96	765.81
School-Spon. Cocurricular Activities - Instruction					
Salaries	181,993.00	-	181,993.00	173,842.00	8,151.00
Transfers to Cover Deficit (Agency Funds)	54,685.00		54,685.00	34,743.68	19,941.32
Total School-Spon. Cocurricular Activities - Inst.	236,678.00	-	236,678.00	208,585.68	28,092.32

OCEAN CITY SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Other Instruction (Cont'd):					
School-Spon. Cocurricular Athletics - Instruction					
Salaries	\$ 441,874.00	\$ 12,196.04	\$ 454,070.04	\$ 454,070.04	\$ -
Other Purchased Services (400-500 series)	69,565.00	(12,196.04)	57,368.96	26,399.78	30,969.18
Supplies & Materials	75,976.00	(1,817.26)	74,158.74	58,466.04	15,692.70
Other Objects	4,375.00		4,375.00	4,145.00	230.00
Transfers to Cover Deficit (Agency Funds)	64,130.00		64,130.00	58,304.00	5,826.00
Total School-Spon. Cocurricular Athletics - Inst.	<u>655,920.00</u>	<u>(1,817.26)</u>	<u>654,102.74</u>	<u>601,384.86</u>	<u>52,717.88</u>
Other Instructional Programs - Instruction					
Salaries	303,431.00		303,431.00	103,448.00	199,983.00
Supplies & Materials	2,806.00	89.48	2,895.48	2,538.78	356.70
Other Objects	500.00		500.00	312.21	187.79
Total Other Instructional Programs - Instruction	<u>306,737.00</u>	<u>89.48</u>	<u>306,826.48</u>	<u>106,298.99</u>	<u>200,527.49</u>
Alternative Education Program- Instruction					
Salaries of Teacher	328,364.00		328,364.00	263,048.60	65,315.40
Total Alternative Education Program-Instructional	<u>328,364.00</u>	<u>-</u>	<u>328,364.00</u>	<u>263,048.60</u>	<u>65,315.40</u>
TOTAL INSTRUCTION	18,653,331.00	(106,908.48)	18,546,422.52	18,069,325.87	477,096.65
UNDISTRIBUTED EXPENDITURES					
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State-Regular	15,000.00	20,551.02	35,551.02	31,399.02	4,152.00
Tuition to County Voc. School Dist. - Regular	50,000.00		50,000.00	48,647.00	1,353.00
Tuition to County Voc. School Dist. - Special	20,000.00	(10,074.25)	9,925.75	52,737.00	9,925.75
Tuition to CSSD & Regional Day Schools	75,000.00		75,000.00		22,263.00
Tuition to Private Schools for the Disabled - Within State	158,000.00	(10,476.77)	147,523.23	2,545.20	144,978.03
Total Undistributed Expenditures - Instruction	<u>318,000.00</u>	<u>-</u>	<u>318,000.00</u>	<u>135,328.22</u>	<u>182,671.78</u>

OCEAN CITY SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expenditures (Cont'd):					
Undistributed Expend. - Attend. & Social Worker Salaries	\$ 34,038.00	\$ -	\$ 34,038.00	\$ 34,038.00	\$ -
Purchased Professional and Technical Services Supplies & Materials	50,000.00	64.81	50,064.81	50,064.81	-
Total Undist. Expend. - Attend. & Social Worker	84,323.00	64.81	84,387.81	84,387.81	-
Undistributed Expend. - Health Services					
Salaries	344,472.00		344,472.00	342,222.00	2,250.00
Purchased Professional and Technical Services	12,000.00		12,000.00	12,000.00	-
Other Purchased Services (400-500 series)	430.00	248.00	678.00	664.20	13.80
Supplies & Materials	5,829.00	122.23	5,951.23	5,029.68	921.55
Other Objects	380.00		380.00	380.00	-
Total Undistributed Expend. - Health Services	363,111.00	370.23	363,481.23	360,295.88	3,185.35
Undist. Expend. - Speech, PT, OT & Related Services					
Salaries	192,841.00	(1,678.80)	191,162.20	186,459.00	4,703.20
Purchased Professionals - Educational Services	120,000.00	7,078.80	127,078.80	127,078.80	-
Supplies & Materials	2,993.00	(2,200.00)	793.00	525.00	268.00
Total Undist. Expend. - Speech, PT, OT & Related Services	315,834.00	3,200.00	319,034.00	314,062.80	4,971.20
Undist. Expend. - Other Support Serv. Students - Extraordinary Services					
Salaries	391,865.00		391,865.00	327,997.95	63,867.05
Total Undist. Expend. - Other Support Services Students - Extraordinary Services	391,865.00	-	391,865.00	327,997.95	63,867.05

OCEAN CITY SCHOOL DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expenditures (Cont'd):					
Undist. Expend. - Other Support Serv. Students - Regular					
Salaries of Other Professional Staff	\$ 702,130.00	\$ 1,999.60	\$ 704,129.60	\$ 704,129.00	\$ 0.60
Salaries of Secretarial and Clerical Assistants	95,241.00	(1,999.60)	93,241.40	84,857.32	8,384.08
Other Purchased Services (400-500 series)	14,940.00	2,260.00	17,200.00	11,902.35	5,297.65
Supplies & Materials	9,532.00	(92.23)	9,439.77	4,626.29	4,813.48
Other Objects	1,650.00		1,650.00	1,194.00	456.00
Total Undist. Expend. - Other Support Services Students - Regular	823,493.00	2,167.77	825,660.77	806,708.96	18,951.81
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	793,759.00		793,759.00	697,187.50	96,571.50
Salaries of Secretarial and Clerical Assistants	107,149.00		107,149.00	102,079.05	5,069.95
Purchased Professional - Education Services	40,500.00	6,946.74	47,446.74	47,446.74	-
Other Purchased Prof. And Tech. Services	11,000.00		11,000.00	9,695.00	1,305.00
Miscellaneous Purchased Services (400-500 series)	28,200.00	(10,196.74)	18,003.26	7,241.81	10,761.45
Supplies & Materials	3,829.00	200.00	4,029.00	4,016.55	12.45
Other Objects	950.00	(150.00)	800.00	800.00	-
Total Undist. Expend. - Other Support Services Students - Special	985,387.00	(3,200.00)	982,187.00	868,466.65	113,720.35
Undist. Expend. - Improvement of Inst. Services					
Salaries of Supervisor of Instruction	17,416.00	45,750.00	45,750.00	45,750.00	-
Salaries of Secr and Clerical Assist.	7,000.00		7,000.00	4,353.96	13,062.04
Other Salaries	5,000.00		5,000.00	3,240.00	3,760.00
Other Purch Prof. and Tech. Services	300.00		300.00	4,654.00	346.00
Other Purchased Services (400-500 series)	3,000.00		3,000.00	296.49	300.00
Supplies & Materials	1,000.00		1,000.00	964.00	2,703.51
Other Objects	33,716.00	45,750.00	79,466.00	59,258.45	36.00
Total Undist. Expend. - Improvement of Inst. Serv.					20,207.55

OCEAN CITY SCHOOL DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expenditures (Cont'd):					
Undist. Expend. - Edu. Media Serv./Sch. Library Salaries	\$ 668,640.00	\$ -	\$ 668,640.00	\$ 596,678.77	\$ 71,961.23
Purchased Professional and Technical Services	18,325.00	4,000.00	22,325.00	20,880.48	1,444.52
Other Purchased Services (400-500 series)	335.00		335.00		335.00
Supplies & Materials	64,090.00	(3,975.16)	60,114.84	38,632.38	21,482.46
Other Objects	2,500.00		2,500.00	2,466.00	34.00
Total Undistributed Expenditures - Educational Media Services - School Library	753,890.00	24.84	753,914.84	658,657.63	95,257.21
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Supervisors Inst.		45,750.00	45,750.00	45,750.00	-
Purchased Professional - Educational Services	50,950.00	1,000.00	51,950.00	7,396.60	44,553.40
Other Purchased Services (400-500 series)	9,700.00		9,700.00	4,133.20	5,566.80
Supplies and Materials	1,000.00		1,000.00	750.00	250.00
Total Undistributed Expenditures - Instructional Staff Training Services	61,650.00	46,750.00	108,400.00	58,029.80	50,370.20
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	229,031.00	665.88	229,696.88	229,696.88	-
Legal Services	82,000.00	10,696.91	92,696.91	92,696.91	-
Audit Fees	27,000.00	(2,196.91)	24,803.09	24,235.00	568.09
Architectural/Engineering Services	46,000.00	(30,400.00)	15,600.00	14,475.10	1,124.90
Other Purchased Professional Services		8,766.12	8,766.12	5,400.00	3,366.12
Purchased Technical Services	4,000.00		4,000.00	3,990.00	10.00
Communications/Telephone	145,800.00	4,000.00	149,800.00	149,775.01	24.99
BOE Other Purchased Services	6,350.00	4,100.00	10,450.00	10,427.37	22.63
Travel		1,000.00	1,000.00	374.04	625.96
Other Purchased Services (400-500 series)	89,200.00	(13,221.77)	75,978.23	67,194.08	8,784.15
General Supplies	5,975.00		5,975.00	5,480.07	494.93

OCEAN CITY SCHOOL DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expenditures (Cont'd):					
Undist. Expend. - Supp. Serv. - General Admin. (Cont'd)	\$ 500.00	\$ -	\$ 500.00	\$ 420.29	\$ 79.71
BOE In-house Train/Meeting Supplies		14,000.00	14,000.00	14,000.00	-
Judgments Against the School	2,590.00	1,484.00	4,074.00	4,074.00	-
Miscellaneous Expenditures	20,000.00	(484.00)	19,516.00	18,849.90	666.10
BOE Membership Dues/Fees					
Total Undistributed Expenditures - Support	658,446.00	(1,589.77)	656,856.23	641,088.65	15,767.58
Services - General Administration					
Undist. Expend. - Supp. Serv. - School Admin.	996,657.00	4,752.00	1,001,409.00	970,042.48	31,366.52
Salaries of Principals/Asst.	283,772.00		283,772.00	275,832.40	7,939.60
Salaries of Secretarial Asst.	1,000.00		1,000.00	325.00	675.00
Purchased Professional and Technical Services	21,419.00	16,200.00	37,619.00	21,961.14	15,657.86
Other Purchased Services (400-500 series)	70,424.00	(16,187.00)	54,237.00	52,231.34	2,005.66
Supplies and Materials	5,800.00	-	5,800.00	4,810.71	989.29
Other Objects					
Total Undistributed Expenditures - Support	1,379,072.00	4,765.00	1,383,837.00	1,325,203.07	58,633.93
Services - School Administration					
Undist. Expend. - Central Services	403,445.00		403,445.00	373,318.07	30,126.93
Salaries	12,200.00		12,200.00	8,780.00	3,420.00
Purchased Professional Services	15,500.00		15,500.00	12,286.50	3,213.50
Purchased Technical Services	11,100.00	(3,913.95)	7,186.05	6,129.15	1,056.90
Miscellaneous Purchased Services	13,300.00		13,300.00	10,673.13	2,626.87
Supplies and Materials	3,240.00		3,240.00	1,500.00	1,740.00
Miscellaneous Expenditures					
Total Undistributed Expenditures - Central Services	458,785.00	(3,913.95)	454,871.05	412,686.85	42,184.20

OCEAN CITY SCHOOL DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expenditures (Cont'd):					
Undist. Expend. - Admin Info Tech.					
Salaries	\$ 88,139.00	\$ 5,890.31	\$ 94,029.31	\$ 94,029.31	\$ -
Purchased Technical Services	25,500.00	(37.97)	25,462.03	25,462.03	-
Other Purchased Services (400-500 series)	400.00	(364.60)	35.40	35.40	-
Supplies and Materials	5,250.00	(3,407.26)	1,842.74	1,597.79	244.95
Total Undistributed Expenditures - Admin Info. Tech.	119,289.00	2,080.48	121,369.48	121,124.53	244.95
Undist. Expend. - Required Maint. School Fac.					
Salaries	275,272.00	-	275,272.00	230,127.23	45,144.77
Cleaning, Repair and Maintenance Services	379,000.00	40,263.43	419,263.43	283,236.38	136,027.05
General Supplies	48,000.00	750.00	48,750.00	20,807.67	27,942.33
Total Undistributed Expenditures - Required Maintenance for School Facilities	702,272.00	41,013.43	743,285.43	534,171.28	209,114.15
Custodial Services					
Other Oper. & Maint. of Plant					
Salaries	1,160,620.00	(21,506.27)	1,139,113.73	1,094,037.33	45,076.40
Purchased Professional and Technical Services	27,500.00		27,500.00	13,148.46	14,351.54
Cleaning, Repair and Maintenance Services	56,670.00	(278.00)	56,392.00	49,715.11	6,676.89
Rental of Land and Buildings	2,200.00		2,200.00	1,793.04	406.96
Other Purchased Property Services	116,000.00	-	116,000.00	87,350.41	28,649.59
Insurance	195,000.00	6,621.77	201,621.77	199,192.00	2,429.77
Miscellaneous Purchased Services	3,200.00		3,200.00	3,156.86	43.14
General Supplies	116,500.00		116,500.00	100,482.21	16,017.79
Energy (Electricity)	809,956.00	(2,000.00)	807,956.00	652,136.28	155,819.72
Other Objects	6,000.00		6,000.00	4,505.73	1,494.27
Salaries of Non-Instructional Aides	181,614.00	20,820.25	202,434.25	202,321.00	113.25
Energy (Heat)	164,110.00		164,110.00	149,063.08	15,046.92
Total Undistributed Expenditures - Custodial Services	2,839,370.00	3,657.75	2,843,027.75	2,556,901.51	286,126.24

OCEAN CITY SCHOOL DISTRICT
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expenditures (Cont'd):					
Undist. Expend- Care & Upkeep of Grounds					
Salaries	\$ 107,797.00	\$ 840.47	\$ 108,637.47	\$ 108,637.47	\$ -
General Supplies	18,618.00	16,920.55	35,538.55	35,105.36	433.19
Total Care and Upkeep of Grounds	126,415.00	17,761.02	144,176.02	143,742.83	433.19
Undist. Expend. - Security					
Salaries	106,613.00		106,613.00	106,094.39	518.61
Purchased Professional and Technical Services	53,000.00		53,000.00	52,765.00	235.00
Total Security	159,613.00	-	159,613.00	158,859.39	753.61
Total Undistributed Expenditures	3,827,670.00	62,432.20	3,890,102.20	3,393,675.01	496,427.19
Operations and Maintenance of Plant					
Undist. Expend. - Student Transportation Serv.					
Salaries - (Other than Home & Sch)	31,143.00		31,143.00	31,128.00	15.00
Contracted Services (Bet. Home & School)- Vendors	478,326.00	(33,500.00)	444,826.00	443,459.20	1,366.80
Contracted Services - (Other than Home & Sch)- Venr	108,920.00	34,000.00	142,920.00	140,465.80	2,454.20
Contr. Serv. - (Spc Ed. Students) - Vendors	283,723.00		283,723.00	247,903.75	35,819.25
Contr. Serv. - (Spc Ed. Students) - Joint Agrmt	29,600.00		29,600.00	10,601.78	18,998.22
Contr. Serv. - Aid in Lieu Payments - NonPub Sch	9,000.00		9,000.00	3,413.15	5,586.85
Total Undistributed Expenditures - Student Transportation Services	940,712.00	500.00	941,212.00	876,971.68	64,240.32
Unallocated Benefits - Employee Benefits					
Social Security Contribution	462,000.00		462,000.00	385,786.36	76,213.64
Other Retirement Contributions - Regular	417,199.00	68,000.00	485,199.00	476,293.56	8,905.44
Workmen's Compensation	500,000.00	(83,825.00)	416,175.00	357,238.00	58,937.00
Health Benefits	5,183,426.00	(3,704.25)	5,179,721.75	3,996,079.55	1,183,642.20
Tuition Reimbursement	50,000.00	12,529.00	62,529.00	15,982.00	46,547.00
Other Employee Benefits	279,018.00		279,018.00	246,296.41	32,721.59
Total Unallocated Benefits	6,891,643.00	(7,000.25)	6,884,642.75	5,477,675.88	1,406,966.87

OCEAN CITY SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expenditures (Cont'd):					
On-Behalf Contributions					
On-Behalf TPAF Post-retir. Contribution (non-bud)	\$ -	-	\$ -	\$ 1,433,066.00	\$ (1,433,066.00)
Reimbursed TPAF Social Security Cont.(non-bud)	-	-	-	1,472,524.17	(1,472,524.17)
Total On-Behalf Contributions	-	-	-	2,905,590.17	(2,905,590.17)
Total Personal Services - Employee Benefits	6,891,643.00	(7,000.25)	6,884,642.75	8,383,266.05	(1,498,623.30)
TOTAL UNDISTRIBUTED EXPENDITURES	18,406,886.00	152,401.36	18,559,287.36	18,827,209.99	(267,922.63)
TOTAL GENERAL CURRENT EXPENSE	37,060,217.00	45,492.88	37,105,709.88	36,896,535.86	209,174.02
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction					
Grades 6 - 8		6,642.16	6,642.16	6,642.16	-
Grades 9 - 12		12,432.19	12,432.19	4,984.94	7,447.25
Undistributed Exp. - Custodial	7,000.00		7,000.00	39,482.63	7,000.00
Undistributed Exp. - Admin. Info. Tech.	20,500.00	18,982.63	39,482.63	51,109.73	-
Total Equipment	27,500.00	38,056.98	65,556.98	14,447.25	14,447.25
Facilities Acquisition and Construction Services					
Other Objects	122,266.00		122,266.00	122,266.00	-
Total Facilities Acquisition and Construction Services	122,266.00	-	122,266.00	122,266.00	-
TOTAL CAPITAL OUTLAY	149,766.00	38,056.98	187,822.98	173,375.73	14,447.25

OCEAN CITY SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
SPECIAL SCHOOLS					
Summer School - Instruction					
Salaries of Teachers	\$ 20,600.00	\$ -	\$ 20,600.00	\$ 11,745.00	\$ 8,855.00
General Supplies	250.00		250.00		250.00
Total Summer School - Instruction	20,850.00	-	20,850.00	11,745.00	9,105.00
TOTAL SPECIAL SCHOOLS	20,850.00	-	20,850.00	11,745.00	9,105.00
Transfer of Funds to Charter Schools	68,975.00		68,975.00	52,159.00	16,816.00
TOTAL EXPENDITURES	37,299,808.00	83,549.86	37,383,357.86	37,133,815.59	249,542.27
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,468,097.00)	(83,549.86)	(1,551,646.86)	1,542,795.43	3,094,442.29
Other Financing Sources:					
Operating Transfers Out:					
Capital Reserve Transfer to Debt Service Fund			-	(18,062.94)	(18,062.94)
Total Other Financing Sources:	-	-	-	(18,062.94)	(18,062.94)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(1,468,097.00)	(83,549.86)	(1,551,646.86)	1,524,732.49	3,076,379.35
Fund Balance July 1	5,298,313.14		5,298,313.14	5,298,313.14	-
Fund Balance June 30	\$ 3,830,216.14	\$ (83,549.86)	\$ 3,746,666.28	\$ 6,823,045.63	\$ 3,076,379.35

**OCEAN CITY SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Recapitulation:					
Nonspendable Fund Balance					
None				\$ -	
Restricted Fund Balance:					
Capital Reserve				1,310,000.00	
Maintenance Reserve				561,684.00	
Tuition Reserve				1,000,000.00	
Emergency Reserve				351,000.00	
Excess Surplus - Designated for Subsequent Year's Expenditures				1,212,782.00	
Excess Surplus - Current Year				1,554,712.19	
Committed Fund Balance:					
None					
Assigned Fund Balance:					
Year-End Encumbrances				132,731.67	
Designated for Subsequent Year's Expenditures				10,164.00	
Unassigned Fund Balance					
General Fund				689,971.77	
				<u>6,823,045.63</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last Two State Aid Payments not recognized on GAAP Basis				-	
				<u>\$ 6,823,045.63</u>	

OCEAN CITY SCHOOL DISTRICT
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ -	\$ 108,576.35	\$ 108,576.35	\$ 73,195.85	\$ (35,380.50)
State Sources					
Federal Sources	642,904.00	411,374.17	1,054,278.17	942,063.38	(112,214.79)
Total Revenues	642,904.00	519,950.52	1,162,854.52	1,015,259.23	(147,595.29)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	285,704.00	(72,426.00)	213,278.00	206,478.00	6,800.00
Salaries of Other Professional Staff	357,200.00	(246,808.00)	110,392.00	110,392.00	-
Other Purchased Services (400-500 series)		239,000.63	239,000.63	238,900.63	100.00
General Supplies		350,879.94	350,879.94	225,587.25	125,292.69
Other Objects		500.00	500.00	500.00	-
Total Instruction	642,904.00	271,146.57	914,050.57	781,857.88	132,192.69
Support Services:					
Salaries of Other Professional Staff					
Personal Services - Employee Benefits		56,447.90	56,447.90	55,927.90	520.00
Purchased Professional - Educational Services		3,272.00	3,272.00	482.20	2,789.80
Purchased Professional Technical Services		151,925.28	151,925.28	141,207.77	10,717.51
Other Purchased Services (400-500 series)		22,738.89	22,738.89	22,738.89	-
General Supplies		6,382.88	6,382.88	5,007.59	1,375.29
Other Objects					
Total Support Services	-	240,766.95	240,766.95	225,364.35	15,402.60
Facilities Acquisition & Construction Services:					
Instructional Equipment		8,037.00	8,037.00	8,037.00	-
Total Outflows	642,904.00	519,950.52	1,162,854.52	1,015,259.23	147,595.29
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

OCEAN CITY SCHOOL DISTRICT
Required Supplementary Information
Budget-to-GAAP Reconciliation
Note to RSI
For the Year Ended June 30, 2011

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

	General Fund		Special Revenue Fund
Sources / inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 38,676,611.02	[C-2]	\$ 1,015,259.23
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			122,530.16
Current Year			(2,617.39)
The Final State Aid payments for the Year Ended June 30, 2011 that was delayed until July 2011 was recorded as budgetary revenue for the Year Ended June 30, 2011. but is not recognized under GAAP until the Year Ended June 30, 2012.			-
The Final State Aid payment for the Year Ended June 30, 2010 that was delayed until July 2010 was recorded as budgetary revenue for the Year Ended June 30, 2010 but is not recognized under GAAP until the Year Ended June 30, 2011.	190,703.00		-
	[B-2] <u>\$ 38,867,314.02</u>	[B-2]	<u>\$ 1,135,172.00</u>
Uses / outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 37,133,815.59	[C-2]	\$ 1,015,259.23
Difference - budget to GAAP:			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP financial reporting purposes.			
Prior Year			122,530.16
Current Year			(2,617.39)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] <u>\$ 37,133,815.59</u>	[B-2]	<u>\$ 1,135,172.00</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.

OCEAN CITY SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2011

	Ocean City Library Grant	Ocean City PTA	Ocean City Education Foundation	MAC SCAT	MAC Intramural	MAC SADD	Cape Educ. Fund	NJ STW
REVENUES:								
Local Sources	\$ 50,186.02	\$ 3,753.67	\$ 17,113.54	\$ 128.40	\$ 985.79	\$ 177.63	\$ 500.00	\$ 350.80
State Sources								
Federal Sources								
Total Revenues	50,186.02	3,753.67	17,113.54	128.40	985.79	177.63	500.00	350.80
EXPENDITURES:								
Instruction:								
Salaries of Teachers								
Salaries of Other Professional Staff			2,250.00					
Other Purchased Services (400-500 series)	29,662.13	1,212.47	12,868.54	128.40	985.79	177.63	500.00	
General Supplies								
Other Objects								
Total Instruction	29,662.13	1,212.47	15,118.54	128.40	985.79	177.63	500.00	-
Support Services:								
Salaries of Other Professional Staff								
Personal Services - Employee Benefits								
Purchased Professional - Educational Services	12,000.00							
Purchased Technical Services	8,523.89	2,541.20						321.80
Other Purchased Services (400-500 series)								29.00
General Supplies								
Other Objects								
Total Support Services	20,523.89	2,541.20	-	-	-	-	-	350.80
Capital Outlay:								
Instructional Equipment			1,995.00					
Total Capital Outlay			1,995.00					
Total Outflows	50,186.02	3,753.67	17,113.54	128.40	985.79	177.63	500.00	350.80
Excess (Deficiency) of Revenues Over (Under)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures and Other Financing Sources (Uses)								

OCEAN CITY SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2011

	Title I Part A	Carryover Title I Part A	ARRA Title I Part A	Title IIA	Title IID	Carryover Title IID	Title III	Carryover Title III
REVENUES:								
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	175,773.52	50,587.55	16,854.00	93,358.20	368.00	612.86	16,018.00	190.07
Federal Sources	175,773.52	50,587.55	16,854.00	93,358.20	368.00	612.86	16,018.00	190.07
Total Revenues								
EXPENDITURES:								
Instruction:								
Salaries of Teachers	115,828.00	7,050.00	77,500.00				6,100.00	
Salaries of Other Professional Staff								
Other Purchased Services (400-500 series)	15,230.53	31,974.02	16,200.00				8,698.00	190.07
General Supplies								
Other Objects								
Total Instruction	131,058.53	39,024.02	16,200.00	77,500.00	-	-	14,798.00	190.07
Support Services:								
Salaries of Other Professional Staff	23,047.00	539.00	15,376.00	482.20			1,220.00	
Personal Services - Employee Benefits								
Purchased Professional - Educational Services					368.00	612.86		
Purchased Technical Services	9,315.99	11,024.53	654.00					
Other Purchased Services (400-500 series)	11,352.00							
General Supplies	1,000.00							
Other Objects								
Total Support Services	44,714.99	11,563.53	654.00	15,858.20	368.00	612.86	1,220.00	-
Capital Outlay:								
Equipment								
Total Capital Outlay	-	-	-	-	-	-	-	-
Total Outflows	175,773.52	50,587.55	16,854.00	93,358.20	368.00	612.86	16,018.00	190.07
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

OCEAN CITY SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Year Ended June 30, 2011

	Carryover Title IV	I.D.E.A. Part B	Carryover I.D.E.A. Part B	ARRA I.D.E.A. Part B	I.D.E.A. Preschool	Carryover I.D.E.A. Preschool	Totals 2011
REVENUES:							
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,195.85
State Sources							
Federal Sources	5.63	375,238.57	5,617.83	195,207.50	11,588.45	643.20	942,063.38
Total Revenues	5.63	375,238.57	5,617.83	195,207.50	11,588.45	643.20	1,015,259.23
EXPENDITURES:							
Instruction:							
Salaries of Teachers		91,681.00		18,711.00			206,478.00
Salaries of Other Professional Staff	5.63	234,645.00			2,000.00		110,392.00
Other Purchased Services (400-500 series)		23,695.11	5,098.88	78,551.16	619.96	294.56	238,900.63
General Supplies							225,587.25
Other Objects							500.00
Total Instruction	5.63	350,021.11	5,098.88	97,262.16	2,619.96	294.56	781,857.88
Support Services:							
Salaries of Other Professional Staff		7,014.00		8,731.90			55,927.90
Personal Services - Employee Benefits							482.20
Purchased Professional - Educational Services		15,000.00	518.95	89,213.44	2,500.00		141,207.77
Purchased Technical Services		3,203.46			426.49	348.64	22,738.89
Other Purchased Services (400-500 series)							5,007.59
General Supplies							
Other Objects							
Total Support Services	-	25,217.46	518.95	97,945.34	2,926.49	348.64	225,364.35
Capital Outlay:							
Instructional Equipment					6,042.00		8,037.00
Total Capital Outlay					6,042.00		8,037.00
Total Outflows	5.63	375,238.57	5,617.83	195,207.50	11,588.45	643.20	1,015,259.23
Excess (Deficiency) of Revenues Over (Under)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures and Other Financing Sources (Uses)							

CAPITAL PROJECTS FUND DETAIL STATEMENTS

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

OCEAN CITY SCHOOL DISTRICT
Capital Projects Funds
Summary Statement of Project Expenditures
For the Year Ended June 30, 2011

Project Title/Issue	Date	Original Appropriations	GAAP Expenditures to Date		Authorizations Canceled	Unexpended Balance June 30, 2011
			Prior Years	Current Years		
Acquisition of Property and Construction of New High School	4/1/2002	\$ 40,058,949.00	\$ 39,735,258.61	\$ -	\$	323,590.39
Improvements and Renovations to Intermediate School	9/29/2009	8,514,528.05	1,620,101.00	6,838,800.40		55,626.65
		<u>\$ 48,573,377.05</u>	<u>\$ 41,355,359.61</u>	<u>\$ 6,838,800.40</u>	<u>\$ -</u>	<u>\$ 379,217.04</u>

**OCEAN CITY SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis
For the Year Ended June 30, 2011**

REVENUES AND OTHER FINANCING SOURCES:

State Sources:	
SDA Grants	\$ -
Local Sources	
Transfer from Capital Reserve	
Bond proceeds and transfers	-
Interest Earned on Deposits	<u>10,902.64</u>
Total Revenues	<u>10,902.64</u>
EXPENDITURES	
Purchased Professional and Technical Services	74,459.15
Construction Services	<u>483,456.25</u>
Total Expenditures	<u>557,915.40</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(547,012.76)
Other Financing Sources(Uses):	
Operating Transfers Out:	
Transfer to Debt Service Fund	<u>(18,514.59)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures	(565,527.35)
Fund Balances, July 1	<u>924,744.39</u>
Fund Balances, June 30	<u>\$ 359,217.04</u>

OCEAN CITY SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Acquisition of Real Property and Construction of New High School
From Inception and for the Year Ended June 30, 2011

	Prior Periods	Current Year	Totals	Revised Authorized Costs
REVENUES AND OTHER FINANCING SOURCES:				
State Sources:				
SCC Grant	\$ 11,518,970.00	\$ -	\$ 11,518,970.00	\$ 11,518,970.00
Local Sources				
Bond proceeds and transfers	28,539,879.00		28,539,879.00	28,539,879.00
Total Revenues	40,058,849.00	-	40,058,849.00	40,058,849.00
EXPENDITURES AND OTHER FINANCING USES:				
Purchased professional/technical services	3,629,963.53		3,629,963.53	3,655,527.01
Land and Improvements	1,166,420.00		1,166,420.00	1,166,420.00
Construction services	33,872,657.49		33,872,657.49	34,170,684.40
Equipment purchases	1,034,523.15		1,034,523.15	1,034,523.15
Other Objects	31,694.44		31,694.44	31,694.44
Total Expenditures	39,735,258.61	-	39,735,258.61	40,058,849.00
Excess (Deficiency) of Revenues Over Expenditures	\$ 323,590.39	\$ -	\$ 323,590.39	\$ -
ADDITIONAL PROJECT INFORMATION:				
Project Number	G5-0362			
Grant Date	June 4, 2002			
Bond Authorization Date	April 1, 2002			
Bonds Authorized	\$ 28,539,879.00			
Bonds Issued	28,539,000.00			
Original Cost Authorized	40,058,849.00			
Additional Authorized Cost	-			
Revised Authorized Cost	40,058,849.00			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	100%			
Original Target Completion Date	June 2005			
Revised Target Completion Date	November 2005			

OCEAN CITY SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Improvements and Renovations to the Intermediate School
From Inception and for the Year Ended June 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
REVENUES AND OTHER FINANCING SOURCES:				
State Sources:				
SDA Grant	\$ 3,408,856.00		\$ 3,408,856.00	\$ 3,408,856.00
Local Sources				
Transfer from Capital Reserve	1,643,837.00	(7,611.95)	1,636,225.05	1,636,225.05
Bond proceeds and transfers	3,469,447.00		3,469,447.00	3,469,447.00
Total Revenues	<u>8,522,140.00</u>	<u>(7,611.95)</u>	<u>8,514,528.05</u>	<u>8,514,528.05</u>
EXPENDITURES AND OTHER FINANCING USES:				
Purchased professional/technical services	195,318.00	74,459.15	269,777.15	269,777.15
Construction services	7,725,668.00	483,456.25	8,209,124.25	8,244,750.90
Total Expenditures	<u>7,920,986.00</u>	<u>557,915.40</u>	<u>8,478,901.40</u>	<u>8,514,528.05</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 601,154.00</u>	<u>\$ (565,527.35)</u>	<u>\$ 35,626.65</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION:				
Project Number	G5-0363			
Grant Date	7/2009			
Bond Authorization Date	9/29/2009			
Bonds Authorized	\$ 3,469,447.00			
Bonds Issued	3,469,000.00			
Original Cost Authorized	8,522,140.00			
Additional Authorized Cost	-			
Revised Authorized Cost	8,522,140.00			
Percentage Increase over Original Authorized Cost	0%			
Percentage Completion	100%			
Original Target Completion Date	9/1/2010			
Revised Target Completion Date	9/1/2010			

FIDUCIARY FUNDS DETAIL STATEMENTS

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

Scholarship Fund – This is an expendable trust fund.

Unemployment Compensation Fund – This is an expendable trust fund and limits expenses set aside for this purpose in current and prior budgets and contributions from employee withholdings in prior years.

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.

OCEAN CITY SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
June 30, 2011

	Unemployment Compensation Trust	Private Purpose Trust	Agency Funds	Totals
ASSETS				
Cash and Cash Equivalents	\$ 332,790.87	\$ 85,857.95	\$ 552,901.85	\$ 971,550.67
Investments, at Fair Value:				
None				-
Total Investments	332,790.87	85,857.95	552,901.85	971,550.67
Interfund Receivable	-	-	-	-
Total Assets	332,790.87	85,857.95	552,901.85	971,550.67
LIABILITIES				
Accounts Payable	2,242.79			2,242.79
Interfunds Payable			60,965.76	60,965.76
Payable to Student Groups			253,688.20	253,688.20
Payroll Deductions & Withholdings			238,247.89	238,247.89
Total Liabilities	2,242.79	-	552,901.85	555,144.64
NET ASSETS				
Held in Trust for Unemployment Claims and Other Purposes	\$ 330,548.08			330,548.08
Reserve for Scholarships		\$ 85,857.95		85,857.95
Total Net Assets		85,857.95		416,406.03
Total Liabilities and Net Assets			\$ 971,550.67	

OCEAN CITY SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	Unemployment Compensation Trust	Private Purpose Trust	Totals
ADDITIONS			
Contributions:			
Plan Member	\$ -	\$ -	\$ -
Other	-	120,780.00	120,780.00
Total Contributions	<u>-</u>	<u>120,780.00</u>	<u>120,780.00</u>
Investments Earnings:			
Interest	1,780.35	821.78	2,602.13
Net Investment Earnings	<u>1,780.35</u>	<u>821.78</u>	<u>2,602.13</u>
Total Additions	<u>1,780.35</u>	<u>121,601.78</u>	<u>123,382.13</u>
Deductions			
Unemployment Claims	72,030.51		72,030.51
Scholarships Awarded		113,910.00	113,910.00
Total Deductions	<u>72,030.51</u>	<u>113,910.00</u>	<u>185,940.51</u>
Change in Net Assets	(70,250.16)	7,691.78	(62,558.38)
Net Assets - Beginning of the Year	<u>400,798.24</u>	<u>78,166.17</u>	<u>478,964.41</u>
Net Assets - End of the Year	<u>\$ 330,548.08</u>	<u>\$ 85,857.95</u>	<u>\$ 416,406.03</u>

**OCEAN CITY SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
As of June 30, 2011**

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Primary School Activity Account	\$ 7,567.48	\$ 4,963.53	\$ 3,789.43	\$ 8,741.58
Intermediate School Activity Account	38,173.61	46,056.63	55,915.70	28,314.54
High School Activity Account	217,936.08	445,200.55	450,473.11	212,663.52
High School Red & White Account	275.46	77,599.34	73,906.24	3,968.56
Total Assets	\$ <u>263,952.63</u>	\$ <u>573,820.05</u>	\$ <u>584,084.48</u>	\$ <u>253,688.20</u>

OCEAN CITY SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
As of 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>
ASSETS:							
Cash and Cash Equivalents	\$ 263,408.17	\$	27,311,741.93	\$	27,275,936.45	\$	299,213.65
Total Assets	<u>\$ 263,408.17</u>	<u>\$</u>	<u>27,311,741.93</u>	<u>\$</u>	<u>27,275,936.45</u>	<u>\$</u>	<u>299,213.65</u>
LIABILITIES:							
Payroll Deductions & Withholding	\$ 240,797.37	\$	11,419,024.12	\$	11,421,573.60	\$	238,247.89
Net Payroll	-		15,850,285.43		15,850,285.43		-
Interfund Payable	22,610.80		42,432.38		4,077.42		60,965.76
Total Liabilities	<u>\$ 263,408.17</u>	<u>\$</u>	<u>27,311,741.93</u>	<u>\$</u>	<u>27,275,936.45</u>	<u>\$</u>	<u>299,213.65</u>

LONG-TERM DEBT SCHEDULES

The Long-term Debt 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.

OCEAN CITY SCHOOL DISTRICT
Schedule of General Serial Bonds
As of June 30, 2011

Improvement Description	Date of Issue	Amount of Original Issue	Maturities of Bonds						
			Outstanding June 30, 2011	Interest Rate	Balance June 30, 2010	Balance June 30, 2011			
			Date	Amount	Rate	Increased	Decreased		
Construction of New High School	4/1/2002	\$ 28,539,000				\$ 1,255,000.00	\$ 1,255,000.00	\$ -	
Refunding Bonds, Series 2005	9/1/2005	19,510,000	4/1/2012	1,290,000.00	5.000%	19,075,000.00		19,075,000.00	
			4/1/2013	1,380,000.00	5.000%				
			4/1/2014	1,465,000.00	5.000%				
			4/1/2015	1,555,000.00	5.000%				
			4/1/2016	1,640,000.00	5.000%				
			4/1/2017	1,725,000.00	5.000%				
			4/1/2018	1,810,000.00	5.000%				
			4/1/2019	1,925,000.00	5.000%				
			4/1/2020	2,040,000.00	5.000%				
			4/1/2021	2,140,000.00	4.000%				
		4/1/2022	2,105,000.00	4.100%					
Various Improvements at the Intermediate School	2/24/2010	3,469,000	9/15/2011	340,000.00	2.000%	3,469,000.00		3,169,000.00	
			9/15/2012	340,000.00	2.000%		300,000.00		
			9/15/2013	340,000.00	2.000%				
			9/15/2014	340,000.00	2.000%				
			9/15/2015	345,000.00	2.000%				
			9/15/2016	355,000.00	2.250%				
			9/15/2017	370,000.00	2.600%				
		9/15/2018	360,000.00	2.800%					
		9/15/2019	379,000.00	3.000%					
						\$ 23,799,000.00	\$ -	\$ 1,555,000.00	\$ 22,244,000.00

**OCEAN CITY SCHOOL DISTRICT
Schedule of Obligations Under Capital Lease
As of June 30, 2011**

Description	Amount of Original Issue	Balance July 1, 2010	Issued Current Year	Retired Current Year	Balance June 30, 2011
Computer Equipment	\$ 303,851	\$ 153,828.16	\$	\$ 79,409.56	\$ 74,418.60
	\$	<u>153,828.16</u>	<u>\$</u>	<u>79,409.56</u>	<u>74,418.60</u>

**OCEAN CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,572,195.00	\$ -	\$ 2,572,195.00	\$ 2,572,195.00	\$ -
Miscellaneous	-	-	-	-	-
Total - Local Sources	<u>2,572,195.00</u>	<u>-</u>	<u>2,572,195.00</u>	<u>2,572,195.00</u>	<u>-</u>
Total Revenues	<u>2,572,195.00</u>	<u>-</u>	<u>2,572,195.00</u>	<u>2,572,195.00</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Redemption of Principal	1,555,000.00	-	1,555,000.00	1,555,000.00	-
Interest on Bonds	<u>1,017,215.00</u>	<u>36,577.53</u>	<u>1,053,792.53</u>	<u>1,053,792.53</u>	<u>-</u>
Total Regular Debt Service	<u>2,572,215.00</u>	<u>36,577.53</u>	<u>2,608,792.53</u>	<u>2,608,792.53</u>	<u>-</u>
Total Expenditures	<u>2,572,215.00</u>	<u>36,577.53</u>	<u>2,608,792.53</u>	<u>2,608,792.53</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20.00)</u>	<u>(36,577.53)</u>	<u>(36,597.53)</u>	<u>(36,597.53)</u>	<u>-</u>
Other Financing Sources(Uses):					
Operating Transfers In:					
Transfers in from Other Funds	-	<u>36,577.53</u>	<u>36,577.53</u>	<u>36,577.53</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures	(20.00)	-	(20.00)	(20.00)	-
Fund Balance, July 1	28.29	-	28.29	28.29	-
Fund Balance, June 30	<u>\$ 8.29</u>	<u>\$ -</u>	<u>\$ 8.29</u>	<u>\$ 8.29</u>	<u>\$ -</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	<u>\$ (20.00)</u>	<u>\$ -</u>	<u>\$ (20.00)</u>	<u>\$ (20.00)</u>	<u>\$ -</u>

STATISTICAL SECTION

Ocean City School District
 Net Assets by Component,
 Last Nine Fiscal Years
 (accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ (6,773,611.78)	\$ 10,059,128.90	\$ 20,656,616.67	\$ 20,815,358.62	\$ 20,446,909.12	\$ 20,890,287.83	\$ 20,928,514.05	\$ 19,266,394.60	\$ 26,003,285.40
Restricted	26,921,690.38	10,943,591.75	6,044,909.16	5,845,998.40	5,669,316.83	5,270,049.30	5,163,188.58	9,724,691.68	6,126,935.00
Unrestricted	1,440,392.51	2,313,160.38	(2,367,796.60)	(2,318,008.34)	(1,770,683.88)	(1,273,548.83)	(2,807,807.10)	(1,008,182.33)	(2,055,143.68)
Total governmental activities net assets	\$ 21,588,471.11	\$ 23,315,881.03	\$ 24,333,729.23	\$ 24,343,348.68	\$ 24,345,542.07	\$ 24,886,786.30	\$ 23,283,895.53	\$ 27,982,893.95	\$ 30,075,076.72
Business-type activities									
Invested in capital assets, net of related debt	\$ 55,085.59	\$ 40,840.11	\$ 186,778.92	\$ 169,839.21	\$ 153,252.59	\$ 139,634.35	\$ 130,776.36	\$ 117,756.23	\$ 107,056.55
Restricted	(170,865.36)	52,742.91	84,136.65	54,352.53	77,352.91	53,252.70	49,744.77	46,591.18	9,312.96
Unrestricted	(115,779.77)	93,583.02	(270,915.57)	(224,191.74)	(230,605.50)	(192,887.05)	(180,521.13)	(164,347.41)	(116,369.51)
Total business-type activities net assets	\$ (131,559.54)	\$ 187,166.04	\$ (58,011.10)	\$ (100,000.00)	\$ (107,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)	\$ (100,000.00)
District-wide									
Invested in capital assets, net of related debt	\$ (6,718,526.19)	\$ 10,099,969.01	\$ 20,843,395.59	\$ 20,985,197.83	\$ 20,600,161.71	\$ 21,029,922.18	\$ 21,059,290.41	\$ 19,384,140.83	\$ 26,110,341.95
Restricted	26,921,690.38	10,943,591.75	6,044,909.16	5,845,998.40	5,669,316.83	5,270,049.30	5,163,188.58	9,724,691.68	6,126,935.00
Unrestricted	1,269,527.15	2,365,903.29	(2,283,659.95)	(2,263,655.81)	(1,693,330.97)	(1,220,298.13)	(2,758,062.33)	(961,591.15)	(2,045,830.72)
Total district net assets	\$ 21,472,691.34	\$ 23,409,464.05	\$ 24,604,644.80	\$ 24,567,540.42	\$ 24,576,147.57	\$ 25,079,676.35	\$ 23,464,416.66	\$ 28,147,241.36	\$ 30,191,446.23

Source: CAFR Schedule A-1

Exhibit J-2

Ocean City School District
Changes in Net Assets,
Last Nine Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
Instruction:									
Regular	\$ 16,028,564.31	\$ 17,593,716.64	\$ 18,266,965.97	\$ 19,691,885.89	\$ 20,736,504.02	\$ 19,662,739.67	\$ 20,511,306.21	\$ 19,001,560.09	\$ 18,862,395.77
Special education	3,310,877.71	3,843,181.02	3,977,677.95	4,097,486.34	4,102,179.74	4,296,868.02	4,739,710.16	4,588,969.11	4,658,772.13
Other special education	1,915,626.10	2,009,552.80	1,904,632.15	1,965,798.27	2,194,283.06	2,281,307.03	2,163,830.52	2,235,270.02	2,172,480.75
Support Services:									
Tuition	589,554.26	747,230.79	948,930.64	757,886.89	680,668.86	436,351.75	169,350.76	195,863.86	135,328.22
Student & instruction related services	4,886,482.83	5,103,107.54	4,911,119.04	5,248,547.07	5,350,974.82	5,125,681.44	5,458,226.45	5,280,237.81	5,171,935.42
School administrative services	2,031,889.32	2,008,598.21	2,389,314.59	1,884,028.92	2,571,753.64	2,434,303.62	2,228,400.22	1,808,911.95	1,824,060.68
General Administration and Business Services	1,100,176.13	1,237,590.78	1,519,233.23	1,338,439.82	986,669.89	1,063,256.05	1,557,577.33	1,645,113.34	1,478,864.85
Plant operations and maintenance	2,296,002.28	2,626,179.74	3,956,968.91	4,696,217.84	4,949,239.76	5,066,058.65	4,201,376.51	4,765,229.21	4,132,486.57
Pupil transportation	712,949.78	692,288.42	748,060.75	770,112.59	842,233.41	876,899.71	941,513.80	913,898.02	887,414.24
Special schools	18,400.33	59,848.54	91,846.03	126,891.35	128,246.70	121,009.19	143,959.99	66,001.02	16,402.11
Charter Schools	140,382.00	101,113.00	61,577.96	13,346.00	35,191.00	33,077.00	71,840.00	75,224.00	52,159.00
Interest on long-term debt	1,722,319.38	1,335,327.50	1,293,577.50	773,410.72	1,159,700.00	1,120,564.37	1,091,185.00	1,021,506.31	939,858.59
Unallocated depreciation	511,415.98	404,049.04							
Total governmental activities expenses	<u>35,264,650.41</u>	<u>37,761,783.82</u>	<u>40,079,924.72</u>	<u>41,364,051.70</u>	<u>43,737,643.90</u>	<u>42,518,116.50</u>	<u>43,278,276.95</u>	<u>41,597,814.74</u>	<u>40,332,158.33</u>
Business-type activities:									
Food service	589,721.02	628,946.46	640,165.36	718,664.16	733,992.26	754,459.64	778,955.96	740,085.75	729,478.20
Total business-type activities expenses	<u>589,721.02</u>	<u>628,946.46</u>	<u>640,165.36</u>	<u>718,664.16</u>	<u>733,992.26</u>	<u>754,459.64</u>	<u>778,955.96</u>	<u>740,085.75</u>	<u>729,478.20</u>
Total district expenses	<u>\$ 35,854,371.43</u>	<u>\$ 38,390,730.28</u>	<u>\$ 40,720,090.08</u>	<u>\$ 42,082,715.86</u>	<u>\$ 44,471,636.16</u>	<u>\$ 43,272,576.14</u>	<u>\$ 44,057,232.91</u>	<u>\$ 42,337,900.49</u>	<u>\$ 41,061,636.53</u>
Program Revenues									
Governmental activities:									
Charges for services:									
Instruction	\$ 1,980.00	\$ 11,340.00	\$ 11,266.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating grants and contributions	1,150,640.93	1,294,331.87	3,787,452.03	5,366,553.74	6,538,675.74	6,612,800.13	3,621,913.30	866,859.44	4,306,864.36
Capital grants and contributions									
Total governmental activities program revenues	<u>1,152,630.93</u>	<u>1,305,671.87</u>	<u>3,798,718.03</u>	<u>5,366,553.74</u>	<u>6,538,675.74</u>	<u>6,612,800.13</u>	<u>3,621,913.30</u>	<u>866,859.44</u>	<u>4,306,864.36</u>
Business-type activities:									
Charges for services:									
Food service	416,249.01	429,339.51	457,937.25	490,925.46	556,298.41	533,890.38	533,308.06	497,173.88	460,308.11
Operating grants and contributions	175,977.52	170,920.43	168,914.06	151,891.50	155,163.96	178,422.54	208,010.60	226,270.69	220,648.47
Capital grants and contributions									
Total business-type activities program revenue	<u>592,226.53</u>	<u>600,259.94</u>	<u>626,851.31</u>	<u>642,816.96</u>	<u>711,462.37</u>	<u>712,312.92</u>	<u>741,318.66</u>	<u>723,444.57</u>	<u>680,956.58</u>
Total district program revenue	<u>\$ 1,744,857.46</u>	<u>\$ 1,905,931.81</u>	<u>\$ 4,425,569.34</u>	<u>\$ 6,009,370.70</u>	<u>\$ 7,250,138.11</u>	<u>\$ 7,325,113.05</u>	<u>\$ 4,363,231.96</u>	<u>\$ 1,590,304.01</u>	<u>\$ 4,987,820.94</u>
Net (Expense)/Revenue									
Governmental activities	\$ (34,112,019.48)	\$ (36,456,111.95)	\$ (36,281,206.69)	\$ (35,997,497.96)	\$ (37,198,968.16)	\$ (35,905,316.37)	\$ (39,656,363.65)	\$ (40,730,955.30)	\$ (36,025,293.97)
Business-type activities	2,505.51	(28,686.52)	(13,314.05)	(75,847.20)	(22,529.89)	(42,146.72)	(37,537.30)	(16,641.18)	(48,521.62)
Total district-wide net expense	<u>\$ (34,109,513.97)</u>	<u>\$ (36,484,798.47)</u>	<u>\$ (36,294,520.74)</u>	<u>\$ (36,073,345.16)</u>	<u>\$ (37,221,498.05)</u>	<u>\$ (35,947,463.09)</u>	<u>\$ (39,694,000.95)</u>	<u>\$ (40,747,596.48)</u>	<u>\$ (36,073,815.59)</u>

Exhibit J-2

Ocean City School District
 Changes in Net Assets,
 Last Nine Fiscal Years
 (accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 20,150,003.00	\$ 19,776,492.00	\$ 19,846,033.00	\$ 18,506,939.00	\$ 18,451,332.00	\$ 18,898,956.00	\$ 19,683,731.00	\$ 20,471,080.00	\$ 21,289,923.00
Taxes levied for debt service	2,202,000.00	2,057,042.00	1,603,423.00	2,094,774.00	2,099,140.00	2,109,195.00	2,180,439.00	2,215,880.00	2,572,195.00
Unrestricted grants and contributions	3,724,255.51	4,273,107.96	1,945,110.00	611,091.75	587,605.00	630,112.00	2,019,138.25	7,945,836.28	196,745.00
Tuition	9,951,582.00	11,810,394.00	12,384,987.00	14,300,985.00	15,745,641.45	15,368,212.00	13,887,901.17	14,464,450.67	13,959,021.15
Investment earnings	700,613.31	492,853.83	182,369.92	263,540.99	304,158.13	162,011.27	10,019.85	69,987.79	65,887.39
Miscellaneous income	214,050.81	231,504.88	511,507.33	273,786.67	171,724.05	190,225.52	296,806.61	262,718.98	194,947.76
Special Item - Loss on Disposal of Capital Assets	(170,054.31)	(120,946.00)		(228,000.00)	(133,439.08)				(161,242.56)
Extraordinary Item - Loss of Sale of Securities		(97,071.20)	(63,189.23)						
Extraordinary Item - Loss on Refunding Bonds		(239,885.00)	(199,975.00)						
Transfers	36,772,460.32	38,183,492.17	36,210,266.02	35,798,117.41	37,201,161.55	(1,325.17)	(24,565.00)	45,429,953.72	38,117,476.74
Total governmental activities	36,772,460.32	38,183,492.17	36,210,266.02	35,798,117.41	37,201,161.55	(1,325.17)	(24,565.00)	45,429,953.72	38,117,476.74
Business-type activities:									
Investment earnings	1,229.64	2,342.95	6,244.60	4,123.37	3,943.65	3,103.10	487.10	467.46	543.72
Transfers		239,885.00	199,975.00	25,000.00	25,000.00	1,325.17	219.28		
Loss on Disposal of Capital Assets		(4,178.64)	(14,683.90)				24,565.00		
Total business-type activities	1,229.64	238,049.31	191,535.70	29,123.37	28,943.65	4,428.27	25,271.38	467.46	543.72
Total district-wide	\$ 36,773,689.96	\$ 38,421,541.48	\$ 36,401,801.72	\$ 35,827,240.78	\$ 37,230,105.20	\$ 37,361,814.89	\$ 38,078,742.26	\$ 45,430,421.18	\$ 38,118,020.46
Changes in Net Assets									
Governmental activities	\$ 2,660,440.84	\$ 1,727,380.22	\$ (70,940.67)	\$ (199,380.55)	\$ 2,193.39	\$ 1,452,070.25	\$ (1,602,892.77)	\$ 4,698,998.42	\$ 2,092,182.77
Business-type activities	3,735.15	209,362.79	178,221.65	(46,723.83)	6,413.76	(37,718.45)	(12,365.92)	(16,173.72)	(47,977.90)
Total district	\$ 2,664,175.99	\$ 1,936,743.01	\$ 107,280.98	\$ (246,104.38)	\$ 8,607.15	\$ 1,414,351.80	\$ (1,615,258.69)	\$ 4,682,824.70	\$ 2,044,204.87

Source: CAFR Schedule A-2

Ocean City School District
 Fund Balances, Governmental Funds,
 Last Nine Fiscal Years
 (modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,990,178.19
Committed									142,895.67
Assigned									689,971.77
Unassigned	2,925,402.62	3,867,367.06	4,150,868.99	4,543,542.31	4,519,439.61	4,997,909.41	5,080,191.12	4,542,112.96	
Reserved	1,753,359.87	1,932,392.49	1,440,015.54	1,625,313.54	1,121,372.36	858,784.96	609,852.90	565,497.18	
Unreserved	\$ 4,678,762.49	\$ 5,799,759.55	\$ 5,590,884.53	\$ 6,168,855.85	\$ 5,640,811.97	\$ 5,856,694.37	\$ 5,690,044.02	\$ 5,107,610.14	\$ 6,823,045.63
Total general fund									
All Other Governmental Funds									
Restricted:									
Reported in Capital Projects Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359,217.04
Reported in Debt Service Fund									8.29
Committed:									
Reported in Capital Projects Fund									20,000.00
Assigned									
Unassigned	17,638,837.37	5,719,612.57	679,643.42	383,220.41	-	-	66,358.78	6,300,905.00	
Reserved	(12,216.00)	(8,843.00)	(8,843.00)	(9,250.75)	(9,250.75)	(9,250.75)	-	-	
Unreserved, reported in:	8,865,869.29	4,801,715.19	1,323,473.05	1,059,544.71	1,336,711.40	511,205.99	330,073.63	924,744.39	
Capital projects fund	765,531.60	757,438.87	206,165.58	165,281.60	96,438.95	31,678.90	19.75	8.29	
Debt service fund									
Total all other governmental funds	\$27,258,022.26	\$11,269,923.63	\$ 2,200,439.05	\$ 1,598,795.97	\$ 1,423,899.60	\$ 533,634.14	\$ 396,452.16	\$ 7,225,657.68	\$ 379,225.33

Source: CAFR Schedule B-1

Ocean City School District
 Changes in Fund Balances, Governmental Funds,
 Last Ten Fiscal Years

Exhibit J-4

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Tax Levy	\$ 20,370,330	\$ 22,352,003	\$ 21,833,534	\$ 21,449,456	\$ 20,601,713	\$ 20,550,472	\$ 21,035,869	\$ 21,864,170	\$ 22,686,960	\$ 23,862,118
Tuition charges	8,334,123	9,951,592	11,810,394	12,384,987	14,300,985	14,302,265	15,366,212	14,883,119	14,623,934	13,959,021
Interest earnings	191,397	700,613	492,854	182,370	263,541	304,158	162,011	69,988	65,887	65,887
Miscellaneous	96,231	216,041	242,845	527,634	277,536	186,377	200,509	408,650	330,601	294,365
State sources	3,246,868	4,042,077	4,529,043	4,630,360	4,971,055	6,423,100	6,483,919	4,895,945	7,924,713	3,349,730
Federal sources	570,195	832,819	1,036,396	1,097,342	1,002,396	688,528	721,001	633,062	819,654	1,054,462
Total revenue	32,809,145	38,095,146	39,947,066	40,272,148	41,417,226	42,454,900	43,971,511	42,695,167	46,455,849	42,585,583
Expenditures										
Instruction:										
Regular instruction	13,095,624	12,748,404	13,779,228	14,314,053	14,581,039	14,882,973	14,497,395	14,919,367	14,607,714	13,811,632
Special education instruction	1,826,470	2,831,178	3,244,141	3,329,868	3,348,468	3,188,107	3,382,051	3,532,771	3,514,445	3,561,120
Other special education instruction	1,582,384	1,598,825	1,617,893	1,482,150	1,500,630	1,638,694	1,705,860	1,703,900	1,711,862	1,600,474
Support Services:										
Tuition	874,236	589,554	747,231	948,931	757,887	680,669	436,352	169,351	195,864	135,328
Student & instruction related services	3,512,389	4,047,643	4,156,379	3,922,698	4,096,476	3,959,153	3,910,322	4,045,528	4,043,824	3,763,095
General administrative services	573,552	615,709	676,385	796,238	748,854	873,004	923,834	750,296	708,249	641,089
School administrative services	1,484,578	1,657,997	1,626,248	1,685,819	1,340,590	1,409,321	1,333,122	1,458,754	1,385,339	1,325,203
Business administrative services	344,863	356,514	417,792	511,223	492,169	503,349	497,761	494,971	551,647	533,812
Plant operations and maintenance	2,033,514	2,120,097	2,414,430	2,737,895	3,192,680	3,335,642	3,513,907	3,540,250	3,662,257	3,393,675
Pupil transportation	818,918	712,950	682,288	748,081	761,834	832,124	861,650	925,984	913,898	876,972
Unallocated employee benefits	4,111,639	5,343,451	6,204,684	6,550,210	7,248,640	8,898,332	9,671,476	8,614,557	8,285,830	8,383,266
Special schools	14,520	15,112	48,264	71,967	97,210	92,003	89,622	103,597	50,546	11,745
Charter Schools	108,152	140,392	101,113	61,578	13,346	35,191	33,077	71,840	75,224	52,159
Capital outlay	2,444,897	12,039,986	16,525,932	9,940,130	1,048,012	592,260	1,600,059	445,287	1,741,809	7,018,218
Debt service:										
Principal	618,000	856,000	856,000	920,000	1,405,000	1,030,000	1,055,000	1,115,000	1,200,000	1,555,000
Interest and other charges	29,046	1,385,988	1,345,328	1,304,668	783,062	1,182,018	1,133,093	1,082,980	1,030,018	1,053,793
Total Expenditures	33,472,783	47,019,800	54,453,337	49,525,508	41,415,897	43,132,840	44,644,569	42,974,434	43,678,525	47,716,581
Excess (Deficiency) of revenues over (under) expenditures	(663,639)	(8,924,654)	(14,506,271)	(9,253,360)	1,328	(677,940)	(673,058)	(279,267)	2,777,325	(5,130,998)
Other Financing Sources (Uses)										
Transfer in		661,233	136,193	69,971	52,404	44,035	14,137	20	1,661,900	36,578
Bond Proceeds	(238,777)	(796,603)	(376,078)	(94,971)	(77,404)	(89,035)	(15,463)	(24,566)	(1,661,900)	(36,578)
Grant Revenue	28,539,000								3,469,447	
Canceled Prior Year Payable	11,518,970									
Total other financing sources (uses)	39,819,193	(95,370)	(239,885)	(25,000)	(25,000)	(25,000)	(1,325)	(24,565)	3,469,447	-
Extraordinary Item										
Loss on Sale of Securities		(170,054)	(120,946)							
Net change in fund balances	\$ 39,155,554	\$ (9,190,079)	\$ (14,867,102)	\$ (9,278,360)	\$ (23,672)	\$ (702,940)	\$ (674,383)	\$ (303,832)	\$ 6,246,772	\$ (5,130,998)
Debt service as a percentage of noncapital expenditures	2.09%	6.41%	5.80%	5.62%	5.42%	5.20%	5.08%	5.17%	5.32%	6.41%

Source: CAFR Schedule B-2

Ocean City School District
 General Fund Other Local Revenue by Source,
 Last Ten Fiscal Years
 (Unaudited)

Exhibit J-5

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Retroactive EDA Grant	Refunds/ Rebates	Miscellaneous	Totals
2002	47,110.93	8,334,123.00			101,756.19	8,482,990.12
2003	39,380.81	9,951,592.00		137,448.30	76,592.51	10,205,013.62
2004	65,660.55	11,810,394.00		122,134.33	113,731.73	12,111,920.61
2005	112,398.71	12,384,987.00	275,271.66	136,573.48	110,928.18	13,020,159.03
2006	211,137.00	14,315,536.00		77,112.66	182,123.11	14,785,908.77
2007	260,123.28	14,302,265.00		52,353.91	119,370.14	14,734,112.33
2008	162,011.27	15,368,212.00		97,750.86	102,757.67	15,730,731.80
2009	61,804.57	14,883,119.00		4,320.00	240,682.04	15,189,925.61
2010	45,924.85	14,623,934.00		74,125.07	194,138.87	14,938,122.79
2011	54,984.75	13,959,021.15		-	194,947.76	14,208,953.66

Source: District Records

Ocean City School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Less Tax-exempt Property	Public Utilities	Net Valuation Taxable	Total District School Tax Rate	County Equalized Value
2002	72,091,300	3,315,167,800	251,886,800	313,500	17,266,000	3,656,725,400	-	3,774,021	3,660,499,421	0.612	5,465,663,195
2003	175,449,400	6,824,005,700	373,467,700	533,600	31,482,900	7,404,939,300	-	6,330,864	7,411,270,164	0.296	6,277,463,903
2004	182,907,500	6,959,864,900	371,150,600	533,600	29,514,300	7,543,970,900	-	5,984,763	7,549,955,663	0.285	7,752,573,797
2005	204,309,400	7,169,452,500	366,767,700	533,600	28,289,100	7,769,332,300	-	4,899,534	7,774,231,834	0.265	9,418,590,716
2006	227,494,300	7,397,058,100	358,525,300	533,600	26,957,300	8,010,568,600	-	3,738,703	8,014,307,303	0.258	11,717,648,858
2007	170,213,100	7,699,559,700	349,838,900	533,600	25,958,100	8,246,103,400	-	3,253,364	8,249,356,764	0.256	14,003,892,330
2008	241,947,700	11,883,281,300	554,733,747	733,300	54,122,800	12,734,818,847	-	5,667,086	12,740,485,933	0.172	13,548,158,262
2009	203,206,600	12,005,892,900	551,146,947	733,300	54,122,800	12,815,102,547	-	5,227,845	12,820,330,392	0.177	13,340,913,388
2010	173,362,600	12,082,661,200	537,615,447	733,300	53,204,200	12,847,576,747	-	5,039,299	12,852,616,046	0.186	13,122,348,497
2011	191,622,200	12,053,938,400	549,540,300	733,300	52,427,400	12,848,261,600	-	4,667,892	12,852,929,492	0.189	12,795,982,792

Source: County Abstract of Ratables & Municipal Tax Assessor

Ocean City School District
 Direct and Overlapping Property Tax Rates,
 Last Ten Fiscal Years
 (rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Ocean City School District			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate	Obligation Debt Service	General	County General	County Open Space	County Other	Municipal Local Purpose	
2002	0.552	0.060	0.060	0.493	0.016		0.729	1.850
2003	0.268	0.028	0.028	0.251	0.011		0.412	0.970
2004	0.263	0.022	0.022	0.257	0.012		0.416	0.970
2005	0.244	0.021	0.021	0.250	0.013		0.432	0.960
2006	0.232	0.026	0.026	0.251	0.017		0.444	0.970
2007	0.230	0.026	0.026	0.259	0.020		0.465	1.000
2008	0.155	0.017	0.017	0.161	0.011		0.332	0.676
2009	0.160	0.017	0.017	0.169	0.011		0.349	0.706
2010	0.169	0.017	0.017	0.177	0.011		0.359	0.733
2011	0.169	0.020	0.020	0.181	0.010		0.338	0.718

Source: District Records and Municipal Tax Collector

**Ocean City School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2011				2002			
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value		
Raab Family, LLC	\$ 21,897,100	1	0.17%	\$ 11,947,700	4	0.33%		
Magton, Inc.	20,802,100	2	0.16%	9,545,500	2	0.26%		
Eustace W. Mita	19,329,400	3	0.15%					
Berman Properties	17,468,500	4	0.14%		1			
Gillamco, Inc.	15,766,600	5	0.12%	6,457,100	7	0.18%		
Port-O-Call Associates	13,192,000	6	0.10%	7,850,000	5	0.21%		
JWR Construction Co., Inc.	12,477,900	7	0.10%					
Gillian Brothers, Inc.	9,910,100	8	0.08%					
Holloway, et. al.	7,743,300	9	0.06%					
Chase Real Estate Development	7,629,300	10	0.06%					
A.S.F. Properties				5,281,500	9	0.14%		
N.J. Bell Telephone				7,599,194	6	0.21%		
Individual Taxpayer #1				9,364,300	3	0.26%		
Individual Taxpayer #2				6,094,600	8	0.17%		
Individual Taxpayer #3				4,575,300	10	0.12%		
Totals	\$ 146,216,300		1.14%	\$ 68,715,194		1.88%		
							\$ 3,660,499,421	

Source: District CAFR & Municipal Tax Assessor

**Ocean City 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	\$ 20,370,330.00	\$ 20,370,330.00	100%	-
2003	22,352,003.00	22,352,003.00	100%	-
2004	21,833,534.00	21,833,534.00	100%	-
2005	21,449,456.00	21,449,456.00	100%	-
2006	20,601,713.00	20,601,713.00	100%	-
2007	20,550,472.00	20,550,472.00	100%	-
2008	21,035,859.00	21,035,859.00	100%	-
2009	21,864,170.00	21,864,170.00	100%	-
2010	22,686,960.00	22,686,960.00	100%	-
2011	23,862,118.00	23,862,118.00	100%	-

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

Exhibit J-10

Ocean City School District
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income	Per Capita Personal Income *
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2002	\$ 28,539,000.00	\$ -	\$ 238,563.07	-	\$ -	\$ 28,777,563.07	0.13%	\$ 36,053
2003	27,683,000.00	-	187,952.28	-	-	27,870,952.28	0.13%	36,492
2004	26,827,000.00	-	134,102.17	-	-	26,961,102.17	0.14%	38,740
2005	25,907,000.00	-	-	-	-	25,907,000.00	0.16%	40,316
2006	24,730,000.00	-	-	-	-	24,730,000.00	0.17%	42,322
2007	23,700,000.00	-	-	-	-	23,700,000.00	0.19%	44,575
2008	22,645,000.00	-	-	-	-	22,645,000.00	0.20%	46,067
2009	21,530,000.00	-	226,344.42	-	-	21,756,344.42	0.21%	46,329
2010	23,799,000.00	-	153,828.160	-	-	23,952,828.16	not available	not available
2011	22,244,000.00	-	74,418.600	-	-	22,318,418.60	not available	not available

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

* = Per Capital Income data presented is for the entire County of Cape May, not only the City of Ocean City.

Exhibit J-11

Ocean City School District
Ratios of Net General Bonded Debt Outstanding,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Percentage of Actual Taxable Value of Property	* Per Capita Personal Income
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2002	\$ 28,539,000	\$ -	\$ 28,539,000	0.78%	\$ 36,053
2003	2,768,300	-	2,768,300	0.04%	36,492
2004	26,827,000	-	26,827,000	0.36%	38,740
2005	25,907,000	-	25,907,000	0.33%	40,316
2006	24,730,000	-	24,730,000	0.31%	42,322
2007	23,700,000	-	23,700,000	0.29%	44,575
2008	22,645,000	-	22,645,000	0.18%	46,067
2009	21,530,000	-	21,530,000	0.17%	46,329
2010	23,799,000	-	23,799,000	0.19%	not available
2011	22,244,000	-	22,244,000	0.17%	not available

Source: School District records; New Jersey Department of Labor and Workforce Development.

* = Per Capital Income data presented is for the entire County of Cape May, not only the City of Ocean City.

**Ocean City School District
 Direct and Overlapping Governmental Activities Bonded Debt,
 As of December 31, 2010**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
City of Ocean City	\$ 57,694,979.78	100.00%	\$ 57,694,979.78
Other Debt			
County of Cape May	32,134,000.00	25.35%	8,145,021.14
Cape May County Bridge Commission	15,190,000.00	25.35%	3,850,216.94
Cape May County Municipal Utilities Authority	99,268,094.00	25.35%	25,161,533.69
Subtotal, Overlapping Debt			94,851,751.55
City of Ocean City School District Direct Debt			<u>23,499,000.00</u>
Total Direct and Overlapping Debt			<u>\$ 118,350,751.55</u>

Sources: City of Ocean City, County of Cape May.

Ocean City School District
 Legal Debt Margin Information,
 Last Ten Fiscal Years

Exhibit J-13

Equalized valuation basis	
2010	\$12,759,535,949
2009	13,051,331,650
2008	13,217,248,414
	<u>\$39,028,116,013</u>

Average equalized valuation of taxable property	\$13,009,372,004
Debt limit (4% of average)	520,374,880
Net bonded school debt	22,244,000
Legal debt margin	<u>\$ 498,130,880</u>

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 156,686,395	\$ 158,773,001	\$ 189,769,058	\$ 227,948,911	\$ 373,815,969	\$ 453,593,831	\$ 510,193,652	\$ 510,193,652	\$ 351,194,625	520,374,880
Total net debt applicable to limit	618,000	28,539,000	27,683,000	26,827,000	24,730,000	23,700,000	22,645,000	22,645,000	23,799,000	22,244,000
Legal debt margin	<u>\$ 156,068,395</u>	<u>\$ 130,234,001</u>	<u>\$ 162,086,058</u>	<u>\$ 201,121,911</u>	<u>\$ 349,085,969</u>	<u>\$ 429,893,831</u>	<u>\$ 487,548,652</u>	<u>\$ 487,548,652</u>	<u>\$ 374,993,625</u>	<u>\$ 542,618,880</u>

Total net debt applicable to the limit as a percentage of debt limit	0.39%	17.97%	14.59%	11.77%	6.62%	5.22%	4.44%	4.44%	6.78%	4.27%
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**Ocean City School District
Demographic and Economic Statistics,
Last Ten Fiscal Years**

Exhibit J-14

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2002	15,457	557,271,221	36,053	6.0%
2003	15,492	565,334,064	36,492	6.2%
2004	15,576	603,414,240	38,740	4.2%
2005	15,376	619,898,816	40,316	4.5%
2006	15,216	643,971,552	42,322	4.8%
2007	15,095	672,859,625	44,575	4.6%
2008	14,908	686,766,836	46,067	5.7%
2009	14,756	683,630,724	46,329	8.2%
2010	not available	not available	not available	8.6%
2011	not available	not available	not available	

Source: New Jersey Department of Labor and Workforce Development.

Ocean City School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15

Employer	2011			2002		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
<i>Information not available</i>						
Totals	-		0.00%	-		0.00%

Source: Data unavailable.

Ocean City School District
 Full-time Equivalent District Employees by Function/Program,
 Last Ten Fiscal Years

Exhibit J-16

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction:										
Regular instruction	205.4	209.0	209.0	222.4	213.5	208.0	212.0	211.0	213	204
Other instruction	40.0	49.0	50.0	54.5	41.9	47.0	36.2	36.2	39	38
Support Services:										
Student & instruction related services	39.0	39.7	39.7	40.7	34.1	34.0	35.9	35.9	37	35
General administrative services	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3	3
School administrative services	11.6	11.6	11.6	12.3	18.9	15.8	15.8	15.8	16	16
Business administrative services	5.0	5.0	5.0	6.0	6.0	6.0	6.0	6.0	6	6
Plant operations and maintenance	24.0	25.0	25.0	34.0	35.0	35.5	35.5	33.5	34	32
Pupil transportation	-	-	-	0.3	0.3	0.7	0.7	0.7	1	1
Food Service	-	-	-	-	-	-	-	-	-	-
Total	327.0	341.3	342.3	372.2	351.7	349.0	345.1	342.1	348.5	335.0

Source: District Personnel Records

Ocean City School District
Operating Statistics,
Last Ten Fiscal Years

Exhibit J-17

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost per Pupil	% Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School	High School				
2002	2,174.5	31,408,932	14,444	7.83%	234.4	7.1:1	7.8:1	11.1:1	2,182	2,058	-3.54%	94.32%
2003	2,169.5	35,876,293	16,537	14.49%	234.4	6.4:1	7.7:1	9.9:1	2,178	2,046	-0.18%	93.94%
2004	2,145.5	38,539,789	17,963	8.63%	241.9	7.0:1	7.4:1	10.6:1	2,137	2,067	-1.88%	96.72%
2005	2,156.0	41,032,297	19,032	5.95%	236.2	7.4:1	6.7:1	10.4:1	2,134	2,057	-0.14%	96.39%
2006	2,140.0	38,179,823	17,841	-6.26%	231.2	6.5:1	7.0:1	11.2:1	2,152	2,036	0.84%	94.61%
2007	2,121.0	40,328,563	19,014	6.57%	208.0	8.2:1	8.4:1	11.9:1	2,120	2,003	-1.49%	94.48%
2008	2,077.0	40,856,418	19,671	3.46%	208.0	7.5:1	7.8:1	11.7:1	2,088	1,985	-1.51%	95.07%
2009	2,103.0	40,331,168	19,178	-2.51%	208.0	8.3:1	8.6:1	11.6:1	2,132	2,019	2.11%	94.70%
2010	2,102.0	39,706,698	18,890	-1.50%	201.0	8.8:1	9.6:1	11.3:1	2,095	1,987	-1.76%	94.85%
2011	2,049.0	38,089,570	18,589	-1.59%	190.0	9.6:1	9.6:1	11.6:1	2,052	1,940	-2.03%	94.54%

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

Ocean City School District
School Building Information,
Last Ten Fiscal Years

Exhibit J-18

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District Buildings										
Elementary										
Ocean City Primary School										
Square Feet	60,031	60,031	60,031	60,031	60,031	60,031	60,031	60,031	60,031	60,031
Capacity (students)	461	461	461	461	461	461	461	461	461	461
Enrollment	357	335	322	323	285	284	275	309	327	329
Middle School										
Ocean City Intermediate School										
Square Feet	93,846	93,846	93,846	93,846	93,846	93,846	93,846	93,846	93,846	102,448
Capacity (students)	707	707	707	707	707	707	707	707	707	707
Enrollment	544	529	461	425	419	408	413	454	488	483
High School										
Ocean City High School										
Square Feet	182,000	182,000	232,770	232,770	232,770	232,770	232,770	232,770	232,770	232,770
Capacity (students)	1,250	1,250	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338
Enrollment	1,281	1,314	1,354	1,385	1,449	1,427	1,399	1,340	1,282	1,240
Other										
Administration										
Square Feet	1,600	1,600	800	800	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*

*Administration moved to school buildings 2004 and 2006. Separate administration buildings no longer exist.

Number of Schools at June 30, 2011
 Elementary - 1
 Middle - 1
 High School - 1
 Other - 0
 Source: District Records, ASSA

Ocean City School District
General Fund
Schedule of Required Maintenance for School Facilities,
Last Ten Fiscal Years
(Unaudited)

Exhibit J-19

Undistributed Expenditures - Required Maintenance for School Facilities

School Facilities	Project # (s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Ocean City Primary School	N/A	\$ 86,146	\$ 78,969	\$ 86,437	\$ 78,351	\$ 110,202	\$ 116,396	\$ 119,152	\$ 107,761	\$ 101,969	73,483
Ocean City Intermediate School	N/A	144,636	132,586	145,124	131,494	181,510	191,711	196,251	171,677	175,293	158,087
Ocean City High School	N/A	290,053	265,889	291,033	354,042	356,537	376,575	385,493	348,891	347,014	203,673
Total School Facilities		520,835	477,444	522,594	563,827	648,248	684,682	700,896	628,329	624,276	435,243
Other Facilities											98,929
Grand Total		\$ 520,835	\$ 477,444	\$ 522,594	\$ 563,827	\$ 648,248	\$ 684,682	\$ 700,896	\$ 628,329	\$ 624,276	\$ 534,172

Source: District Records

Ocean City School District
Insurance Schedule
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Exhibit J-20

Company	Type of Coverage	Amount of Coverage	Deductible
New Jersey School Board Association Insurance Group	School Package Policy:		
	Property - Blanket Buildings & Contents	\$ 79,532,550.00	\$ 5,000.00
	Blanket Extra Expense	25,000,000.00	5,000.00
	Blanket Valuable Papers and Records	10,000,000.00	5,000.00
	Flood	Various sub limits	500,000.00
	Terrorism	1,000,000.00	
	Electronic Data Processing Equipment:		
	Blanket Hardware/Software and Extra Expense	250,000.00	1,000.00
	Equipment Breakdown	100,000,000.00	5,000.00
	Crime Coverage:		
	Public Employee Dishonesty	25,000.00	500.00
	Money & Securities	25,000.00	500.00
	Money Orders/Counterfeit Currency	25,000.00	500.00
	Depositor's Forgery	25,000.00	500.00
	Comprehensive General Liability:		
	Bodily Injury & Property Damage	1,000,000.00	
	Bodily Injury from Products & Completed Operations	1,000,000.00	
	Sexual Abuse	1,000,000.00	
	Personal Injury & Advertising Injury	1,000,000.00	
	Employee Benefit Liability	1,000,000.00	1,000.00
	Premises Medical Payments	10,000.00	100.00
	Terrorism	1,000,000.00	
	Automobile:		
	Bodily Injury & Property Damage	1,000,000.00	
	Uninsured/Underinsured Motorists	1,000,000.00	
	Personal Injury Protection	250,000.00	
	Medical Payments	10,000.00	
Excess Policy			
Automobile	1,000,000.00		
General Liability	1,000,000.00		
Employers' Liability	2,000,000.00		

Source: District Records

SINGLE AUDIT SECTION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable President and
Members of the Board of Education
City of Ocean City School District
County of Cape May,
Ocean City, New Jersey

We have audited the basic financial statements of the Board of Education of City of Ocean City School District, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements presented 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 City of Ocean City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ocean City School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ocean City School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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, detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ocean City School District's basic 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 basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey. However, we noted other instances of noncompliance that we reported in the separate Auditor's Management Report dated November 22, 2011.

This report is intended for the information of the management of the City of Ocean City School District, the New Jersey State Department of Education (the cognizant audit agency), other state and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these parties.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



Glen J. Ortman
Certified Public Accountant
Licensed Public School Accountant
No. 853

November 22, 2011



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

Honorable President and
Members of the Board of Education
City of Ocean City, Board of Education
Cape May County, New Jersey

Compliance

We have audited the Board of Education of the City of Ocean City School District, State of New Jersey, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State 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 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 Board of Education's management. Our responsibility is to express an opinion on the 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 prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the 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 Board of Education's compliance with those requirements.

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

Internal Control Over Compliance

The management of City of Ocean City Board of Education School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered City of Ocean City 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 City of Ocean City Board of Education's internal control over compliance.

A deficiency in internal control over compliance 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 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 programs will not be prevented, detected and corrected, on a timely basis.

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

This report is intended for the information of the management of the City of Ocean City Board of Education, the New Jersey State Department of Education (cognizant audit agency), other state and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these parties.

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Glen J. Ortman
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No. 853

November 22, 2011

CITY OF OCEAN CITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
 for the Year ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	Grant Period To	Balance June 30, 2010	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	(Accounts Receivable) June 30, 2011	Deferred Revenue June 30, 2011	Due to Grantor at June 30, 2011
U.S. Department of Education														
General Fund														
Medial Assistance Program (SEMI)	93-788	N/A	\$	18,707.19	7/1/2010	6/30/2011	\$	4,339.41	\$	(18,707.19)	\$	(14,367.78)	\$	
U.S. Department of Education														
Passed-Through State Department of Education:														
Special Revenue Fund:														
Title I, Carryover 08	84-010	N/A	151,788.00	9/1/2007	8/31/2008	27.80	(27.80)							
Title I, Carryover	84-010	N/A	152,780.00	9/1/2008	8/31/2009	(35,642.92)	(17,699.09)	53,342.00	(50,587.55)					
Title I	84-010	N/A	195,467.00	9/1/2009	8/31/2010	(96,262.33)	17,726.88	129,123.00	(175,773.52)			(55,976.00)	11,435.48	
Title I	84-010	N/A	187,209.00	9/1/2010	8/31/2011	(29,719.00)		131,233.00	(175,773.52)					
Title I, ARRA	84-398	N/A	61,562.00	7/1/2009	8/31/2011			46,573.00	(16,854.00)					
I.D.E.A. Part B, Basic Regular	84-027	N/A	378,077.00	9/1/2010	8/31/2011	(304,636.70)	19.53	210,617.00	(375,238.57)			(174,296.00)	2,838.43	
I.D.E.A. Part B, Basic Regular	84-027	N/A	364,154.00	9/1/2009	8/31/2010	20.13	6,816.47	310,235.00	(5,617.83)					
I.D.E.A. Part B, Basic Regular - Carryover	84-027	N/A	351,254.00	9/1/2008	8/31/2009			7,816.00		0.60	14,652.00			
I.D.E.A. Part B, Basic Regular, ARRA	84-391	N/A	289,030.00	7/1/2009	9/30/2011	(50,504.50)		222,977.00	(195,207.50)			(22,735.00)		
I.D.E.A. Part B, Preschool	84-173	N/A	12,325.00	9/1/2010	8/31/2011	(11,007.11)	100.55	11,432.00	(11,588.45)			(893.00)	837.10	
I.D.E.A. Part B, Preschool	84-173	N/A	11,846.00	9/1/2009	8/31/2010		(57.69)	11,708.00	(643.20)					
I.D.E.A. Part B, Preschool - Carryover	84-173	N/A	11,680.00	9/1/2008	8/31/2009		(42.86)	10,421.00						
I.D.E.A. Part B, Preschool, ARRA	84-392	N/A	10,421.00	7/1/2009	9/30/2011	(10,421.00)		10,421.00						
Title II - Part A	84-367A	N/A	98,148.00	9/1/2010	8/31/2011			72,905.00	(93,356.20)			(23,243.00)	2,789.80	
Title II - Part A	84-367A	N/A	96,023.00	9/1/2009	8/31/2010	(42,123.00)		42,123.00						
Title II - Part A - Carryover	84-367A	N/A	96,408.00	9/1/2008	8/31/2009	(1,285.00)		1,285.00						
Title II - Part D - Carryover 08	84-318	N/A	5,768.51	9/1/2007	8/31/2008	96.00	(96.00)							
Title II - Part D - Carryover	84-318	N/A	1,202.00	9/1/2008	8/31/2009	(1,082.94)	95.94	987.00	(612.86)					
Title II - Part D	84-318	N/A	2,152.00	9/1/2009	8/31/2010	(1,492.20)	0.06	2,105.00	(368.00)			(368.00)		
Title II - Part D	84-318	N/A	368.00	9/1/2010	8/31/2011				(190.07)					
Title III	84-365A	N/A	16,018.00	9/1/2010	8/31/2011			7,404.00						
Title III	84-365A	N/A	19,247.00	9/1/2009	8/31/2010	(7,198.13)	(645.80)	7,934.00	(16,018.00)					
Title III - Carryover 08	84-365A	N/A	10,547.00	9/1/2007	8/31/2008	1,041.54	(1,041.54)							
Title III - Carryover	84-365A	N/A	10,563.00	9/1/2008	8/31/2009	(4,415.34)	(147.66)	4,563.00	(5.63)					
Title IV	84-186	N/A	5,181.00	9/1/2009	8/31/2010	(1,850.00)	5.63	1,850.00						
Title IV - Carryover 08	84-186	N/A	7,129.00	9/1/2007	8/31/2008	5.63	(5.63)							
Title IV - Carryover	84-186	N/A	4,706.00	9/1/2008	8/31/2009	(534.00)		534.00						
Total Special Revenue Fund						(596,636.21)	0.00	1,286,722.00	(942,063.39)	0.60	16,309.00	(284,390.00)	17,900.81	
U.S. Department of Education														
Passed-Through State Department of Education:														
Enterprise Fund:														
U.S.D.A. Commodities Program	10-550	N/A	31,738.01	7/1/2010	6/30/2011			31,738.01	(31,738.01)					
School Breakfast Program	10-553	N/A	6,063.40	7/1/2009	6/30/2010	(357.68)		357.68						
School Breakfast Program	10-553	N/A	10,018.18	7/1/2010	6/30/2011			10,018.18	(10,018.18)					
National School Lunch Program	10-555	N/A	163,491.47	7/1/2009	6/30/2010	(6,325.58)		8,325.58						
National School Lunch Program	10-555	N/A	172,977.52	7/1/2010	6/30/2011			172,977.52	(172,977.52)					
Total Enterprise Fund						(6,683.26)		223,416.97	(214,733.71)					
Total Federal Financial Awards						(605,521.47)	0.00	1,516,478.38	(1,175,504.29)	0.60	16,309.00	(284,390.00)	17,900.81	

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

CITY OF OCEAN CITY SCHOOL DISTRICT
 Schedule of Expenditures of State Financial Assistance
 for the Fiscal Year ended June 30, 2011

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2010		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments / Repayment of Prior Years' Balances	Balance at June 30, 2011		MEMO		
				Deferred Revenue (Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Deferred Revenue	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education														
General Fund:														
Special Education Aid	11-495-034-5120-069	248,391.00	7/1/2010	6/30/2011			248,391.00	(248,391.00)					248,391.00	
Non-refundable Transportation Aid	10-465-034-5120-014	4,369.00	7/1/2009	6/30/2010			4,369.00						4,369.00	
Non-refundable Transportation Aid	11-465-034-5120-014	5,046.00	7/1/2010	6/30/2011				(5,046.00)					5,046.00	
Reimbursed TPAF Social Security	11-495-034-5095-002	1,472,524.17	7/1/2010	6/30/2011			1,472,524.17	(1,472,524.17)					1,472,524.17	
Total General Fund							1,725,284.17	(1,725,961.17)			(5,046.00)		1,730,330.17	
Special Revenue Fund:														
None														
Total Special Revenue Fund														
New Jersey Economic Development Authority														
Capital Projects Fund														
Acquisition of Real Property and Construction of New High Schools, Improvements and Renovations to the Intermediate School	N/A	11,518,970.00	Open	Open									(518,353.65)	11,000,616.35
Total Capital Project Fund		3,408,856.00	Open	Open									(3,408,856.00)	3,408,856.00
Total Capital Project Fund													(3,927,209.65)	14,409,472.35
State Department of Agriculture:														
Enterprise Fund:														
National School Lunch Program (State Share)	11-100-010-3360-067	5,914.76	7/1/2010	6/30/2011			5,914.76	(5,914.76)					5,914.76	
National School Lunch Program (State Share)	10-100-010-3360-067	8,629.10	7/1/2009	6/30/2010			441.30						8,629.10	
Breakfast Program (State Share)	10-100-010-3360-096	517.20	7/1/2010	6/30/2011			24.90						517.20	
Total Enterprise Fund							6,380.96	(5,914.76)					15,061.06	
Total State Financial Assistance							\$ 1,731,665.13	\$ (1,731,875.93)			\$ (3,932,255.65)		\$ 16,154,655.58	

**OCEAN CITY SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2011**

Note 1: General

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, City of Ocean City School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the schedule of federal awards and 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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

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

The general fund is presented in the accompanying schedules on 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 two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$190,703.00 for the general fund and \$119,912.77 for the special revenue fund. See the Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

	Federal	State	On-Behalf TPAF Pension	Total
General Fund	\$ 18,707.19	\$ 3,349,730.17	\$ (1,433,066.00)	\$ 1,935,371.36
Special Revenue Fund	1,035,754.97			1,035,754.97
Food Service Fund	214,733.71	5,914.76		220,648.47
Total Financial Assistance	\$ 1,269,195.87	\$ 3,355,644.93	\$ (1,433,066.00)	\$ 3,191,774.80

The On-Behalf Pension Contributions made for the District by the State of New Jersey are recognized as revenue in the basic financial statements, but are not considered in the major program determination.

**OCEAN CITY SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2011
(CONTINUED)**

Note 4: Relationship to Federal and State Financial Reports

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

Note 5: Other

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

**OCEAN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2011**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified Opinion issued on the Basic Financial Statements, dated November 22, 2011
Internal control over financial reporting:	
1) Material weakness identified?	No
2) Significant deficiencies identified?	None reported
Noncompliance material to basic financial statements noted?	No

Federal Awards

Internal control over major programs:	
1) Material weakness identified?	No
2) Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	An Unqualified Opinion was issued on compliance for major programs, dated November 22, 2011
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Special Education Cluster</u>	<u>Name of Federal Program or Cluster</u>
84.027		IDEA, Part B, Basic, Regular
84.173		IDEA, Part B, Preschool
84.391		IDEA, Part B, Basic, Regular, ARRA
84.392		IDEA, Part B, Preschool, ARRA

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**OCEAN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2011
(CONTINUED)**

Section I – Summary of Auditor’s Results (Continued)

State Awards

Dollar threshold used to distinguish between type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes
Type of auditor’s report issued on compliance for major programs:	An Unqualified Opinion was issued on compliance for major programs, dated November 22, 2011
Internal Control over major programs:	
1) Material weakness identified?	No
2) Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 04-04?	No

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
495-034-5120-089	<u>State Aid Public</u> Special Education Aid
3780-060-09-0ZEI and J	SDA Grant – Intermediate School

Section II - Financial Statement Findings

In accordance with Government Auditing Standards, our audit disclosed no findings relating to the financial statements that are required to be reported under this section.

OCEAN CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDING JUNE 30, 2011
(CONTINUED)

Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs

FEDERAL AWARDS

Our audit disclosed no matters to be reported.

STATE AWARDS

Our audit disclosed no matters to be reported.

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

STATUS OF PRIOR YEAR FINDINGS

Federal:

No matters were reported.

State:

No matters were reports.