

**SCHOOL DISTRICT**

**OF**

**LAVALLETTE**



**LAVALLETTE BOARD OF EDUCATION  
LAVALLETTE, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE**

**LAVALLETTE BOARD OF EDUCATION**

**LAVALLETTE, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**PREPARED BY**

**LAVALLETTE BOARD OF EDUCATION  
FINANCE DEPARTMENT**

**LAVALLETTE SCHOOL DISTRICT**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	1 to 6.
Roster of Officials	7.
Consultants and Advisors	8.
Organization Chart	9.
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	10 to 12.
<b>Required Supplementary Information – Part I</b> Management's Discussion and Analysis	13 to 16.
<b><u>Basic Financial Statements</u></b>	
A. District-wide Financial Statements:	
A-1 Statement of Net Position	17.
A-2 Statement of Activities	18 & 19.
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	20.
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	21 & 22.
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23.
Proprietary Funds:	
B-4 Statement of Net Position	24.
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	25.
B-6 Statement of Cash Flows	26.
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	27.
B-8 Statement of Changes in Fiduciary Net Position	28.

# LAVALLETTE SCHOOL DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
Notes to Financial Statements	29 to 45.
<b>Required Supplementary Information – Part II</b>	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	46 to 55.
C-2 Budgetary Comparison Schedule – Special Revenue Fund	56.
Notes to the Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	57.
Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures Special Revenue Fund – Budgetary Basis	58.
E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures – Budgetary Basis	N/A
E-5 Instructional Supplement Aid Schedule of Expenditures – Budgetary Basis	N/A

# LAVALLETTE SCHOOL DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
F. Capital Projects Fund:	
F-1 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance	59.
F-1a Schedule of Project Revenues, Expenditures, Project Balance, And Project Status – Window and Door Replacement to Elementary School	60.
F-1b Schedule of Project Revenues and Expenditures and Project Balance And Project Status – Addition to Elementary School	61.
G. Proprietary Fund:	
Enterprise Fund:	
G-1 Statement of Net Assets	N/A
G-2 Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
G-3 Statement of Cash Flows	N/A
Internal Service Fund:	
G-4 Combining Statement of Net Assets	N/A
G-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
G-6 Combining Statement of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	62.
H-2 Combining Statement of Changes in Fiduciary Net Position	63.
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	64.
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	65.
I. Long-Term Debt:	
I-1 Statement of Serial Bonds	66.
I-2 Schedule of Obligations under Capital Leases	67.
I-3 Debt Service Fund Budgetary Comparison Schedule	68.

**LAVALLETTE SCHOOL DISTRICT**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>STATISTICAL SECTION (Unaudited)</b>	
<b>Introduction to the Statistical Section</b>	
<b>Financial Trends</b>	
J-1 Net Position by Component	69.
J-2 Changes in Net Position	70 & 71.
J-3 Fund Balances – Governmental Funds	72.
J-4 Changes in Fund Balances – Governmental Funds	73.
J-5 General Fund Other Local Revenue by Source	74.
<b>Revenue Capacity</b>	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	75.
J-7 Direct and Overlapping Property Tax Rates	76.
J-8 Principal Property Taxpayers*	77.
J-9 Property Tax Levies and Collections	78.
<b>Debt Capacity</b>	
J-10 Ratios of Outstanding Debt by Type	79.
J-11 Ratios of General Bonded Debt Outstanding	80.
J-12 Direct and Overlapping Governmental Activities Debt	81.
J-13 Legal Debt Margin Information	82.
<b>Demographic and Economic Information</b>	
J-14 Demographic and Economic Statistics	83.
J-15 Principal Employers	84.
<b>Operating Information</b>	
J-16 Full-time Equivalent District Employees by Function/Program	85.
J-17 Operating Statistics	86.
J-18 School Building Information	87.
J-19 Schedule of Required Maintenance Expenditures by School Facility	88.
J-20 Insurance Schedule	89.
*Private citizens should be listed as Individual Taxpayer 1, Individual Taxpayer 2, etc.	
K-1 Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90 & 91.
K-3 Schedule of Expenditures of Federal Awards, Schedule A	92.
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	93.
K-5 Notes to Schedules of Awards of Financial Statements	94 to 96.

## **INTRODUCTORY SECTION**

**LAVALLETTE BOARD OF EDUCATION**

*105 Brookfyn Avenue  
Lavallette, New Jersey 08735*

**Peter S. Morris, Ed.D.**  
**CPA**

Superintendent  
(732) 793-7722

**Patricia A. Christopher,**

Business Administrator  
(732) 793-7402

October 30, 2013

Honorable President and Members  
Board of Education of the Borough of Lavallette  
105 Brooklyn Avenue  
Lavallette, NJ 08735

Dear Board Members:

The comprehensive annual financial report of the Lavallette School District (District) for the fiscal year ended June 30, 2013 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payment." 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:** Lavallette School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Lavallette Board of Education and its single school constitute the District's reporting entity.

1. REPORTING ENTITY (Continued)

The District provides a full range of educational services appropriate to grade levels K through 8, and has a sending-receiving relationship with the Point Pleasant Board of Education for grades 9 through 12. Classes offered are regular, vocational, and special education for disabled youngsters. The District completed the 2013 fiscal year with an enrollment of 193 students, a decrease of 36 students from June 2012. Most of this decline can be attributed to the effects of Superstorm Sandy on the district. The following details the changes in the student enrollment over the last ten years:

Average Daily Enrollment, K-8

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2012-2013	145.9	-13.8 %
2011-2012	166.1	-0.6%
2010-2011	167.2	12.5%
2009-2010	148.6	6.4%
2008-2009	139.6	-5.9%
2007-2008	148.4	5.0%
2006-2007	141.3	-
2005-2006	141.3	-1.6%
2004-2005	143.6	-8.1%
2003-2004	156.3	-4.1%

2. ECONOMIC CONDITIONS AND OUTLOOK: Less than one mile square, twenty-seven blocks long and four blocks wide, Lavallette is a charming, residential seashore resort community. Enjoyed by many thousands of visitors in the summertime, Lavallette has a year-round population of under 3,000 residents, approximately one-third of whom may be classified as senior citizens. Employment is largely associated with the summer tourist industry (i.e., motels, restaurants, gift shops, clothing stores, etc.), although a number of the businesses maintain year-round operations. Many of Lavallette's residents are employed either directly or indirectly in this service industry. As part of a barrier island, Lavallette is landlocked between two sections of Dover Township on the north and south, and is bordered by the Atlantic Ocean and Barnegat Bay on the east and west. Consequently, its opportunities for business and residential expansion are limited.

3. MAJOR INITIATIVES: Students continue to meet and/or exceed objectives set by the educational administration as reported to the New Jersey Department of Education. The Lavallette Elementary School continues to perform achievement scores reported for math, science, reading and writing on standardized tests. Programming during the 2012-2013 school year focused on a continuation of the Board of Education's emphasis on technology in the classrooms, hands-on science instruction and excellence in language arts.

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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2013.

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

7. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2013, and the amount and percentage of increases in relation to prior year revenues. Excluded from the presentation are the State of New Jersey TPAF pension contributions on behalf of the Board of Education and the reimbursed TPAF Social Security contributions made by the Board and reimbursed by the State.

<u>Revenue</u>	<u>Amount of Total</u>	Percent	<u>Increases/(Decreases) from 2012</u>	
			<u>\$</u>	<u>%</u>
Local	\$3,894,613	86%	\$61,804	1.6%
State	532,075	12%	170,590	47.2%
Federal	<u>96,498</u>	<u>2%</u>	<u>15,105</u>	18.6%
Total	<u>\$4,523,186</u>	<u>100%</u>	<u>\$ 247,499</u>	5.7%

The local tax levy increased year-to-year \$13,698. Interest earned, tuition and miscellaneous income equaled \$198,423, an increase of \$15,299 from 2011/2012.

The schedule below presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2013, and the percentage of increase or decrease in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase/(Decrease) from 2012</u>	
			<u>\$</u>	<u>%</u>
Current:				
Instruction	\$1,477,669	34.52%	84,137	6.0 %
Undistributed				
Instruction	1,299,583	30.36%	9,533	7.3%
Other Expend	1,357,175	31.71%	21,748	23.8%
Capital Outlay	8,901	.20%	2,353	35.9%
Debt Service				
Principal	100,000	2.34%	-	- %
Interest	<u>37,205</u>	<u>0.87%</u>	<u>(4,520)</u>	10.8%
Total	<u>\$4,243,729</u>	<u>100.00%</u>	<u>\$ 113,251</u>	2.7%

The allocation of expenditures reflects the Board's and Superintendent's objective to provide the best education possible at the least cost, a factor in maintaining the Borough of Lavallette's enviable position as one of the state's lowest school taxpaying districts. During 2013 Lavallette taxpayers were assessed the lowest general school tax for an operating school district in Ocean County. Faculty salaries increased and included expanded teacher hours for regular education and special education instruction. Capital Outlay monies were used for building maintenance equipment.

8. DEBT ADMINISTRATION: On August 5, 2000 the District sold \$600,000 of school bonds at 5.15% for the purpose of replacing heating and air conditioning units and other energy conservation projects in the Lavallette Elementary School.

On March 8, 2005 the District sold \$1,187,000 of school bonds at a net interest rate of 4.109% for the purpose of renovations at the Lavallette Elementary School.

At June 30, 2013, the District's outstanding debt was \$800,000.

9. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan 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. The Board's cash position is adequate, with a balance of \$375,072 in cash and temporary investments at June 30, 2013.

The school food service fund typically receives a small amount of federal funding due to the low percentage of families eligible for meal benefits (free and reduced lunches). During the 2012/2013 school year an unusual number of students qualified for free lunches due to the number of families made homeless by Superstorm Sandy. The food services staff is proud of the nutritious lunches served daily to the students, faculty and other staff, and they have taken steps to hold down expenses in an effort to reach financial goals to limiting the financial support that the school service fund receives from the Board.

10. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, comprehensive/collision, flood, student and volunteer accident, hazard and theft insurance on property and contents, and fidelity bonds. The Board worked with the New Jersey School Boards Association Insurance Group to review insurance requirements in order to secure the most appropriate coverage at the least possible cost.

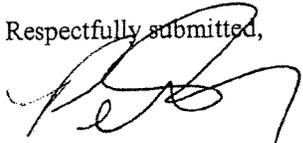
11. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert A. Hulsart & Company, CPAs, was selected by the Board to provide this service. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combined and individual fund statements and schedules is included in the financial section of this report. The auditor's reports specifically related to the single audit are included in the single audit section of this report.

12. ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Lavallette Board of Education for their continued concern in providing fiscal accountability to the taxpayers and citizens of the Borough of Lavallette, thereby contributing their full support to the development and maintenance of the District's financial operation.

Respectfully submitted,



Dr. Peter S. Morris, Ed.D.  
Superintendent



Patricia A. Christopher, CPA  
School Business Administrator/Board Secretary

## LAVALLETTE BOARD OF EDUCATION

LAVALLETTE, NEW JERSEY

## ROSTER OF OFFICIALS

JUNE 30, 2013

<u>Members of the Board of Education:</u>	<u>Term Expires:</u>
Alison Zylinski, President,	2015
Lisa Taylor, Vice President	2016
MaryAnn Baginski, Board Member	2014
Steve Shohfi, Board Member	2015
David Finter, Board Member	2016

## Other Officials:

Dr. Peter S. Morris, Superintendent

Patricia A. Christopher, CPA, School Business Administrator/Board Secretary

Joan Buczkowski, Treasurer

LAVALLETTE BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

**Audit Firm:**

**Robert A. Hulsart and Company**  
Certified Public Accountants  
2807 Hurley Pond Road  
Wall, New Jersey 07719

**Attorney:**

**Francis J. Campbell, Esq.**  
**Reussille, Mausner, Carotenuto, Burger, Kenny & Steel, LLC**  
365 Broad Street  
P.O. Box 580  
Red Bank, NJ 07701

**Official Depository:**

**Ocean First Bank**  
Hooper Avenue  
Toms River, NJ 08735

**LAVALLETTE BOARD OF EDUCATION  
ORGANIZATION CHART  
(UNIT CONTROL)**

**BOARD OF EDUCATION**

**SUPERINTENDENT**

School Business Administrator/  
Board Secretary

Secretary to the Superintendent

Teaching Staff:

Bookkeeper

K-8

Facilities Manager

School Nurse

Custodial Staff

Foreign Language

Food Service Director

Physical Education

Food Service Staff

Resource

Attendance Officer

Basic Skills

Treasurer

Speech

Media Center

Music

Art

Guidance Counselor

Aides

## **FINANCIAL SECTION**

*Robert A. Hulsart and Company*  
 CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

Telecopier:  
 (732) 280-8888

e-mail:  
 rah@monmouth.com

2807 Hurley Pond Road • Suite 100  
 P.O. Box 1409  
 Wall, New Jersey 07719-1409  
 (732) 681-4990

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
 of the Board of Education  
 Lavallette School District  
 County of Ocean  
 Lavallette, New Jersey

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Lavallette School District, in the County of Ocean, State of New Jersey, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Lavallette School District, in the County of Ocean, State of New Jersey, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 on our consideration of the Lavallette's Board of Education internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lavallette Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

**ROBERT A. HULSART AND COMPANY**

---

**Robert A. Hulsart**  
**Licensed Public School Accountant**  
**No. 322**  
**Robert A. Hulsart and Company**  
**Wall Township, New Jersey**

October 30, 2013

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

## LAVALLETTE SCHOOL DISTRICT

### Management's Discussion and Analysis

For the Year Ended June 30, 2013

This section of the School District's Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

**District-wide Financial Statements.** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private sector business.

The statement of net position (A-1) presents information on all of the assets and liabilities of the District, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities (A-2) presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund Financial Statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary or fiduciary.

*Governmental Funds* – are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar statements. By so doing, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual government funds: the general fund, special revenue fund and capital projects fund. All are considered to be major funds. The basic governmental fund financial statements can be found as Exhibits B-1 through B-3 in this report.

*Proprietary Funds* – The District maintains one proprietary fund type, an enterprise fund. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the District is that the costs of providing the goods or services be financed through user charges. Included in the enterprise fund is the Food Service operation. The basic proprietary fund statements can be found as Exhibits B-4 through B-6.

*Fiduciary Funds* – are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The District uses trust and agency funds to account for resources held for payroll transactions. The basic fiduciary fund statements can be found as Exhibit B-7 and B-8.

**Notes to the Financial Statements.** The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found after the fund statements in this report.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2012-2013 fiscal year include the following:

- The local tax levy increased from 2011-2012 by \$13,608 to \$3,696,190 due primarily to the overall increase in the District's general fund budget and relatively flat state aid.
- Total spending for all programs was \$4,448,530. General revenues (primarily local tax levy and state aid) were adequate to provide for the balance of these programs.

### District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The following table provides a summary of net position:

	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 1,490,637	1,192,825
Capital Assets, Net	<u>4,136,720</u>	<u>4,439,201</u>
Total	<u>5,627,357</u>	<u>5,632,026</u>
Other Liabilities	257,800	182,768
Long-Term Liabilities	<u>825,221</u>	<u>977,133</u>
Total	<u>1,083,021</u>	<u>1,159,901</u>
Invest in Capital Assets, Net	3,337,720	3,539,201
Restricted	1,134,419	821,714
Unrestricted	<u>72,197</u>	<u>111,210</u>
Total Net Position	<u>\$ 4,544,336</u>	<u>4,472,125</u>

The District's investment in capital assets is shown net of any related debt used to acquire those assets.

The unrestricted net position shows a negative balance. The negative balance is attributable to the liability for compensated absences. This is a direct liability with no corresponding asset, therefore creating a negative net asset.

The following table provides a summary of revenues and expenses for the District's governmental fund and business-type activities and the change in net assets from the prior year:

	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues	\$ 156,326	206,581
Charges for Services	169,612	109,022
Operating Grants and Contributions		
General Revenues	3,572,526	3,554,925
Property Taxes	123,664	127,567
Taxes Levied for Debt Service	532,075	447,207
Federal and State Aid	12,418	<u>2,621</u>
Miscellaneous & Investment Income	<u>4,566,621</u>	<u>4,447,923</u>
Total Revenues		
Expenses:		
Instructional Services	1,477,669	1,393,532
Support Services/Undistributed Costs	2,970,861	3,016,951
Food Service	<u>65,685</u>	<u>75,867</u>
Total Expenses	<u>4,514,215</u>	<u>4,486,350</u>
Change in Net Position	<u>\$ 52,406</u>	<u>(38,427)</u>

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget is comprised mainly of the June 30, 2012 encumbrances, which "roll-over" into the subsequent year's budget (2012-2013) and are added to the original budget appropriations.

Throughout the year, as necessary, budget transfers are effectuated between budget accounts to re-align the 2012-2013 budget.

### **Economic Factors and Next Year's Budget**

Due to the economic condition in the State of New Jersey funding from the State for the current year decreased for the previous year. Any future increases based on the enrollment formula, originally formulated to allocate state education aid amongst districts, will be minimal. Future decreases in local revenue and state education aid will place additional burden on the taxpayers of Lavallette Borough.

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

The District's financial report is designed to provide citizen groups, taxpayers, parents, students, other local officials, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions regarding this report can be addressed to the School Business Administrator.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS - A**

**LAVALLETTE SCHOOL DISTRICT****STATEMENT OF NET POSITION**

Exhibit A-1

**JUNE 30, 2013**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 372,000	3,032	375,032
Receivables, Net	686,482	1,813	688,295
Other Current Assets	3,251		3,251
Inventory		1,270	1,270
Restricted Assets:			
Cash and Cash Equivalents	289,856		289,856
Capital Reserve Account - Cash	131,933		131,933
Capital Assets, Net	<u>4,137,720</u>		<u>4,137,720</u>
Total Assets	<u>5,621,242</u>	<u>6,115</u>	<u>5,627,357</u>
<b><u>Liabilities</u></b>			
Accounts Payable and Accrued Interest	20,553	45,549	66,102
Deferred Revenue	84,606		84,606
Noncurrent Liabilities:			
Due Within One Year	107,092		107,092
Due Beyond One Year	825,221		825,221
Total Liabilities	<u>1,037,472</u>	<u>45,549</u>	<u>1,083,021</u>
<b><u>Net Position</u></b>			
Invested in Capital Assets, Net of Related Debt	3,337,720		3,337,720
Restricted For:			
Capital Projects	367,201		367,201
Other Purposes	767,218		767,218
Unrestricted	<u>111,631</u>	<u>(39,434)</u>	<u>72,197</u>
Total Net Position	<u>\$ 4,583,770</u>	<u>(39,434)</u>	<u>4,544,336</u>

The accompanying notes to financial statements are an integral part of this statement.

LAVALLETTE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
Governmental Activities:						
Instruction:						
Regular	\$ 1,074,466	148,727	101,853	(823,886)	-	(823,886)
Special Education	339,087			(339,087)		(339,087)
Other Instruction	64,116			(64,116)		(64,116)
Support Services:						
Tuition	957,271			(957,271)		(957,271)
Student & Instruction Related Services	342,312		31,939	(310,373)		(310,373)
School Administrative Services	257,968			(257,968)		(257,968)
Plant Operations and Maintenance	206,994			(206,994)		(206,994)
Pupil Transportation	71,294			(71,294)		(71,294)
Business and Other Support Services	776,099			(776,099)		(776,099)
Interest on Long-Term Debt \ Leases	28,666			(28,666)		(28,666)
Depreciation	330,257			(330,257)		(330,257)
Total Government Activities	4,448,530	148,727	133,792	(4,166,011)	-	(4,166,011)
Business-Type Activities:						
Food Service	65,685	7,599	35,820	-	(22,266)	(22,266)
Total Business-Type Activities	65,685	7,599	35,820	-	(22,266)	(22,266)
Total Primary Government	4,514,215	156,326	169,612	(4,166,011)	(22,266)	(4,188,277)

LAVALLETTE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purpose, Net				3,572,526		3,572,526
Taxes Levied for Debt Service				123,664		123,664
Federal and State Aid Not Restricted				532,075		532,075
Investment Earnings				458	16	474
Miscellaneous				11,944		11,944
Transfers				(24,450)	24,450	-
Total General Revenues, Special Items, Extraordinary Items and Transfers				4,216,217	24,466	4,240,683
Change in Net Position				50,206	2,200	52,406
Net Position - Beginning				4,533,564	(41,634)	4,491,930
Net Position - Ending				\$ 4,583,770	(39,434)	\$ 4,544,336

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

**FUND FINANCIAL STATEMENTS – B**

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 720,339	73,450		793,789
Receivables Net	76,545		609,937	686,482
Other Current Assets	3,251			3,251
Interfund Receivable	236,231			236,231
Total Assets	<u>\$ 1,036,366</u>	<u>73,450</u>	<u>609,937</u>	<u>1,719,753</u>
<b><u>Liabilities and Fund Balance</u></b>				
Liabilities:				
Interfund Payable	\$ -		236,231	236,231
Deferred Revenue	11,156	73,450		84,606
Accounts Payable			6,505	6,505
Total Liabilities	<u>11,156</u>	<u>73,450</u>	<u>242,736</u>	<u>327,342</u>
Fund Balance:				
Restricted for:				
Excess Surplus - Current Year	115,925			115,925
Committed To:				
Designated for Subsequent Years Expenditures -				
Excess Surplus	122,960			122,960
Emergency Reserve Account	53,750			53,750
Maintenance Reserve Account	236,106			236,106
Capital Reserve Account	131,933			131,933
Assigned To:				
Other Purposes	106,544			106,544
Unassigned:				
Capital Projects			367,201	367,201
General Fund	257,992			257,992
Total Fund Balances	<u>1,025,210</u>	<u>-</u>	<u>367,201</u>	<u>1,392,411</u>
Total Liabilities and Fund Balance	<u>\$ 1,036,366</u>	<u>73,450</u>	<u>609,937</u>	

Amounts reported for governmental activities in the Statement of Net Position (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 \$7,101,428 and the accumulated depreciation is \$2,963,708.

4,137,720

Accrued Interest

(14,048)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (see Note 3)

(932,313)

Net position of governmental activities

\$ 4,583,770

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Local Sources:					
Local Tax Levy	\$ 3,572,526			123,664	3,696,190
Tuition Charges	148,727				148,727
Interest Earned on Capital Reserve Funds	232				232
Interest Earned on Maintenance Reserve Funds	226				226
Miscellaneous	11,944	37,294			49,238
Total Local Sources	<u>3,733,655</u>	<u>37,294</u>	<u>-</u>	<u>123,664</u>	<u>3,894,613</u>
State Sources	518,534			13,541	532,075
Federal Sources		96,498			96,498
Total Revenues	<u>4,252,189</u>	<u>133,792</u>	<u>-</u>	<u>137,205</u>	<u>4,523,186</u>
<b>Expenditures</b>					
Current:					
Regular Instruction	1,074,466				1,074,466
Special Education Instruction	237,234	101,853			339,087
Other Instruction	64,116				64,116
Support Services and Undistributed Costs:					
Tuition	957,271				957,271
Student and Instruction Related Services	310,373	31,939			342,312
Support Services General and School Administration	257,968				257,968
Plant Operations and Maintenance	206,994				206,994
Pupil Transportation	71,294				71,294
Unallocated Benefits	820,919				820,919
Capital Outlay	8,971				8,971
Debt Service:					
Principal				100,000	100,000
Interest and Other Charges				37,205	37,205
Total Expenditures	<u>4,009,606</u>	<u>133,792</u>	<u>-</u>	<u>137,205</u>	<u>4,280,603</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	242,583	-	-	-	<u>242,583</u>
Other Financing Sources (Uses):					
Transfers To Food Service Fund	(24,450)				(24,450)
Impairment of Assets/Costs Relating to Superstorm Sandy	(56,154)				(56,154)
Insurance Recoveries Related to Impaired Assets/Costs	52,518				52,518
Relating to Superstorm Sandy					
FEMA Recoveries Related to Impaired Assets/Costs	3,636				3,636
Relating to Superstorm Sandy	(24,450)				(24,450)
Total Other Financing Sources (Uses)	<u>218,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,133</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	218,133	-	-	-	218,133
Net Change in Fund Balances	807,077	-	367,201	-	1,174,278
Fund Balance - July 1	<u>\$ 1,025,210</u>	<u>-</u>	<u>367,201</u>	<u>-</u>	<u>1,392,411</u>
Fund Balance - June 30					

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

**LAVALLETTE SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**      Exhibit B-3  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Total Net Change in Fund Balances - Governmental Funds (From B-2)      \$      218,133

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Capital Outlays	8,971	
Depreciation	<u>(330,257)</u>	(321,286)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.      100,000

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) 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).      44,820

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.      8,539

Change in Net Assets of Governmental Activities      \$      50,206

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

**LAVALLETTE SCHOOL DISTRICT****STATEMENT OF NET POSITION**

Exhibit B-4

**PROPRIETARY FUNDS****JUNE 30, 2013**

	<b>Business Type Activities Enterprise Fund</b>
	<hr/>
<b><u>Assets</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,032
Accounts Receivable	1,813
Inventories	1,270
Total Current Assets	<hr/> 6,115 <hr/>
Noncurrent Assets:	
Furniture Machinery and Equipment	18,961
Less: Accumulated Depreciation	<hr/> (18,961) <hr/>
Total Noncurrent Assets	-
Total Assets	<hr/> \$ 6,115 <hr/>
<b><u>Liabilities</u></b>	
Accounts Payable	<hr/> \$ 45,549 <hr/>
Total Liabilities	<hr/> \$ 45,549 <hr/>
<b><u>Net Position</u></b>	
Unrestricted	<hr/> \$ (39,434) <hr/>
Total Net Position	<hr/> \$ (39,434) <hr/>

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

LAVALLETTE SCHOOL DISTRICT

Exhibit B-5

25.

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2013

	<u>Business Type Activities Enterprise Funds</u>
Operating Revenues:	
Changes for Services:	\$ 7,599
Daily Sales	7,599
Total Operating Revenue	
Operating Expenses:	15,233
Cost of Sales	192
Supplies	25,000
Purchased Services	810
Miscellaneous	24,450
Salaries & Benefits	65,685
Total Operating Expenses	
	(58,086)
Operating Income (Loss)	
Non-Operating Revenues (Expenses):	
State Sources:	753
State School Lunch Program	
Federal Sources:	35,067
National School Lunch Program	16
Interest Revenue	24,450
Board Subsidy	60,286
Total Non-Operating Revenues (Expenses)	
	2,200
Change in Net Assets	
	(41,634)
Total Net Position Beginning	
	\$ (39,434)
Total Net Position Ending	

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

LAVALLETTE SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2013

	<b>Business Type Activities Enterprise Funds</b>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 7,599
Payments to Suppliers & Employees	(66,064)
Net Cash Used by Operating Activities	<u>(58,465)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	753
Federal Sources	35,067
Board Subsidy	24,450
Net Cash Provided by Noncapital Financing Activities	<u>60,270</u>
Cash Flows from Investing Activities	<u>16</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,821
Balances Beginning of Year	<u>1,211</u>
Balances End of Year	<u>\$ 3,032</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)	
by Operating Activities:	
Operating Income (Loss)	\$ (58,086)
Change in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(1,209)
(Increase)/Decrease in Inventories	<u>830</u>
Net Cash Used by Operating Activities	<u>\$ (58,465)</u>

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

LAVALLETTE SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

FIDUCIARY FUNDSJUNE 30, 2013

	<u>Unemployment Compensation Trust</u>
Assets:	
Cash and Cash Equivalents	<u>\$ 32,437</u>
Total Assets	<u><u>\$ 32,437</u></u>
Net Position:	
Reserved - Unemployment Benefits	<u>\$ 32,437</u>
Total Net Position	<u><u>\$ 32,437</u></u>

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

**LAVALLETTE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Exhibit B-8

**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Unemployment Compensation Trust</b>
<b><u>Additions</u></b>	<u>\$ 3,022</u>
Contributions	<u>3,022</u>
Total Contributions	
Investment Earnings:	
Interest	<u>57</u>
Net Investment Earnings	<u>57</u>
Total Additions	<u>3,079</u>
<b><u>Deductions</u></b>	<u>-</u>
Unemployment Claims	<u>-</u>
Total Deductions	
Change in Net Position	<u>3,079</u>
Net Position - Beginning of Year	<u>29,358</u>
Net Position - End of the Year	<u><u>\$ 32,437</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**BOARD OF EDUCATION**  
**LAVALLETTE SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**NOTE 1: Summary of Significant Accounting Policies**

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

**A. Reporting Entity:**

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

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include an elementary school located in Lavallette. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore the District is not includable in any other reporting entity on the basis of such criteria.

**B. Government-Wide Financial Statements**

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as student activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by state and federal aid, tuition and county tax levies, from business-type activities generally financed in whole or in part with fees charged to external parties.

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**B. Government-Wide Financial Statements (Continued)**

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees and other charges to users of the District's services and (2) operating grants and contributions. These revenues are subject to externally imposed restrictions to these program uses. Tax levies and other revenue sources not properly included with program revenues are reported as general revenues.

**Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary and fiduciary funds. The New Jersey Department of Education (the "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.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

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.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

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).

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Proprietary Fund Type

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

Agency Funds (Payroll and Student Activities Fund): 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.

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g). All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2013.

The Public School Education Act of 1975, limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**E. Budgets/Budgetary Control (Continued):**

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

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 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.

**F. Encumbrances:**

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

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

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

**G. Short-Term Interfund Receivables/Payables:**

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

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**H. Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

**I. Capital Assets and Depreciation**

The District’s property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

The District is currently in the process of obtaining and installing software that will maintain proper capital asset and depreciation records.

Capital asset activity for the year ended June 30, 2013 was as follows:

	<b><u>Balance</u></b> <b><u>July 1, 2012</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2013</u></b>
Depreciable Assets:				
Buildings & Sites	\$ 5,789,634			5,789,634
Equipment	<u>1,283,018</u>	<u>28,776</u>	_____	<u>1,311,794</u>
Total	<u>7,072,652</u>	<u>28,776</u>	_____	<u>7,101,428</u>

**NOTE 1: Summary of Significant Accounting Policies (Continued)****I. Capital Assets and Depreciation (Continued)**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Less: Accumulated				
Depreciation:				
Buildings	(1,720,970)	(220,147)		(1,941,117)
Equipment	<u>(912,481)</u>	<u>(110,110)</u>		<u>(1,022,591)</u>
Total Accumulated				
Depreciation	<u>(2,633,451)</u>	<u>(330,257)</u>		<u>(2,963,708)</u>
Net Depreciable Assets	<u>4,439,201</u>	<u>(301,481)</u>		<u>4,137,720</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 4,439,201</u>	<u>(301,481)</u>		<u>4,137,720</u>
Food Service:				
Equipment	\$ 18,961			18,961
Accumulated				
Depreciation	<u>(18,961)</u>			<u>(18,961)</u>
Net Depreciable Assets	<u>\$ _____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

**J. Compensated Absences**

District employees are permitted, within certain limitations, to accrue vacation and sick leave in varying amounts under the Districts personnel policies and may be paid at a later date according to contractual agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the government-wide financial statements as a non-current liability. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable

**K. Deferred Revenue**

Deferred revenue in the special revenue funds represent cash which has been received but not yet earned. See Note 1(F) regarding the special revenue fund.

**L. Fund Equity**

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to capital reserve (See Note 9).

**NOTE 2: Cash and Cash Equivalents and Investments**

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

Investments are stated at cost, which approximates market. The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

**Deposits**

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

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

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

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

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

**Investments**

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of June 30, 2013, cash and cash equivalents and investments of the District consisted of the following:

**NOTE 2: Cash and Cash Equivalents and Investments (Continued)****Investments (Continued)**

	<b>Cash and Cash <u>Equivalents</u></b>
Checking, Money Market Accounts	<u>\$ 858,276</u>

During the period ended June 30, 2013, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2013 was \$858,276 and the bank balance was \$1,138,360. Of the bank balance, \$250,000 was covered by federal depository insurance and \$888,360 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**Credit Risk Categories**

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following two categories described below:

FDIC	\$ 250,000
GUPDA	888,360

As of June 30, 2013, the District did not hold any long-term investments.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

The District had no uninsured deposits.

**NOTE 3: General Long-Term Debt**

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the general long-term debt account group:

	<b>Balance <u>June 30, 2012</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance <u>June 30, 2013</u></b>	<b>Long-Term <u>Portion</u></b>	<b>2013-14 <u>Payment</u></b>
Compensated Absences Payable	\$ 166,121		44,820	121,301	121,301	
Capital Leases	17,668		6,656	11,012	3,920	7,092
Bonds Payable	<u>900,000</u>		<u>100,000</u>	<u>800,000</u>	<u>700,000</u>	<u>100,000</u>
	<u>\$ 1,083,789</u>		<u>151,476</u>	<u>932,313</u>	<u>825,221</u>	<u>107,092</u>

**NOTE 3: General Long-Term Debt (Continued)****A. Bonds Payable**

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are of general obligation bonds, and the interest rates vary from 3.45% to 4.50% for the 2004 issue and the interest rates vary from 4.00% to 4.20% for the 2005 issue.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2014	\$ 100,000	32,685	132,685
2015	100,000	28,165	128,165
2016	60,000	24,675	84,675
2017	60,000	22,215	82,215
2018	60,000	19,755	79,755
2018-2022	300,000	61,874	361,874
2023-2025	<u>120,000</u>	<u>7,515</u>	<u>127,515</u>
	<u>\$ 800,000</u>	<u>196,884</u>	<u>996,884</u>

**B. Capital Leases Payable:**

On August 2, 2009 the district entered into a lease for copiers for \$20,487 for five years from 8/02/09 maturing 8/13/14 with a balance of \$5,383 at June 30, 2013.

On August 13, 2010 the district entered into a lease for a copier for \$11,914 for five years from September 30, 2010 maturing August 31, 2015 with a balance of \$5,629 at June 30, 2013.

**Lease Payments****Year Ended June 30 – Future Minimum**

2014	\$ 7,587
2015	3,587
2016	<u>464</u>
	11,638
Less: Interest	<u>626</u>
Lease Payments	<u>\$ 11,012</u>

**NOTE 4: 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 Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

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

**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 provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision 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 contribution. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**NOTE 4: Pension Plans (Continued)**

**Significant Legislation** - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rate by ½ 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 District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

**Funding Policy** – The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for 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.

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 years but less than 20 years of service. The Board will assume the increased cost for the early retirement as it affects their districts.

During the year ended June 30, 2013, the State of New Jersey contributed \$209,668 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$112,689 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

<u>Year</u> <u>Funding</u>	<u>Three-Year Trend Information for PERS</u>		
	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/13	\$ 18,197	100%	0
6/30/12	15,780	100%	0
6/30/11	4,000	100%	0

**NOTE 4: Pension Plans (Continued)**

**Three-Year Trend Information for TPAF (Paid On-Behalf of the District)**

<b>Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/13	\$ 209,668	100%	0
6/30/12	131,787	100%	0
6/30/11	95,741	100%	0

**NOTE 5: Post-Retirement Benefits**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers’ Pensions and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

**NOTE 6: Interfund Receivables and Payables**

	<b><u>Due To</u></b>	<b><u>Due From</u></b>
General Fund	\$ 236,231	
Capital Project Fund		236,231
	<u>\$ 236,231</u>	<u>236,231</u>

**NOTE 7: Compensated Absences**

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

**NOTE 7: Compensated Absences (Continued)**

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. 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 vested compensated absences of the governmental fund types is recorded in the general long-term debt account group (or 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 balance 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, 2013 no liability existed for compensated absences in the Food Service Fund.

**NOTE 8: Capital Reserve Account**

A capital Reserve account was established by the Borough of Lavallette Board of Education 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.

Fund 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-5.1(d) 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 for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning Balance, July 1, 2012	\$ 131,651
Interest Earnings	<u>282</u>
Ending Balance, June 30, 2013	<u>\$ 131,933</u>

**NOTE 9: Contingent Liabilities**

It is the opinion of the school board officials that there is no litigation threatened or pending that would materially affect the financial position of the school district.

Negligence and other types of liability suits, of which the Board is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

**NOTE 10: Deferred Compensation**

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

Vanguard Group  
Equitable Insurance  
Valic

**NOTE 11: Equity Balance**

At June 30, 2013, the General Fund equity balance is as follows:

Excess Surplus	\$ 115,925
Excess Surplus – Designated for Subsequent Year’s Expenditures	122,960
Emergency Reserve	53,750
Maintenance Reserve	236,106
Capital Reserve	131,933
Reserved for Encumbrances	106,544
Unrestricted	<u>275,126</u>
	<u>\$ 1,042,344</u>

Reserved for encumbrances represents outstanding purchase orders which will be rolled into the 2013-2014 budget and expended therefrom.

Reserved excess surplus represents a calculation under N.J.S.A. 18A:7F-7 which identifies an amount of surplus under the statute, which must be restricted for use in the next succeeding budget. Designated for subsequent year’s represents the amount appropriated in the 2013-2014 budget.

**NOTE 11: Equity Balance (Continued)****2% Calculation of Excess Surplus**

2012-13 Total General Fund Expenditures Per the CAFR	\$ 4,009,606
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(322,357)</u>
Adjusted 2012-13 General Fund Expenditures	<u>\$ 3,687,249</u>
2% of Adjusted 2012-13 General Fund Expenditures	<u>\$ 74,315</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustment	<u>25,126</u>
Maximum Unassigned Fund Balance	<u>\$ 275,126</u>

**Section 2**

Total General Fund – Fund Balance @ 6-30-13	\$ 1,042,344
Decreased by:	
Year-End Encumbrances	(106,544)
Legally Restricted:	
Designated for Subsequent Year’s Expenditures – Excess Surplus	(122,960)
Other Restricted Reserved Fund Balance	<u>(421,789)</u>
Total Unassigned Fund Balance	<u>\$ 391,051</u>
Restricted Fund Balance – Excess Surplus	<u>\$ 115,925</u>

**Section 3**

Reserved Fund Balance – Excess Surplus – Designated for Subsequent Year’s Expenditures	\$ 122,960
Excess Surplus	<u>115,925</u>
Total Excess Surplus	<u>\$ 238,885</u>

**Detail of Allowable Adjustments**

Extraordinary Aid - Unbudgeted	\$ 24,430
Non-Public Transportation	<u>696</u>
Total Allowable Adjustments	<u>\$ 25,126</u>

**Detail of Other Restricted Fund Balance**

Emergency Reserve	\$ 53,750
Capital Reserve	131,933
Maintenance Reserve	<u>236,106</u>
Total Other Restricted Fund Balance	<u>\$ 421,789</u>

**NOTE 12: Risk Management**

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

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

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

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Balance</u>
2012-2013	\$ 57	3,022	0	32,437
2011-2012	9	1,866	5	29,358
2010-2011	17	2,820	0	27,488

**NOTE 13: Current Expense Emergency Reserve Account**

The reserve account is to be used to finance future unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable. The emergency reserve balance may not exceed \$250,000 or 1% of the District’s general fund budget up to a maximum of \$1,000,000 whichever is greater. Withdrawals require the approval of the commissioner unless the withdrawal is necessary to meet an increase in total health costs greater than four percent.

**NOTE 14: Significant Accounting Pronouncements**

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended June 30, 2013. The adoption of FASB ASC 105 did not impact the District’s financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District’s financial statements. The District evaluated all events or transactions that occurred after June 30, 2013 through October 30, 2013.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES – C**

LAVALLETTE SCHOOL DISTRICT

Exhibit C-1  
Sheet 1 of 10

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 3,572,526		3,572,526	3,572,526	-
Tuition	157,500		157,500	148,727	(8,773)
Interest Earned Capital Reserve Fund	50		50	232	182
Interest Earned Maintenance Reserve Fund	10		10	226	216
Unrestricted Miscellaneous Revenue	543		543	11,944	11,401
Total Local Sources	<u>3,730,629</u>	<u>-</u>	<u>3,730,629</u>	<u>3,733,655</u>	<u>3,026</u>
State Sources:					
Special Education Aid	92,328		92,328	92,328	-
Security Aid	15,217		15,217	15,217	-
Adjustment Aid	4,798		4,798	4,798	-
Transportation Aid	59,031		59,031	59,031	-
Extraordinary Aid			-	24,430	24,430
TPAF Pension (On Behalf-Non-Budgeted)			-	209,668	209,668
TPAF Social Security (Reimbursed - Non-Budgeted)			-	112,689	112,689
Non-Public Transportation Aid			-	696	696
Total State Sources	<u>171,374</u>	<u>-</u>	<u>171,374</u>	<u>518,857</u>	<u>347,483</u>
Total Revenues	<u>3,902,003</u>	<u>-</u>	<u>3,902,003</u>	<u>4,252,512</u>	<u>350,509</u>

**LAVALLETTE SCHOOL DISTRICT**

Exhibit C-1  
Sheet 2 of 10

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b><u>Original Budget</u></b>	<b><u>Budget Transfers</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Final to Actual</u></b>
<u>Expenditures:</u>					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	110,185	(6,773)	103,412	101,634	1,778
Grades 1-5 - Salaries of Teachers	538,441	15,311	553,752	544,863	8,889
Grades 6-8 - Salaries of Teachers	387,185	(55,135)	332,050	326,716	5,334
Regular Programs - Home Instruction:					
Salaries of Teachers	400	(400)	-		-
Purchased Professional-Educational Services	150		150		150
Purchased Technical Services	3,800		3,800		3,800
Other Purchased Services	4,600		4,600		4,600
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	48,540	4,624	53,164	53,164	-
Purchased Professional-Educational Services	2,500	(33)	2,467		2,467
General Supplies	63,834	(23,391)	40,443	31,777	8,666
Textbooks	3,500	10,105	13,605	307	13,298
Other Objects	12,500	4,192	16,692	16,005	687
Total Regular Programs - Instruction	<u>1,175,635</u>	<u>(51,500)</u>	<u>1,124,135</u>	<u>1,074,466</u>	<u>49,669</u>
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	167,070	70,569	237,639	236,217	1,422
Other Purchased Services		912	912	912	-
General Supplies	500		500	105	395
Total Resource Room/Resource Center	<u>167,570</u>	<u>71,481</u>	<u>239,051</u>	<u>237,234</u>	<u>1,817</u>
Total Special Education - Instruction	<u>167,570</u>	<u>71,481</u>	<u>239,051</u>	<u>237,234</u>	<u>1,817</u>

LAVALLETTE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	24,804	(22,480)	2,324	2,080	244
General Supplies	150	78	228	228	-
Total Basic Skills/Remedial - Instruction	<u>24,954</u>	<u>(22,402)</u>	<u>2,552</u>	<u>2,308</u>	<u>244</u>
School Sponsored Co-Curricular Activities - Instruction:					
Salaries	21,493	(2,383)	19,110	16,762	2,348
School Sponsored Athletics - Instruction					
Salaries	29,664	1,877	31,541	30,569	972
Purchased Services (300-500 Series)	2,500	145	2,645	2,645	-
Supplies and Materials	1,200	211	1,411	(36)	1,447
Other Objects	500	1,216	1,716	1,716	-
Total School Sponsored Athletics - Instruction	<u>33,864</u>	<u>3,449</u>	<u>37,313</u>	<u>34,894</u>	<u>2,419</u>
Community Services Program/Operations - Instruction:					
Salaries	4,017	9,250	13,267	8,273	4,994
General Supplies	250	1,775	2,025	1,879	146
Total Community Services	<u>4,267</u>	<u>11,025</u>	<u>15,292</u>	<u>10,152</u>	<u>5,140</u>
Total Instruction	<u>1,427,783</u>	<u>9,670</u>	<u>1,437,453</u>	<u>1,375,816</u>	<u>61,637</u>
Undistributed Expenditures-Instruction:					
Tuition to Other LEAs Within the State - Regular	750,280	10,470	760,750	750,280	10,470
Tuition to Other LEAs Within the State - Special	99,460		99,460	62,669	36,791
Tuition to County Vocational - Regular	500	500	1,000	1,000	-
Tuition to Private Schools for the Disabled - Within State	178,716	(12,839)	165,877	143,322	22,555
Total Undistributed Expenditures-Instruction	<u>1,028,956</u>	<u>(1,869)</u>	<u>1,027,087</u>	<u>957,271</u>	<u>69,816</u>

LAVALLETTE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Attendance and Social Work - Undistributed Services:					
Salaries	6,755	(1,550)	5,205	4,743	462
Other Purchased Services		1,550	1,550	64	1,486
Total Attendance and Social Work - Undistributed Services	<u>6,755</u>	<u>-</u>	<u>6,755</u>	<u>4,807</u>	<u>1,948</u>
Health Services - Undistributed Expenditures:					
Salaries	64,100	(285)	63,815	63,395	420
Purchased Professional and Technical Services	6,000	(1,374)	4,626	2,400	2,226
Other Purchased Services (400-500 Series)	450	25	475	475	-
Supplies and Materials	1,250		1,250	359	891
Total Health Services	<u>71,800</u>	<u>(1,634)</u>	<u>70,166</u>	<u>66,629</u>	<u>3,537</u>
Other Support Services - Students - Related Services:					
Salaries	32,403	460	32,863	32,863	-
Purchased Professional-Educational Services	16,500	(2,370)	14,130	11,209	2,921
Supplies and Materials	184		184	97	87
Total Other Support Services - Students - Related Services	<u>49,087</u>	<u>(1,910)</u>	<u>47,177</u>	<u>44,169</u>	<u>3,008</u>
Other Support Services - Students - Regular:					
Salaries of Other Professional Staff	33,906	5,567	39,473	39,473	-
Salaries of Secretarial and Clerical Assistants	5,806	1,608	7,414	7,414	-
Other Purchased Professional and Technical Services	1,750	(381)	1,369	1,132	237
Supplies and Materials	1,773	(75)	1,698	1,051	647
Total Other Support Services - Students - Regular	<u>43,235</u>	<u>6,719</u>	<u>49,954</u>	<u>49,070</u>	<u>884</u>
Other Support Services - Students - Special:					
Salaries of Secretarial and Clerical Assistants	8,880	760	9,640	9,401	239
Purchased Professional Educational Services	35,833	(313)	35,520	35,520	-
Other Purchased Professional and Technical Services	750	(356)	394	394	
Supplies and Materials	100		100	100	
Total Other Support Services - Students - Special	<u>45,563</u>	<u>91</u>	<u>45,654</u>	<u>44,921</u>	<u>733</u>

LAVALLETTE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Improvement of Instructional Services:					
Salaries of Other Professional Staff	8,880	1,963	10,843	10,747	96
Salaries of Facilitators, Math and Literacy Coaches	1,156		1,156	1,156	-
Other Objects	2,500	(2,438)	62		62
Total Improvement of Instructional Services	<u>12,536</u>	<u>(475)</u>	<u>12,061</u>	<u>11,903</u>	<u>158</u>
Educational Media Services/School Library:					
Salaries	29,425	(19,567)	9,858	9,858	-
Salaries of Secretarial and Clerical Assistants	-	7,995	7,995	7,995	-
Salaries of Technology Coordinators	13,331	(3,884)	9,447	9,447	-
Purchased Professional and Technical Services	3,800	6,552	10,352	8,257	2,095
Other Purchased Services (400-500 Series)	25,500	1,986	27,486	27,486	-
Supplies and Materials	5,803	(363)	5,440	5,387	53
Total Educational Media Services/School Library	<u>77,859</u>	<u>(7,281)</u>	<u>70,578</u>	<u>68,430</u>	<u>2,148</u>
Instructional Staff Training Services:					
Salaries of Secretarial and Clerical Assistants	7,428	3,887	11,315	10,910	405
Purchased Professional Educational Services	750	(518)	232	232	-
Purchased Professional and Technical Services	1,500	2,179	3,679	2,883	796
Other Purchased Services (400-500 Series)	3,500	(63)	3,437	3,100	337
Supplies and Materials	200	409	609	609	-
Other Objects	4,000	(1,290)	2,710	2,710	-
Total Instructional Staff Training Services	<u>17,378</u>	<u>4,604</u>	<u>21,982</u>	<u>20,444</u>	<u>1,538</u>

LAVALLETTE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - General Administration:					
Salaries	52,178	187	52,365	52,365	-
Legal Services	27,630	2,174	29,804	29,804	-
Audit Fees	5,500	2,200	7,700	7,700	-
Other Purchased Professional Services	2,500	(2,500)	-	-	-
Purchased Technical Services	250		250	216	34
Communications/Telephone	3,000	(540)	2,460	1,825	635
Other Purchased Services (400-500 Series)	450	100	550	443	107
Supplies and Materials	30	67	97	96	1
BOE In-House Training/Meeting Supplies	250	25	275	163	112
Miscellaneous Expenditures	50	600	650	612	38
Membership Dues and Fees	4,500	(1,600)	2,900	2,836	64
Total Support Services - General Administration	96,338	713	97,051	96,060	991
Support Services - School Administration:					
Salaries of Principal/Assistant Principals	49,470		49,470	49,470	-
Supplies and Materials	30	200	230	216	14
Other Objects	2,700	(1,212)	1,488	750	738
Total Support Services - School Administration	52,200	(1,012)	51,188	50,436	752
Central Services:					
Salaries	90,573		90,573	90,573	-
Purchased Professional Services	1,500	(800)	700	700	
Purchased Technical Services	200		200	200	
Other Purchased Services (400-500 Series)	8,442	600	9,042	8,673	369
Supplies and Materials	1,230	88	1,318	1,318	-
Interest on Lease Purchase Agreements	1,100	(93)	1,007	1,007	
Miscellaneous Expenditures	-	730	730	380	1,007
Total Central Services	103,045	525	103,570	100,944	2,626



LAVALLETTE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Security					
Salaries	19,404	1,091	20,495	20,495	-
Purchased Professional and Technical Services	1,800	1,500	3,300	3,300	-
General Supplies	1,000	(591)	409	409	409
Total Undistributed Expenditures - Security	<u>22,204</u>	<u>2,000</u>	<u>24,204</u>	<u>23,795</u>	<u>409</u>
Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School) Regular	1,750		1,750	1,750	-
Salaries for Pupil Transportation (Between Home and School) Special Education	1,750		1,750	1,750	-
Salaries for Pupil Transportation (Other Than Between Home and School)	727	657	1,384	1,384	-
Salaries for Pupil Transportation (Non-Public) Between Home and School	1,750	18	1,768	1,768	-
Contr. Serv. (Between Home & School)-Vendors					
Contr. Serv. (Other Than Between Home & School)-Vendors	12,527	(1,837)	10,690	8,900	1,790
Contr. Serv. (Between Home & School) - Jointures	47,784	4,957	52,741	37,966	14,775
Contr. Serv. (Between Home & School) - Jointures (Sp Ed)					
Contr. Serv. (Special Education) - Vendors	13,300	(8,659)	4,641	575	4,066
General Supplies	138	(43)	95	95	95
Contr. Serv. (Special Education) - ESC's and CTSA's	17,000	1,200	18,200	12,926	5,274
Miscellaneous Purchased Services	-	4,275	4,275	4,275	-
Aid in Lieu of Transportation - Non-Public School	1,768	(568)	1,200	-	1,200
Total Student Transportation Services	<u>98,494</u>	<u>-</u>	<u>98,494</u>	<u>71,294</u>	<u>27,200</u>

LAVALLETTE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits:					
Social Security Contributions	33,900	750	34,650	27,723	6,927
Other Retirement Contributions - PERS	31,719		31,719	22,833	8,886
Workmen's Compensation	27,000	(800)	26,200	19,884	6,316
Health Benefits	522,444	(46,176)	476,268	415,011	61,257
Tuition Reimbursement	6,000	726	6,726	6,726	-
Other Employee Benefits	6,000	800	6,800	6,385	415
Total Unallocated Benefits	<u>627,063</u>	<u>(44,700)</u>	<u>582,363</u>	<u>498,562</u>	<u>83,801</u>
On-Behalf TPAF Pension Contributions (Non-Budgeted)				209,668	(209,668)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				112,689	(112,689)
Total On-Behalf Contributions				<u>322,357</u>	<u>(322,357)</u>
Total Undistributed Expenditures	<u>2,577,033</u>	<u>(36,531)</u>	<u>2,540,502</u>	<u>2,624,819</u>	<u>(84,317)</u>
Total Current Expense	<u>4,004,816</u>	<u>(26,861)</u>	<u>3,977,955</u>	<u>4,000,635</u>	<u>(22,680)</u>
Capital Outlay:					
Interest to Capital Reserve	50		50		50
Equipment:					
Instructional Equipment	48,356	18,150	66,506	5,856	60,650
Buildings Operation Equipment		9,850	9,850	3,081	6,769
Facilities Acquisition and Construction Services:					
Other Objects	34		34		-
Total Capital Outlay	<u>48,440</u>	<u>28,000</u>	<u>76,440</u>	<u>8,971</u>	<u>67,469</u>
Total Expenditures	<u>4,053,256</u>	<u>1,139</u>	<u>4,054,395</u>	<u>4,009,606</u>	<u>44,789</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(151,253)</u>	<u>(1,139)</u>	<u>(152,392)</u>	<u>242,906</u>	<u>395,298</u>

LAVALLETTE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources/(Uses):					
Transfer to Food Service Fund	(10,000)	(39,450)	(49,450)	(24,450)	(25,000)
Impairment of Assets\Costs Related to Superstorm Sandy				(56,154)	56,154
Insurance Recoveries Related to Impaired Assets\Costs				52,518	(52,518)
Relating to Superstorm Sandy				3,636	(3,636)
FEMA Recoveries Related to Impaired Assets\Costs				(24,450)	(25,000)
Relating to Superstorm Sandy	(10,000)	(39,450)	(49,450)		
Total Other Financing Sources					
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(161,253)	(40,589)	(201,842)	218,456	370,298
and Other Financing Sources (Uses)	823,888		823,888	823,888	
Fund Balance July 1	\$ 662,635	(40,589)	622,046	1,042,344	370,298
Fund Balance June 30					
Recapitulation:				\$ 106,544	
Assigned To:					
Reserve for Encumbrances				115,925	
Restricted For:					
Excess Surplus - Current Year				53,750	
Committed To:				236,106	
Emergency Reserve				131,933	
Maintenance Reserve				122,960	
Capital Reserve				275,126	
Designated for Subsequent Year's Expenditures - Excess Surplus				1,042,344	
Unassigned Fund Balance				(17,134)	
Reconciliation to Governmental Funds Statement (GAAP):					
Final State Audit Payments not Recognized on GAAP Basis				\$ 1,025,210	
Fund Balance per Governmental Funds (GAAP)					

LAVALLETTE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources	\$ -	110,744	110,744	38,617	72,127
Federal Sources	66,750	29,748	96,498	96,498	
Total Revenues	<u>\$ 66,750</u>	<u>140,492</u>	<u>207,242</u>	<u>135,115</u>	<u>72,127</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 16,240	1,260	17,500	17,500	
Other Purchased Services	1,000	19,704	20,704	20,704	
General Supplies	3,000	134,025	134,025	61,898	72,127
Other Objects	(1,249)	(1,249)	1,751	1,751	
Total Instruction	<u>20,240</u>	<u>153,740</u>	<u>173,980</u>	<u>101,853</u>	<u>72,127</u>
Support Services:					
Employee Benefits	5,000	78	5,078	5,078	
Other Purchased Services	41,510	(14,510)	27,000	27,000	
General Supplies		1,184	1,184	1,184	
Total Support Services	<u>46,510</u>	<u>(13,248)</u>	<u>33,262</u>	<u>33,262</u>	<u>-</u>
Total Expenditures	<u>\$ 66,750</u>	<u>140,492</u>	<u>207,242</u>	<u>135,115</u>	<u>72,127</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**LAVALLETTE SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Exhibit C-3**

**BUDGET-TO-GAAP RECONCILIATION**

**NOTE TO RSI**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b><u>Sources/Inflows of Resources</u></b>		
Actual Amounts (Budgetary Basis) "Revenues" from the Budgetary Comparison Schedule	\$ 4,252,512	135,115
Difference - Budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized.		(1,323)
State aid recognized for GAAP statements in the current year previously recognized for budgetary purposes.	16,811	
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the state recognizes the related expense (GASB 33)	<u>(17,134)</u>	<u>                    </u>
Total Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 4,252,189</u>	<u>133,792</u>
<b><u>Uses/Outflows of Resources</u></b>		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 4,009,606	135,115
Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the supplies are received for financial reporting purposes.		<u>(1,323)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 4,009,606</u>	<u>133,792</u>

**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL LEVEL SCHEDULES – D**

**N/A**

**SPECIAL REVENUE FUND - E**

LAVALLETTE SCHOOL DISTRICT

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES

Exhibit E-1

BUDGETARY BASIS

FOR FISCAL YEAR ENDED JUNE 30, 2013

	Target	Safety Grant	Exxon	Ocean First	Superstorm Sandy Donations	Project Serve	IDEA		NCLB		Total
							Preschool	Basic	Title I	Title IIA	
Revenues:											
Local Sources	\$ 700	1,786	500	1,184	34,447	24,465	1,174	46,141	15,329	9,389	38,617
Federal Sources											96,498
Total Revenues	\$ 700	1,786	500	1,184	34,447	24,465	1,174	46,141	15,329	9,389	135,115
Expenditures:											
Instruction:											
Salaries of Teachers	\$ -				-				10,500	7,000	17,500
Other Purchased Services								19,141		389	20,704
General Supplies	700	1,786	500		34,447	24,465	1,174		1,751		61,898
Other Objects									12,251	7,389	1,751
Total Instruction	700	1,786	500	-	34,447	24,465	1,174	19,141	12,251	7,389	101,853
Support Services:											
Employee Benefits									3,078	2,000	5,078
Purchased Professional Educational Services								27,000			27,000
General Supplies				1,184							1,184
Total Support Services				1,184				27,000	3,078	2,000	33,262
Total Expenditures	\$ 700	1,786	500	1,184	34,447	24,465	1,174	46,141	15,329	9,389	135,115

**CAPITAL PROJECTS FUND – F**

LAVALLETTE SCHOOL DISTRICT

CAPITAL PROJECTS FUND

Exhibit F-1

SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2013

Fund Balance - Beginning	<u>\$ 367,201</u>
Fund Balance - Ending	<u>\$ 367,201</u>

LAVALLETTE SCHOOL DISTRICT

Exhibit F-1a

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,AND PROJECT STATUS - BUDGETARY BASISWINDOW AND DOOR REPLACEMENT TO ELEMENTARY SCHOOLFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b><u>Revenues and Other Financing Sources</u></b>				
State Sources - SCC Grant	\$ 69,889		69,889	84,976
Transfer from Capital Reserve	127,464		127,464	127,464
Total Revenues	<u>197,353</u>	<u>-</u>	<u>197,353</u>	<u>212,440</u>
<b><u>Expenditures and Other Financing Uses</u></b>				
Construction Services	207,592		207,592	212,440
Total Expenditures	<u>207,592</u>	<u>-</u>	<u>207,592</u>	<u>212,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (10,239)</u>	<u>-</u>	<u>(10,239)</u>	<u>-</u>
<b><u>Additional Project Information</u></b>				
Project Number		2550-050-04-2000		
Grant Date		4/20/04		
Original Authorized Cost		\$ 212,440		
Additional Authorized Cost		-		
Revised Authorized Cost		212,440		
Percentage Increase Over Original Authorized Cost		0%		
Percentage Completion		92%		
Original Target Completion Date		Jan. 05		
Revised Target Completion Date		June 11		

LAVALLETTE SCHOOL DISTRICT

Exhibit F-1b

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,AND PROJECT STATUS - BUDGETARY BASISADDITION TO ELEMENTARY SCHOOLFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b><u>Revenues and Other Financing Sources</u></b>				
State Sources - SCC Grant	\$ 544,006		544,006	544,006
Bond Proceeds and Transfers	1,187,000		1,187,000	1,187,000
Transfer from Capital Reserve	324		324	324
Total Revenues	<u>1,731,330</u>	<u>-</u>	<u>1,731,330</u>	<u>1,731,330</u>
<b><u>Expenditures and Other Financing Uses</u></b>				
Construction Services	1,353,890		1,353,890	1,731,330
Total Expenditures	<u>1,353,890</u>	<u>-</u>	<u>1,353,890</u>	<u>1,731,330</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 377,440</u>	<u>-</u>	<u>377,440</u>	<u>-</u>

**Additional Project Information**

Project Number	2550-050-05-1000
Grant Date	4/18/05
Bond Authorization Date	3/8/05
Bonds Authorized	\$1,187,000
Bonds Issued	1,187,000
Original Authorized Cost	1,978,873
Additional Authorized Cost	-
Revised Authorized Cost	1,731,330
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	77%
Original Target Completion Date	Nov. 05
Revised Target Completion Date	Nov. 10

**PROPRIETARY FUNDS – G**

N/A

**FIDUCIARY FUND – H**

LAVALLETTE SCHOOL DISTRICT

Exhibit H-1

TRUST AND AGENCY FUND

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AS OF JUNE 30, 2013

	<u>Student Activity</u>	<u>Net Salary</u>	<u>Payroll Agency</u>	<u>Unemployment Compensation Expendable Trust</u>	<u>Total 2013</u>
Assets:					
Cash and Cash Equivalents	\$ 20,057	4	8,957	32,437	61,455
Total Assets	<u>\$ 20,057</u>	<u>4</u>	<u>8,957</u>	<u>32,437</u>	<u>61,455</u>
Liabilities and Fund Balances:					
Liabilities:					
Due to Student Groups	\$ 20,057				20,057
Payroll Withholdings and Deductions		4	8,957		8,961
Total Liabilities	<u>\$ 20,057</u>	<u>4</u>	<u>8,957</u>	<u>-</u>	<u>29,018</u>
Net Position:					
Reserved - Unemployment Benefits				32,437	32,437
Total Net Position				<u>32,437</u>	<u>32,437</u>

LAVALLETTE SCHOOL DISTRICT

EXPENDABLE TRUST FUND

Exhibit H-2

COMBINING STATEMENT OF CHANGES

IN FIDUCIARY NET POSITION

JUNE 30, 2013

	<u>Unemployment Compensation Insurance Trust Fund</u>
Additions:	
Local Sources:	
Interest on Investments	\$ 57
Employee Contributions	3,022
Total Additions	<u>3,079</u>
Deletions:	
Claims Paid	<u>          </u>
Change in Net Assets	3,079
Net Position - Beginning of Year	<u>29,358</u>
Net Position - End of the Year	<u><u>\$ 32,437</u></u>

LAVALLETTE SCHOOL DISTRICT

Exhibit H-3

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u>	<u>Cash</u>	<u>Cash</u>	<u>Balance</u>
	<u>July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2013</u>
	\$ 20,367	28,836	29,146	20,057

Elementary School:  
Lavallette Elementary

LAVALLETTE SCHOOL DISTRICTPAYROLL AGENCY FUND

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTSJUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Assets:				
Cash and Cash Equivalents	\$ 5,921	885,521	882,485	8,957
Total Assets	<u>\$ 5,921</u>	<u>885,521</u>	<u>882,485</u>	<u>8,957</u>
Liabilities:				
Payroll Deductions, Withholdings	\$ 5,921	885,521	882,485	8,957
Total Liabilities	<u>\$ 5,921</u>	<u>885,521</u>	<u>882,485</u>	<u>8,957</u>

**LONG-TERM DEBT – I**

LAVALLETTE SCHOOL DISTRICT

Exhibit I-1

GENERAL LONG-TERM DEBT GROUP

STATEMENT OF SERIAL BONDS

JUNE 30, 2013

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2012</u>	<u>Retired</u>	<u>Balance June 30, 2013</u>
			<u>Date</u>	<u>Amount</u>				
Various School Projects	8/6/99	\$ 600,000	8/1/13-14	\$ 40,000	5.15%	\$ 120,000	40,000	80,000
Various School Projects	3/8/05	1,187,000	2/1/14-23	60,000	4.10%	780,000	60,000	720,000
			2/1/24	60,000	4.13%			
			2/1/25	60,000	4.20%			
						\$ 900,000	100,000	800,000

LAVALLETTE SCHOOL DISTRICT

Exhibit I-2

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

JUNE 30, 2013

<u>Series</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2012</u>	<u>Retired</u>	<u>Amount Outstanding June 30, 2013</u>
Copiers - 09/10	5%	\$ 20,487	\$ 9,688	4,305	5,383
Copiers - 10/11	5%	11,914	7,980	2,351	5,629
			\$ 17,668	6,656	11,012

LAVALLETTE SCHOOL DISTRICT

Exhibit I-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 123,664		123,664	123,664	
State Sources:					
Debt Service Aid	13,541		13,541	13,541	
Total Revenues	<u>137,205</u>	<u>-</u>	<u>137,205</u>	<u>137,205</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	37,205		37,205	37,205	-
Redemption of Principal	100,000		100,000	100,000	
Total Expenditures	<u>137,205</u>	<u>-</u>	<u>137,205</u>	<u>137,205</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance July 1					
Fund Balance June 30	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**STATISTICAL SECTION**

**(Unaudited)**

**Lavallette Borough Board of Education**  
**Net Position by Component,**  
**Last Eight Fiscal Years**

Exhibit J-1

(accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 4,865,210	\$ 4,686,680	\$ 4,501,957	\$ 4,257,954	\$ 4,007,291	\$ 3,784,319	\$ 3,539,201	\$ 3,784,319
Restricted	866,125	790,008	726,623	741,317	707,348	690,663	821,714	1,134,419
Unrestricted	230,670	(46,578)	38,441	8,883	50,963	60,684	152,844	116,361
<b>Total governmental activities net position</b>	<b>\$ 5,962,005</b>	<b>\$ 5,430,110</b>	<b>\$ 5,267,021</b>	<b>\$ 5,008,154</b>	<b>\$ 4,765,602</b>	<b>\$ 4,535,666</b>	<b>\$ 4,513,759</b>	<b>\$ 5,035,099</b>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-
Unrestricted	139	(14,545)	4,111	(3,930)	(33,779)	(28,201)	(41,634)	(39,464)
<b>Total business-type activities net position</b>	<b>\$ 139</b>	<b>\$ (14,545)</b>	<b>\$ 4,111</b>	<b>\$ (3,930)</b>	<b>\$ (33,779)</b>	<b>\$ (28,201)</b>	<b>\$ (41,634)</b>	<b>\$ (39,464)</b>
<b>District-wide</b>								
Invested in capital assets, net of related debt	\$ 4,865,210	\$ 4,686,680	\$ 4,501,957	\$ 4,257,954	\$ 4,007,291	\$ 3,784,319	\$ 3,539,201	\$ 3,784,319
Restricted	866,125	790,008	726,623	741,317	707,348	690,663	821,714	1,134,419
Unrestricted	230,809	(61,123)	42,552	4,953	17,184	32,483	111,210	76,897
<b>Total district net position</b>	<b>\$ 5,962,144</b>	<b>\$ 5,415,565</b>	<b>\$ 5,271,132</b>	<b>\$ 5,004,224</b>	<b>\$ 4,731,823</b>	<b>\$ 4,507,465</b>	<b>\$ 4,472,125</b>	<b>\$ 4,995,635</b>

Source: CAFR Schedule A-1

**Lavallette Borough Board of Education**  
**Changes in Net Position, Last Three Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	Fiscal Year Ending June 30,		
	2011	2012	2013
<b>Expenses</b>			
Governmental activities			
Instruction			
Regular	\$ 1,077,059	\$ 1,093,759	\$ 1,074,466
Special education	183,586	215,431	339,087
Other instruction	101,148	84,342	64,116
Support Services:			
Tuition	1,114,194	958,509	957,271
Student & instruction related services	294,434	331,541	342,312
School administrative services	277,054	250,121	257,968
Plant operations and maintenance	218,465	227,522	206,994
Pupil transportation	109,294	113,888	71,294
Business and other support services	693,655	747,012	776,099
Interest on long-term debt	49,898	33,606	28,666
Depreciation	353,830	354,752	330,257
Total governmental activities expenses	<u>4,472,617</u>	<u>4,410,483</u>	<u>4,448,530</u>
Business-type activities:			
Food service	68,793	75,867	65,685
Total business-type activities expense	<u>68,793</u>	<u>75,867</u>	<u>65,685</u>
Total district expenses	<u>\$ 4,541,410</u>	<u>\$ 4,486,350</u>	<u>\$ 4,514,215</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services:			
Instruction (tuition)	\$ 169,991	\$ 172,408	\$ 148,727
Student & instruction related services			
Business and other support services	83,386	95,770	133,792
Operating grants and contributions			
Capital grants and contributions			
Total governmental activities program revenues	<u>253,377</u>	<u>268,178</u>	<u>282,519</u>

Lavallette Borough Board of Education  
 Changes in Net Position, Last Three Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year Ending June 30,		
	2011	2012	2013
<b>Business-type activities:</b>			
Charges for services			
Food service	26,126	34,173	7,599
Operating grants and contributions	15,219	13,252	35,820
Total business type activities program revenues	41,345	47,425	43,419
Total district program revenues	\$ 294,722	\$ 315,603	\$ 325,938
<b>Net (Expense)/Revenue</b>			
Governmental activities	\$ (4,219,240)	\$ (4,142,305)	\$ (4,166,011)
Business-type activities	(27,448)	(28,442)	(22,266)
Total district-wide net expense	\$ (4,246,688)	\$ (4,170,747)	\$ (4,188,277)
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities:			
Property taxes levied for general purposes, net	\$ 3,521,351	\$ 3,554,925	\$ 3,572,526
Taxes levied for debt service	131,469	127,567	123,664
Unrestricted grants and contributions	361,485	447,207	532,075
Tuition received	173	91	458
Investment earnings			
Cancel Receivable	7,832	2,521	11,944
Miscellaneous income	(33,006)	(15,000)	(24,450)
Transfers	3,989,304	4,117,311	4,216,217
Total governmental activities			
Business-type activities:			
Investment earnings	20	9	16
Miscellaneous income			
Cancel payable	33,006	15,000	24,450
Transfers	33,026	15,009	24,466
Total business-type activities	\$ 4,022,330	\$ 4,132,320	\$ 4,240,683
Total district-wide			
<b>Change in Net Assets</b>			
Governmental activities	\$ (229,936)	\$ (24,994)	\$ 50,206
Business-type activities	5,578	(13,433)	2,200
Total district	\$ (224,358)	\$ (38,427)	\$ 52,406

Source: CAFR Schedule A-2

Lavallette Borough Board of Education  
 Fund Balances, Governmental Funds,  
 Last Eight Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year Ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
General Fund								
Reserved	\$ 498,264	\$ 416,662	\$ 355,584	\$ 374,116	\$ 226,418	\$ 226,418	\$ 540,431	\$ 767,218
Unreserved	98,515	138,115	237,509	210,928	362,522	362,522	266,646	257,992
Total general fund	\$ 596,779	\$ 554,777	\$ 593,093	\$ 585,044	\$ 588,940	\$ 588,940	\$ 807,077	\$ 1,025,210
All Other Governmental Funds								
Reserved	\$ 657,155	\$ 377,872	\$ 370,743	\$ 367,201	\$ 367,201	\$ 367,201	\$ 367,201	\$ 367,201
Unreserved, reported in:								
Special revenue fund	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 657,155	\$ 377,872	\$ 370,743	\$ 367,201	\$ 367,201	\$ 367,201	\$ 367,201	\$ 367,201

Source: CAFR Schedule B-1

Lavallette Borough Board of Education  
 Changes in Fund Balances, Governmental Funds,  
 Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Tax levy	\$ 2,611,078	\$ 2,625,911	\$ 2,862,908	\$ 2,946,403	\$ 3,057,182	\$ 3,173,373	\$ 3,291,058	\$ 3,652,820	\$ 3,682,492	\$ 3,696,190
Tuition charges	59,953	68,215	70,710	73,710	72,768	76,824	100,440	169,991	172,408	148,727
Interest earnings	4,643	21,615	30,646	29,284	6,528	2,959	388	173	91	458
Miscellaneous	135	164		2,461	24,149	4,055	12,437	9,825	10,625	49,238
State sources	447,765	453,930	497,723	569,434	594,982	479,899	462,000	361,485	447,207	532,075
Federal sources	81,620	83,332	66,210	69,810	64,410	62,288	132,898	81,393	87,666	96,498
<b>Total revenue</b>	<b>3,205,174</b>	<b>3,253,167</b>	<b>3,528,197</b>	<b>3,691,102</b>	<b>3,820,019</b>	<b>3,799,398</b>	<b>3,999,221</b>	<b>4,275,687</b>	<b>4,400,489</b>	<b>4,523,186</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	871,550	911,290	900,677	890,949	930,909	955,955	1,040,914	1,077,059	1,093,759	1,074,446
Special education instruction	41,106	53,102	136,891	225,685	214,449	234,793	214,776	164,033	215,431	339,087
Other instruction	87,714	91,167	75,763	84,119	62,086	54,889	50,183	98,067	80,809	53,964
Community services	1,200	4,413	1,492	2,309	6,112	8,222		3,081	3,533	10,152
<b>Support Services:</b>										
Tuition	843,966	917,969	651,438	882,070	770,742	1,022,513	978,737	1,133,747	958,509	957,271
Student & instruction related services	307,082	223,058	241,746	256,779	293,643	230,368	311,156	282,728	331,541	342,312
Support services School Administration	177,545	194,410	215,866	199,329	214,322	211,443	219,896	277,054	250,121	257,968
Plant operations and maintenance	179,836	179,650	182,682	189,055	200,647	205,607	204,412	230,171	227,522	206,994
Pupil Transportation	163,952	160,390	161,388	176,653	122,949	132,875	152,439	109,294	113,888	71,294
Unallocated employee benefits	422,930	435,374	511,997	615,460	670,603	585,733	611,509	709,760	743,966	820,919
Capital outlay	73,942	1,263,974	297,001	49,905	75,745	5,237	15,229	12,490	6,548	8,971
<b>Debt service:</b>										
Principal	40,000	40,000	95,000	95,000	97,000	100,000	100,000	100,000	100,000	100,000
Interest and other charges	23,690	21,630	64,097	63,885	59,625	55,285	50,765	46,245	41,725	37,205
<b>Total expenditures</b>	<b>3,234,513</b>	<b>4,516,427</b>	<b>3,536,038</b>	<b>3,731,198</b>	<b>3,718,832</b>	<b>3,802,920</b>	<b>3,950,016</b>	<b>4,243,729</b>	<b>4,167,352</b>	<b>4,280,583</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>(29,339)</b>	<b>(1,263,260)</b>	<b>(7,841)</b>	<b>(40,096)</b>	<b>101,187</b>	<b>(3,522)</b>	<b>49,205</b>	<b>31,958</b>	<b>233,137</b>	<b>242,603</b>
<b>Other Financing sources (uses)</b>										
Costs related to Sandy										
Recoveries related to Sandy		876,525								(56,154)
State grants		1,187,000								56,154
Bond proceeds										
Accounts Receivable cancelled				(262,630)	(25,000)		(13,074)			
Adjustment of fund balance										
Transfers in	(11,000)	77,757								
Transfers out	(11,000)	(11,000)	(6,941)	(18,559)	(45,000)	(8,119)	(31,187)	(33,006)	(15,000)	(24,450)
<b>Total other financing sources (uses)</b>	<b>(11,000)</b>	<b>2,130,282</b>	<b>(6,941)</b>	<b>(281,189)</b>	<b>(70,000)</b>	<b>(8,119)</b>	<b>(44,261)</b>	<b>(33,006)</b>	<b>(15,000)</b>	<b>(24,450)</b>
<b>Net change in fund balances</b>	<b>\$ (40,339)</b>	<b>\$ 867,022</b>	<b>\$ (14,782)</b>	<b>\$ (321,285)</b>	<b>\$ 31,187</b>	<b>\$ (11,641)</b>	<b>\$ 4,944</b>	<b>\$ (1,048)</b>	<b>\$ 218,137</b>	<b>\$ 218,153</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>2.0%</b>	<b>1.9%</b>	<b>4.9%</b>	<b>4.3%</b>	<b>4.3%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>3.2%</b>

Source: CAFR Schedule B-2

LAVALLETTE BOROUGH 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	Misc.	Total
2004	\$ 4,643	59,933	135	64,711
2005	18,735	68,215	164	87,114
2006	30,146	70,710	500	101,356
2007	29,284	73,710	1,961	104,955
2008	19,828	72,768	349	92,945
2009	2,520	76,824	3,555	82,899
2010	388	100,440	10,261	111,089
2011	173	169,991	7,832	177,996
2012	91	172,408	10,625	183,124
2013	458	148,727	49,238	198,423

Source: District Records

Lavallette Borough Board of Education  
 Assessed Value and Actual Value of Taxable Property,  
 Last Seven Years

Exhibit J-6

Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Commercial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2007	27,933,400	1,728,313,700		38,413,960	4,993,100	1,799,654,160	40,238,700	2,002,466	1,761,417,926	0.165	1,630,942,524
2008	40,821,600	1,726,353,800		42,144,860	4,927,700	1,814,247,960	40,238,700	1,690,326	1,854,486,660	0.170	1,690,326,000
2009	29,579,700	1,743,981,400		42,144,860	4,843,100	1,820,549,060	40,238,700	1,725,503	1,860,787,760	0.181	2,415,934,667
2010	27,372,200	1,790,933,100	-	38,969,360	4,843,100	1,862,117,760	40,238,700		1,902,356,460	0.175	2,410,508,427
2011	24,923,400	1,795,321,900	-	38,964,860	4,843,100	1,864,053,260	41,571,700		1,905,624,960	0.188	2,302,623,067
2012	18,391,000	1,813,383,150		38,833,660	4,843,100	1,875,450,910	40,634,200		1,916,085,110	0.196	2,269,502,866
2013 *											

Sources: Municipal Finance Officer and Ocean County Abstract of Ratables

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

Reassessment occurs when ordered by the County Board of Taxation

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

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

\* Data unavailable

**Lavallette Borough Board of Education  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Lavallette Borough Board of Education				Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation		Lavallette Borough	Ocean County		
		Debt Service <sup>b</sup>	Total Direct				
2004	0.382	0.006	0.388	0.211	0.325	0.924	
2005	0.146	0.002	0.148	0.229	0.510	0.887	
2006	0.154	0.008	0.162	0.229	0.361	0.752	
2007	0.157	0.008	0.165	0.240	0.388	0.793	
2008	0.162	0.008	0.170	0.257	0.411	0.838	
2009	0.167	0.008	0.175	0.258	0.411	0.844	
2010	0.173	0.008	0.181	0.026	0.423	0.882	
2011	0.188	0.008	0.196	0.026	0.423	0.882	
2012	Data unavailable			Data unavailable			
2013	Data unavailable			Data unavailable			

Source: District Records and Municipal Tax Collector

**Note:**

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

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

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

Lavallette Borough Board of Education  
Principal Property Tax Payers,  
Five and Fourteen Years Ago

Exhibit J-8

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Taxpayer #1	\$ 4,988,134	1	0.27%	\$ 1,092,400	4	0.17%
Taxpayer #2	3,924,304	2	0.22%			
Taxpayer #3	3,547,523	3	0.20%			
Taxpayer #4	3,512,618	4	0.19%			
Taxpayer #5	3,443,002	5	0.19%			
Taxpayer #6	3,418,375	6	0.19%			
Wachovia Bank	3,332,856	7	0.18%			
Taxpayer #7	3,332,856	8	0.18%			
Taxpayer #8	3,266,538	9	0.18%			
Taxpayer #9	2,386,153	10	0.13%			
Lavallett Yacht Club				2,087,200	1	0.33%
Bell Atlantic				2,033,453	2	0.31%
Bell Atlantic				1,100,100	3	0.17%
800 Rt. 35 North Corp.				991,700	5	0.16%
Kay's Bakery, Inc				917,300	6	0.14%
Car-Lou, Inc.				792,100	7	0.13%
Taxpayer				792,100	8	0.12%
Taxpayer				786,700	9	0.12%
Louise C., Inc.				760,700	10	0.12%
Total	\$ 35,152,360		1.94%	\$ 11,353,753		1.77%

Source: District CAFR & Municipal Tax Assessor

Lavallette Borough Board of Education  
 Property Tax Levies and Collections,  
 Last Ten Years  
 Unaudited

Year Ended June 30,	Collected within the Year of the			Collections in Subsequent Years
	Taxes Levied for the Year	Levy Amount	Percentage of Levy	
2003	2,472,220	2,472,220	100.00%	-
2004	2,611,078	2,611,078	100.00%	-
2005	2,625,911	2,625,911	100.00%	-
2006	2,869,453	2,869,453	100.00%	-
2007	2,946,403	2,946,403	100.00%	-
2008	3,057,182	3,057,182	100.00%	-
2009	3,173,373	3,173,373	100.00%	-
2010	3,291,058	3,313,072	100.67%	(22,014)
2011	3,682,492	3,682,492	100.00%	-
2012	3,696,190	3,696,190	100.00%	-

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

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

Lavallette Borough Board of Education  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		County Per Capita Income*
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANS)	Capital Leases	Total District	
2004	\$ 440,000	-	-	-	-	440,000	\$ 33,567
2005	1,587,000	-	12,740	-	-	1,599,740	\$ 34,497
2006	1,492,000	-	20,249	-	-	1,512,249	\$ 36,773
2007	1,397,000	-	15,446	-	-	1,412,446	\$ 39,214
2008	1,300,000	-	10,518	-	-	1,310,518	\$ 40,975
2009	1,200,000	-	5,193	-	-	1,205,193	\$ 39,331
2010	1,100,000	-	18,369	-	-	1,118,369	\$ 40,291
2011	1,000,000	-	23,904	-	-	1,023,904	\$ 40,274
2012	900,000	-	17,668	-	-	917,668	**
2013	800,000	-	11,012	-	-	811,012	**

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

\* Source-Ocean County Department of Planning

\*\* Information Unavailable

Lavallette Borough Board of Education  
 Ratios of Net General Bonded Debt Outstanding  
 Last Ten Fiscal Years

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2004	\$ 440,000	-	440,000	0.07%	\$ 165.10
2005	1,587,000	-	1,587,000	0.09%	\$ 595.50
2006	1,492,000	-	1,492,000	0.08%	\$ 559.85
2007	1,397,000		1,397,000	0.08%	\$ 524.20
2008	1,300,000		1,300,000	0.07%	\$ 487.80
2009	1,200,000		1,200,000	0.07%	\$ 450.28
2010	1,100,000		1,100,000	0.06%	\$ 412.76
2011	1,000,000		1,000,000	0.06%	\$ 375.23
2012	900,000		900,000	0.05%	\$ 337.71
2013	800,000		800,000	*	*

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

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

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

\* Data unavailable

Lavallette Borough Board of Education  
 Ratios of Overlapping Governmental Activities Debt  
 As of June 30, 2013

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b> Lavallette Borough			
	DATA UNAVAILABLE		
<b>Lavallette Borough School District Direct Debt</b>			800,000
<b>Total direct and overlapping debt</b>			\$ 800,000

**Sources:** Lavallette Borough Finance Officer

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

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

Lavallette Borough Board of Education  
 Legal Debt Margin Information,  
 Last Ten Fiscal Years

Legal Debt Margin Calculation for Year 2012

Equalized valuation basis	
2012	\$ 2,269,502,866
2011	2,302,623,067
2010	2,412,221,024
<b>[A]</b>	<b>\$ 6,984,346,957</b>
<b>[A/3]</b>	<b>\$ 2,328,115,652</b>
<b>[B]</b>	<b>69,843,470<sup>a</sup></b>
<b>[C]</b>	<b>900,000</b>
<b>[B-C]</b>	<b>\$ 68,943,470</b>

Average equalized valuation of taxable property  
 Debt Limit (3% of Average Equalization Valuation)  
 Net bonded school debt  
 Legal debt margin

	Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 23,094,558	\$ 30,762,285	\$ 30,749,233	\$ 51,586,192	\$ 53,735,861	\$ 55,596,380	72,303,183	72,493,822	71,384,787	68,943,470
Total net debt applicable to limit	480,000	440,000	1,587,000	1,492,000	1,397,000	1,300,000	1,200,000	1,100,000	1,000,000	900,000
Legal debt margin	\$ 22,614,558	\$ 30,322,285	\$ 29,162,233	\$ 50,094,192	\$ 52,338,861	\$ 54,296,380	\$ 71,103,183	\$ 71,393,822	\$ 70,384,787	\$ 68,043,470

Total net debt applicable to the limit as a percentage of debt limit	2.08%	1.43%	5.16%	2.89%	2.60%	2.34%	1.66%	1.52%	1.40%	1.31%
--	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

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

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

2013 Data Unavailable

Lavallette Borough Board of Education  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Exhibit J-14

<u>Year</u>	<u>Population **</u>	<u>County Per Capita Personal Income *</u>	<u>State of NJ Unemployment Rate</u>
2003	2,665	32,279	5.1%
2004	2,665	33,567	5.5% ***
2005	2,665	34,497	4.9% ***
2006	2,665	36,773	4.6% ***
2007	2,757	39,214	4.6%
2008	2,757	40,975	4.6%
2009	2,773	39,331	4.6%
2010	1,879	40,291	4.6%
2011	1,884	40,724	4.6%
2012	1,878	Unavailable	6.5%

\* Source: N. J. Department of Labor Statistics, April 2007

\*\* Source: US Bureau of the Census, Population Division 10/00 and Census 2000 Data for NJ General Demographic Profile

\*\*\* US Department of Labor, Bureau of Statistics, 3/1/06

**Lavallette Borough Board of Education  
Principal Employers,  
Current Year and Nine Years Ago**

**Exhibit J-15**

Information not available

Lavallette Borough Board of Education  
 Full-time Equivalent District Employees by Function/Program,  
 Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Instruction	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Regular	2.4	2.6	3.6	4.6	4.6	4.6	5.6	5.6	6.1	6.1
Special education										
Support Services:										
Student & instruction related services	4.7	4.9	4.9	4.9	4.9	4.9	5.7	5.7	6.1	6.1
General administrative services	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
School administrative services	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Business administrative services	1.0	1.0	1.0	1.0	1.4	1.4	1.4	1.4	1.4	1.4
Plant operations and maintenance	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Food Service	1.1	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
<b>Total</b>	<b>26.1</b>	<b>26.8</b>	<b>27.9</b>	<b>28.9</b>	<b>29.3</b>	<b>29.3</b>	<b>31.1</b>	<b>31.1</b>	<b>32.0</b>	<b>32.0</b>

Source: District Personnel Records

Lavallette Borough Board of Education  
 Operating Statistics  
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil (c)	Percentage Change	Teaching Staff	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) b	Average Daily Attendance (ADA) b	% Change in Average Daily Enrollment	Student Attendance Percentage
2004	156	2,956,683	18,953		21	1:7.4	156.3	148.0	-4.052%	94.69%
2005	143	3,038,828	21,251	12.12%	20	1:7.1	143.6	135.1	-8.125%	94.08%
2006	143	2,893,443	20,234	-4.78%	20	1:7.1	141.3	133.0	-1.602%	94.13%
2007	141	3,448,537	24,458	20.88%	21	1:6.9	141.3	132.7	0.000%	93.91%
2008	148	3,469,988	23,446	-4.14%	21	1:7.0	148.4	139.3	5.025%	93.87%
2009	138	3,581,255	25,951	10.69%	21	1:6.6	139.6	131.1	-5.930%	93.91%
2010	148	3,799,251	25,671	-1.08%	21	1:7	148.6	139.7	6.447%	94.01%
2011	167	4,047,104	24,234	-5.60%	21	1:7	167.2	156.9	12.517%	93.84%
2012	166	4,025,627	24,251	0.07%	21	1:7.9	166.1	157.4	-0.658%	94.76%
2013	146	4,143,378	28,379	17.02%	21	1:7	145.9	136.3	-12.161%	93.42%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- c based on NJ School Report card data

Lavallette Borough Board of Education  
 School Building Information  
 Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>District Building</b>										
Lavallette Elementary School (1956, 1982)	20,800	20,800	20,900	20,900	20,900	20,900	20,900	20,900	20,900	20,900
Square Feet	217	217	217	217	217	217	217	217	217	217
Capacity (students)	156	144	143	141	148	138	148	167	166	146
Enrollment										

**Source:** District records, ASSA

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

LAVALLETTE BOROUGH SCHOOL DISTRICT  
 GENERAL FUND  
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
 LAST SEVEN YEARS CALCULATIONS  
 UNAUDITED

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

	2013	2012	2011	2010	2009	2008	2007
Gross Building Area		30,645					
Required annual maintenance		\$8,764					
School Facilities							
Lavallette Elementary	\$ 40,741	\$ 26,034	\$ 39,811	\$ 9,712	\$ 23,426	\$ 26,955	\$ 22,972
Total School Facilities	\$ 40,741	\$ 26,034	\$ 39,811	\$ 9,712	\$ 23,426	\$ 26,955	\$ 22,972

## LAVALLETTE SCHOOL DISTRICT

## Insurance Schedule

June 30, 2013 - Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property - Blanket Building and Contents	\$6,400,000	\$1,000
Comprehensive General Liability	\$1,000,000	
Commercial Auto Liability	\$1,000,000	
EDP Hardware & software	\$350,000	\$ 1,000/Theft
Boiler and Machinery	\$100,000,000	\$ 1,000/PD
Crime: Faithful Performance	\$25,000	500
Commercial Umbrella Liability - NJSBAIG	\$11,000,000	\$10,000
Flood Insurance-Selective Insurance Company		
Building	\$500,000	\$1,000
Contents	\$500,000	\$1,000
Workers' Compensation Policy – NJSBAIG	\$2,000,000	
Supplemental Worker's Compensation –Life Insurance Co of NA	up tp \$2,500 per week	
School Leaders' Errors and Omissions - NJSBAIG	\$6,000,000	\$ 5,000/claim
Student and Athletic Accident Insurance – Peoples Benefit Life	\$1,000,000	
Bond - Public Official (Treasurer of School Monies) - NJSBAIG	\$148,142	\$1,000
Bond- Public Official (Board Secretary) - NJSBAIG	\$148,142	\$1,000

*Robert A. Hulsart and Company*  
 CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:  
 (732) 280-8888

e-mail:  
 rah@monmouth.com

2807 Hurley Pond Road • Suite 100  
 P.O. Box 1409  
 Wall, New Jersey 07719-1409  
 (732) 681-4990

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

Honorable President and Members  
 of the Board of Education  
 Lavallette School District  
 County of Ocean  
 Lavallette, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lavallette Board of Education, County of Ocean, State of New Jersey as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lavallette Board of Education, County of Ocean, State of New Jersey's basic financial statements, and have issued our report thereon dated October 30, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lavallette Board of Education, County of Ocean, State of New Jersey's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lavallette Board of Education, County of Ocean, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lavallette Board of Education, County of Ocean, State of New Jersey's internal control.

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

Our consideration of internal control was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

**ROBERT A. HULSART AND COMPANY**

*Robert A. Hulsart*

Licensed Public School Accountant  
No. 322  
Robert A. Hulsart and Company  
Wall Township, New Jersey

October 30, 2013

L'AVALLETTIE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Schedule A  
K-3

Federal Grantor/Pass-Through Grantor/Program Title U.S. Department of Education Passed-Through State Department of Education	Federal C.F.D.A. Number	Grant or State Project Number	Program or Award Amount	Grant Period		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years Balances	Balance at June 30, 2013	
				From	To					(Accounts Receivable)	Deferred Revenue
General Fund: FEMA Sandy Aid	84.938C	N/A	\$ 3,636	9/1/2012	8/31/2013		3,636	(3,636)			
Special Revenue Fund: I.D.E.A.:											
Basic	84.027	N/A	46,141	9/1/2012	8/31/2013		46,141	(46,141)			
Preschool	84.173	N/A	1,174	9/1/2012	8/31/2013		1,174	(1,174)			
No Child Left Behind:											
Title I	84.010A	N/A	15,329	9/1/2012	8/31/2013		15,329	(15,329)			
Title II A	84.367	N/A	9,389	9/1/2012	8/31/2013		9,389	(9,389)			
Project Serve	97.036	N/A	24,465	9/1/2012	8/31/2013		24,465	(24,465)			
Total Special Revenue							96,498	(96,498)			
<b>U.S. Department of Agriculture</b> <b>Passed Through State Department of Education</b>											
National School Lunch Program	10.555	N/A	35,067	7/1/2012	6/30/2013		33,288	(35,067)		(1,779)	
National School Lunch Program	10.555	N/A	12,532	7/1/2011	6/30/2012		351				
Total Enterprise Fund							33,639	(35,067)		(1,779)	
Total Federal Financial Assistance							133,773	(135,201)		(1,779)	

See accompanying Notes to Schedules of Financial Assistance.

LAVALLETTES SCHOOL DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE

FOR FISCAL YEAR ENDED JUNE 30, 2013

Schedule B  
K-4

State Grantor/ Program Title State Department of Education	Grant or State Project Number	Program or Award Amount	Grant Period		Deferred Revenue (Accounts Receivable)	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years Balances	Balance at June 30, 2013		MEMO Cumulative Total Expenditures
			From	To						(Accounts Receivable)	Due to Grantor	
General Fund:												
Special Education Aid	13-495-034-5120-089	\$ 92,328	7/1/2012	6/30/2013	-		92,328	(92,328)			(92,328)	92,328
Security Aid	13-495-034-5120-084	15,217	7/1/2012	6/30/2013			15,217	(15,217)			(15,217)	15,217
Adjustment Aid	13-495-034-5120-085	4,798	7/1/2012	6/30/2013			4,798	(4,798)			(4,798)	4,798
Transportation Aid	13-495-034-5120-014	59,031	7/1/2012	6/30/2013			59,031	(59,031)			(59,031)	59,031
Extraordinary Aid	13-495-034-5120-044	24,430	7/1/2012	6/30/2013				(24,430)			(24,430)	24,430
Extraordinary Aid	12-495-034-5120-044	32,587	7/1/2011	6/30/2012	(32,587)							
Non-Public Transportation Aid	13-495-034-5120-014	696	7/1/2012	6/30/2013			32,587	(696)			(696)	696
Non-Public Transportation Aid	12-495-034-5120-014	870	7/1/2011	6/30/2012	(870)		870					
Reimbursed TPAF Social Security	13-100-034-5095-002	112,689	7/1/2012	6/30/2013	(5,270)		107,019	(112,689)			(5,670)	112,689
Reimbursed TPAF Social Security	12-100-034-5095-002	106,680	7/1/2011	6/30/2012	(38,727)		5,270	(309,189)			(17,134)	309,189
Total General Fund							317,120	(309,189)			(17,134)	
Debt Service:												
Debt Service Aid Type II	13-495-034-5120-017	13,541	7/1/2012	6/30/2013			13,541	(13,541)				13,541
Enterprise Fund:												
School Lunch Program												
(State Share)	13-100-010-3360-023	753	7/1/2012	6/30/2013	(26)		719	(753)		(34)		753
School Lunch Program							26					
(State Share)	12-100-010-3360-023	682	7/1/2011	6/30/2012	(26)		745	(753)		(34)		753
Total State Financial Assistance							331,406	(323,483)		(30,830)	(17,134)	323,483

See accompanying Notes to Schedules of Financial Assistance.

**BOARD OF EDUCATION**

K-5

**LAVALLETTE SCHOOL DISTRICT****NOTES TO SCHEDULES OF AWARDS OF FINANCIAL ASSISTANCE****JUNE 30, 2013****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, Lavallette 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 expenditures of federal awards and state financial assistance.

**NOTE 2: Basis of Accounting**

The accompanying schedules of 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. Programs recorded in the food service fund include the National School Lunch Program, the School Breakfast Program, the U.S.D.A Commodities Program and the Special Milk Program. These bases of accounting are described in the Note 1(C) to the Board's general-purpose 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 General Purpose Financial Statements**

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

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

Awards and financial assistance revenues are reported in the Board's general purpose financial statements on a GAAP basis as presented below:

**NOTE 3: Relationship to General Purpose Financial Statements (Continued)**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Food Service</u>	<u>Total</u>
<b><u>State Assistance</u></b>				
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of State Financial Assistance	\$ 309,189	13,541	753	323,483
Difference – Budget to "GAAP" Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized				
On Behalf Payments Recognized for GAAP Statements but Not Included in the Schedule of Expenditures of State Financial Assistance	209,668			209,668
The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	<u>(323)</u>	—	—	<u>(323)</u>
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 518,534</u>	<u>13,541</u>	<u>753</u>	<u>532,828</u>

**NOTE 3: Relationship to General Purpose Financial Statements (Continued)**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
<b><u>Federal Assistance</u></b>				
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of Federal Awards	\$ 3,636	96,498	35,067	135,201
Difference – Budget to "GAAP" Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized	_____	_____	_____	_____
Total Federal Revenue as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances	<u>\$ 3,636</u>	<u>96,498</u>	<u>35,067</u>	<u>135,201</u>

**NOTE 4: Relationship to Federal and State Financial Reports**

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

**NOTE 5: Other**

Revenues and expenditures reported under the 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 of behalf of the District for the year ended June 30, 2013. 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, 2013.