

**FLORHAM PARK BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**Florham Park, New Jersey**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**of the**

**Florham Park Board of Education**

**Florham Park, New Jersey**

**For The Fiscal Year Ended June 30, 2004**

**Prepared by**

**Business Office**

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## **INTRODUCTORY SECTION**



# Florham Park Public Schools

## ADMINISTRATIVE OFFICES

P.O. BOX 39 • FLORHAM PARK, N.J. 07932

973-822-3880

FAX: 973-822-0867

FRED R. FERRONE, Ed.D.  
Superintendent of Schools

October 19, 2004

Members of the Board of Education  
Florham Park Public Schools  
67 Ridgedale Ave.  
Florham Park, NJ 07932

Dear Board Members:

The comprehensive annual financial report of the Florham Park Public Schools for the fiscal year ended June 30, 2004 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 District. 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.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Public School's MD&A can be found immediately following the "Independent Auditor's Report".

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 independent auditor's report, management's discussion and analysis (MD&A) and the basic financial statements including the district-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No.34. The basic financial statements also include individual financial statements; notes to the financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information generally presented on a multi-year basis.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 2003 and the U.S. Office of Management and Budget Circular A-133. "Audits of States, Local Governments and Non-Profit Organizations", and the State Treasury Circular OMB 04-04. Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular and special education for handicapped youngsters. The District completed FY 2003/2004 with an enrollment of 950. The following Average Daily Enrollment figures details the changes in student enrollment over the last ten (10) years:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2003/04	950	2.4%
2002/03	928	10.1%
2001/02	843	8.2%
2000/01	779	4.0%
1999/00	749	0.3%
1998/99	747	2.2%
1997/98	731	4.1%
1996/97	702	1.7%
1995/96	690	(2.3%)
1994/95	706	3.5%

2. ECONOMIC CONDITION AND OUTLOOK

Compared to other Districts, Florham Park remains financially healthy. Although funding is not provided, the local taxpayer is funding a \$13.85 million bond referendum that was approved January 22, 2002 to upgrade facilities. The District is currently carrying a 1.6% unreserved / undesignated fund balance of the net budget to provide emergency funding for the lack of State Aid, to fund emergency projects, and to provide necessary reserves for future contingencies.

3. MAJOR INITIATIVES

The District continues to meet its major challenges, vis-à-vis, a series of ambitious curriculum reviews based on the Long Range Curriculum Plan, which must be completed to maintain educational integrity. The curriculum reviews are in the areas of environmental education, handwriting, reading, speech, intermediate language learning disability and preschool handicapped class. The District has also continued to stress technology. All building computer labs have been updated, staff development has been offered after-school hours and during the summer, and the elementary schools are using wireless laptop carts for instruction.

In addition to technology, in-service training has focused on reading, language and mathematics instruction to address the ESPA and GEPA requirements. District in-service has focused on a diversified curriculum meeting the needs of each child.

4. INTERNAL ACCOUNTING CONTROLS

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 subject to periodic evaluation by District management and the auditor.

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

#### 5. BUDGETARY CONTROLS

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount as amended for FY 2003/2004 is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2004.

#### 6. ACCOUNTING SYSTEM AND REPORTS

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

#### 7. DEBT ADMINISTRATION

At June 30, 2004 the District had \$13,660,000 in General Obligation Bonds outstanding. The proceeds of these bonds were used to provide funds for capital improvements to the District's buildings and grounds. These improvements include additions and various renovations in all three (3)-school buildings.

#### 8. CASH MANAGEMENT

The investment policy of the District is guided in large part by State statute as detailed in "Notes to Financial Statements", Note #3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). "GUDPA" was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

#### 9. RISK MANAGEMENT

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

#### 10. OTHER INFORMATION

Independent Audit – State statute requires an annual audit by independent certified public accountants or registered municipal accounts. The Board's Finance Committee selected the

accounting firm of Lerch Vinci & Higgins, LLP, CPA's. In addition to meeting the requirements as set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984, as amended in 1996, and the related OMB Circular A-133 and State Treasury Circular Letter 04-04.

The Auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

## 11. ACKNOWLEDGEMENTS

We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the District, as well as contributing their full support to the development and maintenance of our financial operations. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

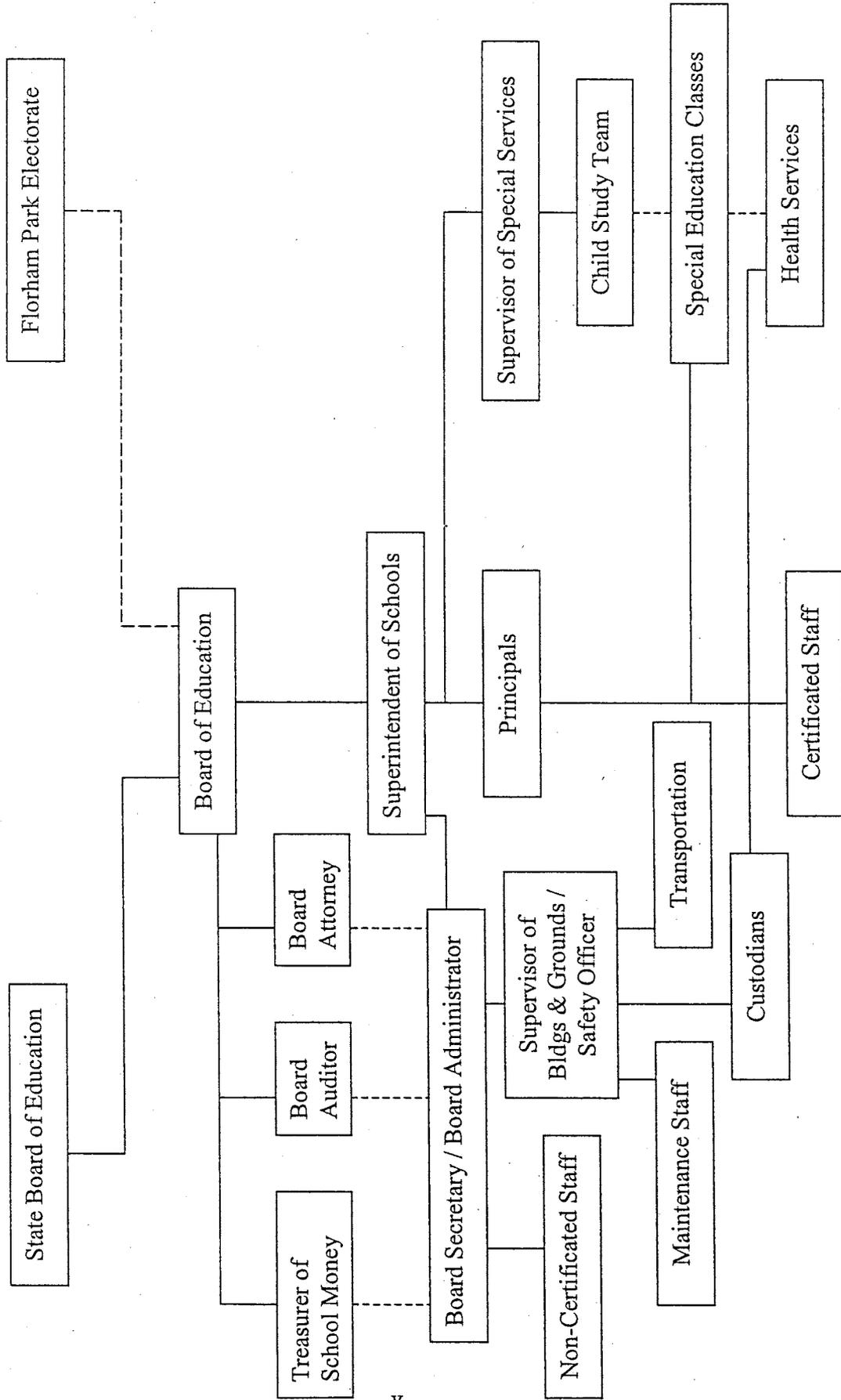


Fred R. Ferrone, Ed.D.  
Superintendent of Schools



John R. Csattos  
Business Administrator/Board Secretary

# FLORHAM PARK SCHOOL DISTRICT ORGANIZATIONAL CHART



FLORHAM PARK BOARD OF EDUCATION  
FLORHAM PARK, NEW JERSEY

ROSTER OF OFFICIALS  
JUNE 30, 2004

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Kevin DeCoursey	2007
John McFarlane, President	2005
Scott Eveland	2007
Dr. John Cavollo	2007
John Gaffney	2006
Linda Michalowski	2006
Patrick Montuore, Vice President	2005
 <u>Other Officials</u>	
Dr. Fred R. Ferrone, Superintendent	
John R. Csatlos, Business Administrator/Board Secretary	
Raymond Karaty, Treasurer	

**FLORHAM PARK BOARD OF EDUCATION**  
**FLORHAM PARK, NEW JERSEY**  
**CONSULTANTS AND ADVISORS**

**ATTORNEY**

Mathew J. Giarobe, Esq.  
Scarinci & Hollenbeck, LLC  
1100 Valley Brook Avenue  
Lyndhurst, New Jersey 07071

**AUDIT FIRM**

Lerch, Vinci & Higgins, LLP  
17-17 Route 208  
Fair Lawn, New Jersey 07410

**ARCHITECTS**

LAN Associates  
445 Godwin Ave.  
Midland Park, New Jersey 07432

**OFFICIAL DEPOSITORY**

Chase Bank of New Jersey, NA  
186 Ridgedale Avenue  
Florham Park, New Jersey 07932

**FINANCIAL SECTION**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
JOSEPH F. KELLY, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA

CHRISTINE CORRUBIA, CPA, PSA  
ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA

## INDEPENDENT AUDITORS' REPORT

Honorable President and Members  
of the Board of Trustees  
Florham Park Board of Education  
Florham Park, New Jersey

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 Florham Park Board of Education, as of and for the fiscal year ended June 30, 2004, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Florham Park Board of Education as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Florham Park Board of Education has implemented a new reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of June 30, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2004 on our consideration of the Florham Park Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of our audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Florham Park Board of Education's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lerch, Vinci & Higgins, LLP  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants



Jeffrey C. Bliss  
Public School Accountant  
PSA Number CS00932

Fair Lawn, New Jersey  
October 19, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2004

This section of Florham Park Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. 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.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2003-2004) and the prior year (2002-2003) is required to be presented in the MD&A. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34 and that the Statement permits the omission of prior year data in the year of implementation, the District has elected not to prepare comparative data due to the cost of adjusting prior year's financial statements to the new reporting model.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2003-2004 fiscal year include the following:

- The assets of the Florham Park Board of Education exceeded its liabilities at the close of the fiscal year by \$6,947,987. (Net Assets)
- The District's total net assets increased by \$1,571,375.
- Overall District revenues were \$15,364,666. General revenues accounted for \$11,662,653 or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,702,013 or 24% of total revenues.
- The school district had \$13,780,851 in expenses for governmental activities; only \$3,687,978 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$11,662,653 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$957,824. Of this amount, \$66,888 (7%) is available for spending at the District's discretion (unreserved/undesignated fund balance – General Fund).
- The General Fund fund balance at June 30, 2004 was \$794,790, a decrease of \$117,509 compared to the ending fund balance at June 30, 2003 of \$912,299.
- The General Fund unreserved/undesignated budgetary fund balance at June 30, 2004 was \$206,365, which represents a decrease of \$320,358 compared to the ending fund balance at June 30, 2003 of \$526,723.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2004

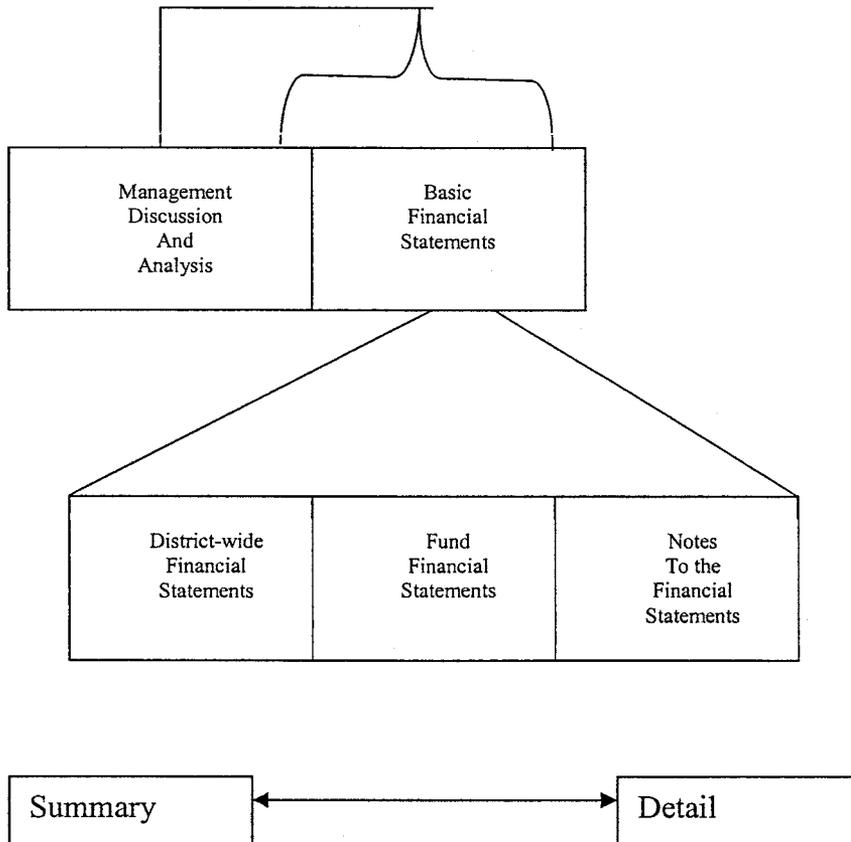
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this Annual Report are arranged and related to one another.

Figure A-1



# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2004

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund	Financial	Statements
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district(except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, building maintenance, transportation, and administration.	Activities the district operates similar to private businesses: Enterprise Funds	Instances in which the district administers resources on behalf of someone else, such as unemployment, scholarships, student activities and payroll deduction.
Required financial Statements	Statements of net assets Statement of activities	Balance Sheet Statement of Revenue, Expenditures and Changes in Fund Balances	Statement of Net Assets Statement of Revenue, Expenses, and Changes in Fund Net Assets, Statement of Cash Flows	Statements of Fiduciary Net Assets.
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources Focus
Type of asset/liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long funds do not currently contain capital assets, although they can
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

### District-wide Statements

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

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or *position*

# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2004

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in one category:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, and plant operation and maintenance. Property taxes and Federal and State aid finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
  - *Enterprise Funds* – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has one enterprise fund, for its food service (cafeteria) program.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2004

**Fund Financial Statements (Continued)**

• *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets.** The District's *combined* net assets were \$6,947,987 on June 30, 2004 as follows:

**Net Assets  
As of June 30, 2004**

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Current Assets	\$ 4,339,775	\$ 5,345	\$ 4,345,120
Capital Assets	<u>20,230,854</u>	<u>5,405</u>	<u>20,236,259</u>
<b>Total Assets</b>	<u>24,570,629</u>	<u>10,750</u>	<u>24,581,379</u>
Long-Term Liabilities	13,990,919		13,990,919
Other Liabilities	<u>3,642,473</u>	<u>-</u>	<u>3,642,473</u>
<b>Total Liabilities</b>	<u>17,633,392</u>	<u>-</u>	<u>17,633,392</u>
Net Assets			
Invested in Capital Assets, net of related debt	6,784,337	5,405	6,789,742
Restricted	114,565		114,565
Unrestricted	<u>38,335</u>	<u>5,345</u>	<u>43,680</u>
<b>Total Net Assets</b>	<u>\$ 6,937,237</u>	<u>\$ 10,750</u>	<u>\$ 6,947,987</u>

The District's total net assets of \$6,947,987 at June 30, 2004 represent a \$1,571,375, or 29%, increase from the prior year as follows.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2004

Change in Net Assets  
For The Year Ended June 30, 2004

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 34,870	\$ 8,544	\$ 43,414
Operating Grants and Contributions	1,851,096	5,491	1,856,587
Capital Grants and Contributions	1,802,012		1,802,012
General Revenues			
Property Taxes	11,554,592		11,554,592
State Aid - Unrestricted	45,355		45,355
Other	62,706	-	62,706
<b>Total Revenues</b>	<b><u>15,350,631</u></b>	<b><u>14,035</u></b>	<b><u>15,364,666</u></b>
<b>Expenses</b>			
Instruction			
Regular	5,474,587		5,474,587
Special Education	1,752,336		1,752,336
Other Instruction	83,181		83,181
School Sponsored Activities and Athletics	163,886		163,886
Support Services			
Student and Instruction Related Services	1,566,051		1,566,051
General Administrative Services	762,681		762,681
School Administrative Services	833,658		833,658
Plant Operations and Maintenance	1,605,918		1,605,918
Pupil Transportation	554,681		554,681
Business Services	326,534		326,534
Interest on Debt	657,338		657,338
Food Services	-	12,440	12,440
<b>Total Expenses</b>	<b><u>13,780,851</u></b>	<b><u>12,440</u></b>	<b><u>13,793,291</u></b>
<b>Increase in Net Assets</b>	<b>1,569,780</b>	<b>1,595</b>	<b>1,571,375</b>
<b>Net Assets, Beginning of Year</b>	<b><u>5,367,457</u></b>	<b><u>9,155</u></b>	<b><u>5,376,612</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ 6,937,237</u></b>	<b><u>\$ 10,750</u></b>	<b><u>\$ 6,947,987</u></b>

FLORHAM PARK BOARD OF EDUCATION

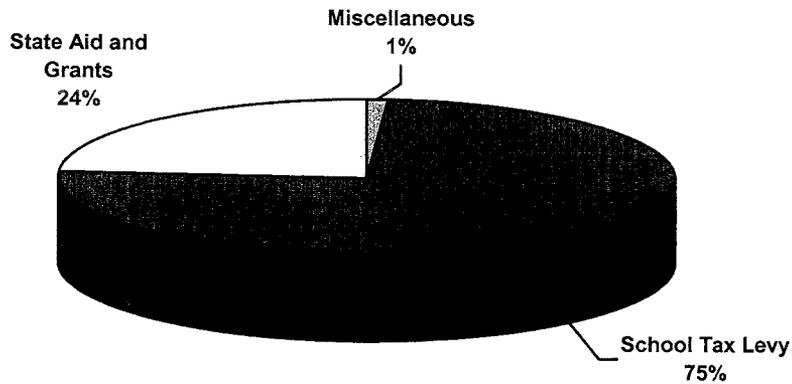
Management's Discussion and Analysis  
Year Ended June 30, 2004

**Governmental Activities.** The District's total governmental activities' revenues, which includes State and Federal grants, were \$15,350,631 for the year ended June 30, 2004, property taxes of \$11,554,592 represented 75% of revenues. Another significant portion of revenues came from State aid; total State, Federal and formula aid was \$3,698,463 represented 24% of revenues. In addition, transportation fees and miscellaneous income is earned which includes items such as interest, prior year refunds and other miscellaneous items.

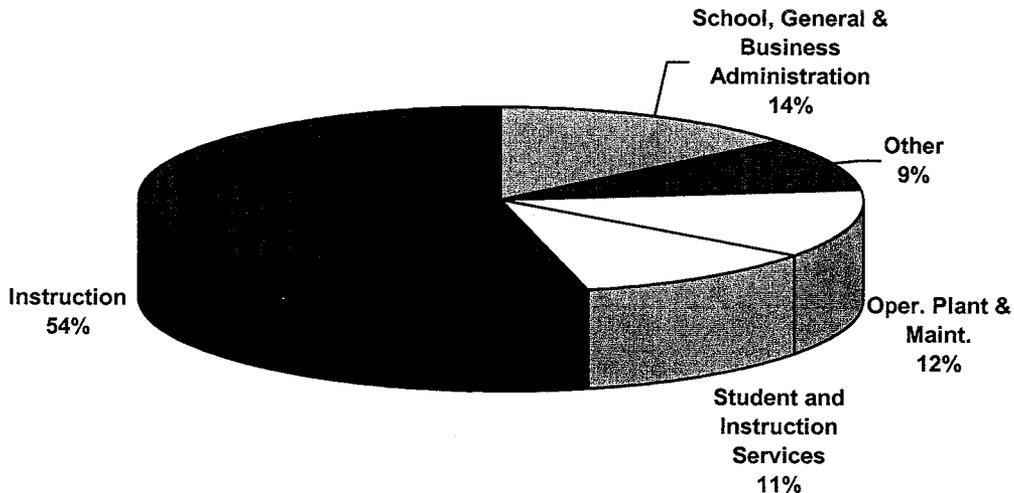
The total cost of all governmental activities programs and services was \$13,780,851. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$7,473,990 (54%) of total expenses. Student support services, total \$5,649,523 (41%) of total expenses and interest on debt totaled \$657,338 (5%) of total expenses.

Total governmental activities revenues exceeded expenses, increasing net assets \$1,569,780 from the previous year.

Revenues by Sources – Governmental Activities  
For Fiscal Year 2004



Expenses by Use – Governmental Activities  
For Fiscal Year 2004



FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2004

**Net Cost of Governmental Activities.** The District's total cost of services was \$13,780,851. After applying program revenues, derived from operating grants and contributions of \$3,653,108 and charges for services of \$34,870, the net cost of services of the District is \$10,092,873.

**Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction		
Regular	\$ 5,474,587	\$ 4,927,978
Special Education	1,752,336	774,739
Other Instruction	83,181	38,146
School Sponsored Activities and Athletics	163,886	147,381
Support Services		
Student and Instruction Related Services	1,566,051	1,447,628
General Administrative Services	762,681	739,782
School Administrative Services	833,658	788,928
Plant Operations and Maintenance	1,605,918	(196,094)
Pupil Transportation	554,681	452,919
Business Services	326,534	314,128
Interest on Debt	<u>657,338</u>	<u>657,338</u>
 <b>Total</b>	 <b><u>\$ 13,780,851</u></b>	 <b><u>\$ 10,092,873</u></b>

**Business-Type Activities** – The District's total business-type activities revenues were \$14,035 for the year ended June 30, 2004. Charges for services accounted for 61% of total revenues. Operating grants and contributions accounted for 39% of total revenue for the year.

Total cost of all business-type activities programs and services was \$12,440.

Total business-type activities revenues surpassed expenses, increasing net assets by \$1,595 over the previous year.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2004

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$957,824, a decrease from last year's fund balance of \$8,493,395. This decrease was attributable to the utilization of capital projects fund balance for the District Facility Improvements.

Revenues for the District's governmental funds were \$15,350,631, while total expenses were \$23,010,784. In addition, the District had other financing sources of \$124,582.

**GENERAL FUND**

The General fund includes the primary operations of the District in providing educational services to students from Kindergarten through Grade 8.

The following schedule presents a summary of General Fund Revenues.

	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Local Sources				
Property Taxes	\$ 10,771,768	\$ 9,601,431	\$ 1,170,337	12%
Other	63,305	96,204	(32,899)	(34)%
State Sources	<u>1,645,816</u>	<u>1,337,445</u>	<u>308,371</u>	23%
 Total General Fund Revenues	 <u>\$ 12,480,889</u>	 <u>\$ 11,035,080</u>	 <u>\$ 1,445,809</u>	 13%

The following schedule presents a summary of General Fund expenditures (unallocated).

	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Instruction	\$ 5,001,688	\$ 4,524,096	\$ 477,592	11%
Support Services	7,461,519	6,654,705	806,814	12%
Capital Outlay	<u>186,999</u>	<u>53,049</u>	<u>133,950</u>	252%
 Total Expenditures	 <u>\$ 12,650,206</u>	 <u>\$ 11,231,850</u>	 <u>\$ 1,418,356</u>	 13%

Total General Fund expenditures increased \$1,418,356 or 13% from the previous year. The majority of this increase can be attributed to contractual salary increases and a double digit percentage increase in health benefits.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis  
Year Ended June 30, 2004

**GENERAL FUND (Continued)**

In 2003-2004 General Fund revenues and other financing sources were less than expenditures and other financing uses by \$117,509. Therefore, total fund balance decreased to \$794,790 at June 30, 2004 due to an unfavorable variance in unexpended budget appropriations for the year. After deducting statutory reserves and designations, the unreserved undesignated fund balance decreased from \$494,239 at June 30, 2003 to \$66,888 at June 30, 2004. This decrease can be attributable to the State Department of Education's restriction on maximum unreserved/undesignated fund balance to be no greater than 3% of expenditures compared to 6% in the previous year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

At the end of fiscal year 2004, the District had \$20,230,854 invested in land, buildings, furniture, equipment and vehicles. The following are the June 30, 2004 balances.

	Capital Assets Governmental Activities	Governmental <u>Activities</u>
Land		\$ 1,156,663
Construction in Progress		3,861,167
Land Improvements		1,178,235
Buildings and Building Improvements		17,699,781
Machinery and Equipment		<u>1,855,478</u>
		25,751,324
<b>Less Accumulated Depreciation</b>		<u>(5,520,470)</u>
<b>Total</b>		<b><u>\$ 20,230,854</u></b>

**LONG TERM LIABILITIES**

At June 30, 2004 the District had \$13,990,919 of outstanding debt. Of this amount, \$381,370 is for compensated absences; \$13,360,000 is for serial bonds; and \$249,549 is for lease purchase agreements.

Outstanding Long-Term Debt at June 30, 2004

Serial Bonds	\$ 13,360,000
Capital Leases Payable	249,549
Compensated Absences	<u>381,370</u>
<b>Total</b>	<b><u>\$ 13,990,919</u></b>

# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2004

### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories"

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year purchase orders being carried over, and budgeting for clearing, resale, and gifts.
- Increases in appropriations for significant unbudgeted costs.

Revisions in the budget were made through budget transfer and to appropriate additional fund balance to prevent over expenditures in specific line item accounts. There were no other revisions to the budget during the year other than the reappropriation of prior year encumbrances. Several of these revisions bear notation:

- \$40,000 of additional fund balance appropriated for legal services due to unanticipated litigation.
- \$10,000 of additional fund balance appropriated for instructional services related to computer/technology wiring.
- \$45,000 of additional fund balance appropriated for construction services at Ridgedale Middle School for an emergent roofing project.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

While many factors influence the district's future, the availability of funding for special education needs and the economy will have the most impact on educational and fiscal decisions in the future.

Many factors were considered by the District's administration during the process of developing the fiscal year 2004-2005 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

These indicators were considered when adopting the budget for fiscal year 2004-2005. Budgeted expenditures in the General Fund increased 5 percent to \$12,609,713 in fiscal year 2004-2005. Increases in contractual payroll and employee benefit costs are the primary reasons for the increase.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, Florham Park Board of Education, P.O. Box 39, Florham Park, NJ 07932.

**BASIC FINANCIAL STATEMENTS**

**FLORHAM PARK BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,227,170	\$ 4,867	\$ 1,232,037
Receivables, net	2,998,042	478	2,998,520
Restricted Assets			
Capital Reserve Account - Cash	114,563		114,563
Capital Assets, net	<u>20,230,854</u>	<u>5,405</u>	<u>20,236,259</u>
Total Assets	<u>24,570,629</u>	<u>10,750</u>	<u>24,581,379</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	353,338		353,338
Payable to State Government	12,719		12,719
Notes Payable	2,898,734		2,898,734
Accrued Interest Payable	260,522		260,522
Deferred Revenue	117,160		117,160
Noncurrent Liabilities			
Due within one year	679,707		679,707
Due beyond one year	<u>13,311,212</u>	<u>-</u>	<u>13,311,212</u>
Total Liabilities	<u>17,633,392</u>	<u>-</u>	<u>17,633,392</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	6,784,337	5,405	6,789,742
Restricted for			
Debt Service	2		2
Capital Projects	114,563		114,563
Unrestricted	<u>38,335</u>	<u>5,345</u>	<u>43,680</u>
Total Net Assets	<u>\$ 6,937,237</u>	<u>\$ 10,750</u>	<u>\$ 6,947,987</u>

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

**FLORHAM PARK BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Instruction							
Regular	\$ 5,474,587		\$ 546,609		\$ (4,927,978)		\$ (4,927,978)
Special Education	1,752,336		977,597		(774,739)		(774,739)
Other Instruction	83,181		45,035		(38,146)		(38,146)
School Sponsored Activities and Athletics	163,886		16,505		(147,381)		(147,381)
Support Services							
Student and Instruction Related Services	1,566,051		118,423		(1,447,628)		(1,447,628)
General Administrative Services	762,681		22,899		(739,782)		(739,782)
School Administrative Services	833,658		44,730	\$ 1,802,012	(788,928)		(788,928)
Plant Operations and Maintenance	1,605,918				196,094		196,094
Pupil Transportation	554,681	\$ 34,870	66,892		(452,919)		(452,919)
Business Services	326,534		12,406		(314,128)		(314,128)
Interest on Debt	657,338		-		(657,338)		(657,338)
Total Governmental Activities	13,780,851	34,870	1,851,096	1,802,012	(10,092,873)	-	(10,092,873)
Business-Type Activities							
Food Service	12,440	8,544	5,491	-	-	\$ 1,595	1,595
Total Business-Type Activities	12,440	8,544	5,491	-	-	1,595	1,595
Total Primary Government	\$ 13,793,291	\$ 43,414	\$ 1,856,587	\$ 1,802,012	(10,092,873)	1,595	(10,091,278)
 <b>General Revenues</b>							
Property Taxes					11,554,592		11,554,592
Investment Earnings					52,275		52,275
Miscellaneous Income					10,431		10,431
Unrestricted State Aid					45,355		45,355
Total General Revenues					11,662,653	-	11,662,653
Change in Net Assets					1,569,780	1,595	1,571,375
Net Assets, Beginning of Year					5,367,457	9,155	5,376,612
Net Assets, End of Year					\$ 6,937,237	\$ 10,750	\$ 6,947,987

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**FUND FINANCIAL STATEMENTS**

**FLORHAM PARK BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2004**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 601,173	\$ 33,613	\$ 592,382	\$ 2	\$ 1,227,170
Receivables from Other Governments	28,732	38,230	2,898,734		2,965,696
Due from Other Funds	17,976				17,976
Other Receivables	32,346				32,346
Restricted Cash and Cash Equivalents	<u>114,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,563</u>
<b>Total Assets</b>	<u>\$ 794,790</u>	<u>\$ 71,843</u>	<u>\$ 3,491,116</u>	<u>\$ 2</u>	<u>\$ 4,357,751</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable		\$ 355	\$ 352,983		\$ 353,338
Notes Payable			2,898,734		2,898,734
Due to Other Funds			17,976		17,976
Payable to State Government		12,719			12,719
Deferred Revenue	<u>-</u>	<u>58,769</u>	<u>58,391</u>	<u>-</u>	<u>117,160</u>
<b>Total Liabilities</b>	<u>-</u>	<u>71,843</u>	<u>3,328,084</u>	<u>-</u>	<u>3,399,927</u>
Fund Balances					
Reserved for					
Encumbrances	\$ 128,403		186,634		315,037
Capital Reserve Account	114,563				114,563
Legally Restricted - Designated for Subsequent Year's Expenditures	87,121				87,121
Unreserved					
Designated for Subsequent Year's Expenditures	397,815			\$ 1	397,816
Undesignated, Reported in General Fund	66,888				66,888
Debt Service Fund				1	1
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>(23,602)</u>	<u>-</u>	<u>(23,602)</u>
<b>Total Fund Balances</b>	<u>794,790</u>	<u>-</u>	<u>163,032</u>	<u>2</u>	<u>957,824</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 794,790</u>	<u>\$ 71,843</u>	<u>\$ 3,491,116</u>	<u>\$ 2</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$25,751,324 and the accumulated depreciation is \$5,520,470. 20,230,854

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is: (260,522)

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

Serial Bonds Payable	\$ 13,360,000
Compensated Absences	381,370
Capital Leases Payable	<u>249,549</u>
	<u>(13,990,919)</u>

Net assets of governmental activities \$ 6,937,237

**FLORHAM PARK BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<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	\$ 10,771,768			\$ 782,824	\$ 11,554,592
Transportation	34,870				34,870
Interest	18,004		\$ 34,271		52,275
Miscellaneous	10,431	-	-	-	10,431
Total - Local Sources	<u>10,835,073</u>	<u>-</u>	<u>34,271</u>	<u>782,824</u>	<u>11,652,168</u>
State Sources	1,645,816	\$ 77,403	1,802,012		3,525,231
Federal Sources	-	173,232	-	-	173,232
Total Revenues	<u>12,480,889</u>	<u>250,635</u>	<u>1,836,283</u>	<u>782,824</u>	<u>15,350,631</u>
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular	5,444,057	43,415			5,487,472
Special Education	1,647,761	150,741			1,798,502
Other Instruction	46,969	36,212			83,181
School-Sponsored Activities and Athletics	161,082				161,082
Support Services					
Student and Instruction Related Services	1,559,828	18,524			1,578,352
General Administrative Services	688,285				688,285
School Administrative Services	810,201				810,201
Plant Operations and Maintenance	1,179,549				1,179,549
Pupil Transportation	602,009				602,009
Business Services	323,466				323,466
Debt Service					
Principal				350,000	350,000
Interest and Other Charges				644,580	644,580
Capital Outlay	186,999	-	9,117,106	-	9,304,105
Total Expenditures	<u>12,650,206</u>	<u>248,892</u>	<u>9,117,106</u>	<u>994,580</u>	<u>23,010,784</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(169,317)</u>	<u>1,743</u>	<u>(7,280,823)</u>	<u>(211,756)</u>	<u>(7,660,153)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Leases (Non-Budgeted)			107,045		107,045
Premium on Notes Payable			17,537		17,537
Transfers In	51,808				51,808
Transfers Out	-	-	(51,808)	-	(51,808)
Total Other Financing Sources and Uses	<u>51,808</u>	<u>-</u>	<u>72,774</u>	<u>-</u>	<u>124,582</u>
Net Change in Fund Balances	(117,509)	1,743	(7,208,049)	(211,756)	(7,535,571)
Fund Balance, Beginning of Year	912,299	(1,743)	7,371,081	211,758	8,493,395
Fund Balance, End of Year	<u>\$ 794,790</u>	<u>\$ -</u>	<u>\$ 163,032</u>	<u>\$ 2</u>	<u>\$ 957,824</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**FLORHAM PARK BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE DISTRICT-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**Total net change in fund balances - governmental funds (Exhibit B-2)** \$ (7,535,571)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.

Capital Outlay	\$ 9,304,105	
Amount Representing Capital Lease Principal	<u>(18,679)</u>	
	9,285,426	
Depreciation Expense	<u>(564,216)</u>	
		8,721,210

In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Compensated Absences		55,381
----------------------	--	--------

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

Serial Bonds	350,000	
Capital Leases	<u>116,100</u>	
		466,100

The issuance of long-term debt provides current financial resources to governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

Capital Lease Proceeds		(107,045)
------------------------	--	-----------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Increase in Accrued Interest		<u>(30,295)</u>
------------------------------	--	-----------------

**Change in net assets of governmental activities (Exhibit A-2)** \$ 1,569,780

**FLORHAM PARK BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF NET ASSETS  
 AS OF JUNE 30, 2004**

	<b>Other Non-Major Enterprise Fund <u>Totals</u></b>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 4,867
Intergovernmental Receivable	
Federal	<u>478</u>
Total Current Assets	<u>5,345</u>
Capital Assets	
Equipment	61,316
Less: Accumulated Depreciation	<u>55,911</u>
Total Capital Assets	<u>5,405</u>
Total Assets	<u>10,750</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	5,405
Unrestricted	<u>5,345</u>
Total Net Assets	<u>\$ 10,750</u>

The accompanying Notes to Financial Statements are an Integral Part of this Statement

**FLORHAM PARK BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Other Non-Major Enterprise Fund <u>Totals</u></b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Daily Sales	\$ 8,544
Total Operating Revenues	<u>8,544</u>
<b>OPERATING EXPENSES</b>	
Cost of Sales	30% = 3,227 10,756
Depreciation	<u>1,684</u>
Total Operating Expenses	<u>12,440</u>
Operating Income (Loss)	<u>(3,896)</u>
<b>NONOPERATING REVENUES</b>	
Federal Sources	
Special Milk Program	<u>5,491</u>
Total Nonoperating Revenues	<u>5,491</u>
Change in Net Assets	1,595
Net Assets, Beginning of Year	<u>9,155</u>
Net Assets, End of Year	<u>\$ 10,750</u>

The accompanying Notes to Financial Statements are an Integral Part of this Statement

**FLORHAM PARK BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Other Non-Major Enterprise Fund <u>Totals</u></b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 8,544
Cash Payments to Suppliers for Goods and Services	<u>(10,756)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(2,212)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash Received from State and Federal Subsidy Reimbursements	<u>5,709</u>
Net Cash Provided by Noncapital Financing Activities	<u>5,709</u>
Net Increase in Cash and Cash Equivalents	3,497
Cash and Cash Equivalents, Beginning of Year	<u>1,370</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,867</u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	\$ (3,896)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used For) Operating Activities	
Depreciation	<u>1,684</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (2,212)</u>

FLORHAM PARK BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
AS OF JUNE 30, 2004

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 26,640	\$ 6,640	\$ 67,375
Due from Other Funds	<u>1,000</u>	<u>-</u>	<u>-</u>
Total Assets	<u>27,640</u>	<u>6,640</u>	<u>67,375</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings			\$ 19,072
Accrued Salaries and Wages			15,943
Due to Other Funds			1,000
Due to Student Groups			31,360
Payable to State Government	<u>5,880</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>5,880</u>	<u>-</u>	<u>\$ 67,375</u>
<b>NET ASSETS</b>			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 21,760</u>	<u>\$ 6,640</u>	

**FLORHAM PARK BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
<b>ADDITIONS</b>		
Contributions		
Employees	\$ 3,783	
Investment Earnings		
Interest	241	\$ 33
	<hr/>	<hr/>
Total Additions	4,024	33
	<hr/>	<hr/>
<b>DEDUCTIONS</b>		
Scholarships Awarded		
Unemployment Claims and Contributions	19,568	-
	<hr/>	<hr/>
Total Deductions	19,568	-
	<hr/>	<hr/>
Change in Net Assets	(15,544)	33
Net Assets, Beginning of Year	37,304	6,607
	<hr/>	<hr/>
Net Assets, End of Year	\$ 21,760	\$ 6,640
	<hr/>	<hr/>

The accompanying Notes to Financial Statements are an Integral Part of this Statement

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**NOTES TO FINANCIAL STATEMENTS**

FLORHAM PARK BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Florham Park Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of seven 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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Florham Park Board of Education this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

During the 2003/04 school year, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments.

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Board of Education. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District considers all of its governmental funds to be major funds.

FLORHAM PARK BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal and state financial programs, with the exception of grants for major capital projects and the school milk program.

The *capital projects fund* accounts for the proceeds from the sale of bonds and other revenues used for the acquisition or construction of major capital facilities.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides milk to students.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance fund and for private donations for scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

FLORHAM PARK BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow FASB guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund is charges to customers for sales and services. Operating expenses for enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal subsidies for the food service operation are considered nonoperating revenues.

D. Assets, Liabilities and Net Assets or Equity

*Deposits and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

*Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

FLORHAM PARK BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

*Receivables and Payables (Continued)*

Tuition Expenditures - Tuition charges for the fiscal years 2002-03 and 2003-04 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred revenues. The tax bills are mailed by the municipal tax collector and are due in four quarterly installments on February 1, May 1, August 1 and November 1. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1<sup>st</sup> in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The Borough can institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

*Inventories*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

*Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

*Restricted Assets*

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts and their use is limited by state regulations for capital projects.

*Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**FLORHAM PARK BOARD OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

***Capital Assets (Continued)***

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	10-20
Buildings	40
Building Improvements	20
Machinery and Equipment	5-20

***Compensated Absences***

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits. A long-term liability of accumulated sick leave has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue sick leave in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

***Long-term obligations***

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

***Fund Equity***

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures.

**Reserved for Encumbrances** - This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

**Reserved for Capital Reserve Account** - This reserve was created by budget appropriation to fund future capital expenditures (See Note 2)

**Reserved - Legally Restricted - Designated for Subsequent Year's Expenditures** - This reserve was created to represent the 2002/03 Extraordinary Aid designated for tax relief in 2004/05.

Designations of fund balance represent tentative management plans that are subject to change.

**Designated for Subsequent Year's Expenditures** - This designation was created to dedicate the portion of fund balance utilized in the adopted subsequent year's budget.

**FLORHAM PARK BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

*Comparative Data/Reclassifications*

Since this is the first year of implementation of the new reporting model contained in the GASB Statement No. 34, comparative data have not been presented for any individual funds in the fund financial statements. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

In accordance with the requirements of the New Jersey Department of Education, the District annually prepares its operating budget for the forthcoming year. The budget, except for the special revenue fund, which is more fully explained in the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2003/2004. During 2003/2004 the Board increased the original budget by \$150,745. The increase was funded by additional surplus appropriated, grant awards, and the reappropriation of prior year encumbrances.

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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.

**FLORHAM PARK BOARD OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**Capital Reserve Account**

A capital reserve account was established on October 16, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Post-April 2004 transfers must be in compliance with P.L. 2004, C.73 (S1701). 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.

During the fiscal year ended June 30, 2004, the District had actual interest earnings of \$13 and transferred by Board resolution \$113,496 into the capital reserve account.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

**Deposits**

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to \$100,000 in the aggregate by the FDIC for each bank. At June 30, 2004, the book value of the Board's deposits was \$1,447,255 and bank balances of the Board's cash and deposits amounted to \$1,910,377. Of the bank balances \$100,000 was covered by FDIC, \$1,354,434 was covered by the New Jersey Governmental Unit Deposit Protection Act, and \$455,942 are uninsured with the New Jersey Cash Management Fund. The Board's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

<b><u>Depository Account</u></b>	<b><u>Bank Balance</u></b>
Insured	\$1,454,435
Collateralized	
Collateral Held by Pledging Bank's Trust Department	
Not in the Board's Name	<u>455,942</u>
	<b><u>\$1,910,377</u></b>

FLORHAM PARK BOARD OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Deposits (Continued)

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 Board does not have a policy for custodial credit risk. As of June 30, 2004, the Board's bank balance of \$455,942 was exposed to custodial credit risk as follows:

Uninsured and Collateralized Held by Pledging Bank's Trust Department, not in the Board's Name	<u>\$455,942</u>
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Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2004, the Board had no outstanding investments.

Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Accounts	\$ 32,346				\$ 32,346
Intergovernmental	<u>28,732</u>	<u>\$ 2,898,734</u>	<u>\$ 38,230</u>	<u>\$ 478</u>	<u>2,966,174</u>
Gross Receivables	61,078	2,898,734	38,230	478	2,998,520
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 61,078</u>	<u>\$ 2,898,734</u>	<u>\$ 38,230</u>	<u>\$ 478</u>	<u>\$ 2,998,520</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

Special Revenue Fund	
Unencumbered grant draw downs	\$ 58,769
Capital Projects Fund	
Economic Development Authority School Facility Grants	<u>58,391</u>
Total Deferred Revenue for Governmental Funds	<u>\$117,160</u>

FLORHAM PARK BOARD OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

Capital asset activity for the year ended June 30, 2004 was as follows:

Capital Assets

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,156,663			\$ 1,156,663
Construction in progress	5,264,488	\$ 9,030,761	\$ 10,434,082	3,861,167
Total capital assets, not being depreciated	<u>6,421,151</u>	<u>9,030,761</u>	<u>10,434,082</u>	<u>5,017,830</u>
Capital assets, being depreciated:				
Land Improvements	1,178,235			1,178,235
Building and Building Improvements	7,265,699	10,434,082		17,699,781
Machinery and equipment	<u>1,600,813</u>	<u>254,665</u>	-	<u>1,855,478</u>
Total capital assets being depreciated	<u>10,044,747</u>	<u>10,688,747</u>	-	<u>20,733,494</u>
Less accumulated depreciation for:				
Land Improvements	(191,449)	(67,239)		(258,688)
Building and Building Improvements	(3,599,171)	(353,724)	-	(3,952,895)
Machinery and equipment	<u>(1,165,634)</u>	<u>(143,253)</u>	-	<u>(1,308,887)</u>
Total capital assets, being depreciated, net	<u>(4,956,254)</u>	<u>(564,216)</u>	-	<u>(5,520,470)</u>
Total assets, being depreciation, net	<u>5,088,493</u>	<u>10,124,531</u>	-	<u>15,213,024</u>
Government activities capital assets, net	<u>\$ 11,509,644</u>	<u>\$ 19,155,292</u>	<u>\$ 10,434,082</u>	<u>\$ 20,230,854</u>
<b>Business-Type activities:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 61,316	-	-	\$ 61,316
Total capital assets being depreciated	<u>61,316</u>	<u>-</u>	<u>-</u>	<u>61,316</u>
Less accumulated depreciation for:				
Machinery and equipment	(54,227)	\$ (1,684)	-	(55,911)
Total accumulated depreciation	<u>(54,227)</u>	<u>(1,684)</u>	<u>-</u>	<u>(55,911)</u>
Total capital assets, being depreciated, net	<u>7,089</u>	<u>(1,684)</u>	<u>-</u>	<u>5,405</u>
Business-type activities capital assets, net	<u>\$ 7,089</u>	<u>\$ (1,684)</u>	<u>\$ -</u>	<u>\$ 5,405</u>

**FLORHAM PARK BOARD OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Instruction

Regular	\$ 54,013
School Sponsored Athletics and Activities	<u>2,804</u>
Total Instruction	<u>56,817</u>

Support Services

Student and Instructional Related Services	5,596
General Administrative Services	8,797
School Administrative Services	16,544
Plant Operations and Maintenance	426,369
Pupil Transportation	<u>50,093</u>
Total Support Services	<u>507,399</u>

Total depreciation expense - governmental activities	<u>\$ 564,216</u>
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Business-Type Activities

Food Service Fund	<u>\$1,684</u>
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**Construction commitments**

The District has the following active construction projects as of June 30, 2004:

<u>Project</u>	<u>Remaining Commitment</u>
Brooklake School Construction Project	<u>\$186,634</u>

**Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2004, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	<u>\$17,976</u>

**FLORHAM PARK BOARD OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Interfund Receivables, Payables, and Transfers (Continued)**

**Receivables**

	<u>Transfer In:</u>
	<u>General</u>
Transfer Out:	
Capital Projects Fund	\$ 51,808
Total transfers out	<u>\$ 51,808</u>

The above transfers are the result of revenues and other funds being earned in one fund to finance expenditures in another fund.

**Leases**

**Capital Leases**

The District is financing building improvements, school buses and photocopiers totaling \$544,434 under capital leases. The leases are for terms of 3 to 5 years. The following is a schedule of the future minimum lease payments under these capital leases. The future minimum lease obligations as of June 30, 2004 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2005	\$ 116,571
2006	74,473
2007	46,420
2008	22,839
2009	<u>10,001</u>
Total minimum lease payments	270,304
Less: amount representing interest	<u>20,755</u>
Present value of minimum lease payments	<u>\$ 249,549</u>

**FLORHAM PARK BOARD OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Long-Term Debt**

**General Obligation Bonds**

The Board issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2004 are comprised of the following issues:

\$4,950,000, 1994 Bonds, due in annual installments of \$380,000 to \$410,000 through December 15, 2009, interest at 6.00% to 6.20%	\$2,420,000
\$10,940,000, 2002 Bonds, due in annual installments of \$60,000 to \$960,000 through July 15, 2022, interest at 4.20% to 4.75%	<u>10,940,000</u>
	<u>\$13,360,000</u>

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2003 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 69,339,944
Less: Net Debt	<u>16,258,762</u>
Remaining Borrowing Power	<u>\$ 53,081,182</u>

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2005	\$ 440,000	\$ 621,421	\$ 1,061,421
2006	460,000	595,501	1,055,501
2007	485,000	568,366	1,053,366
2008	515,000	539,781	1,054,781
2009	545,000	509,629	1,054,629
2010-2014	3,175,000	2,111,909	5,286,909
2015-2019	3,980,000	1,339,903	5,319,903
2020-2023	<u>3,760,000</u>	<u>359,851</u>	<u>4,119,851</u>
	<u>\$ 13,360,000</u>	<u>\$ 6,646,361</u>	<u>\$ 20,006,361</u>

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 13,710,000		\$ 350,000	\$ 13,360,000	\$ 440,000
Capital leases payable	258,604	\$ 107,045	116,100	249,549	105,810
Compensated absences	<u>436,751</u>	<u>-</u>	<u>55,381</u>	<u>381,370</u>	<u>133,897</u>
Governmental activity Long-term liabilities	<u>\$ 14,405,355</u>	<u>\$ 107,045</u>	<u>\$ 521,481</u>	<u>\$ 13,990,919</u>	<u>\$ 679,707</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

**Short-Term Debt**

**Grant Anticipation Notes**

The Board issues Grant Anticipation Notes to interim finance Capital Projects funded by the State Economic Development Authority's construction grants. The Board's short-term debt activity for the year ended June 30, 2004 was as follows:

<u>Purpose</u>	<u>Balance,</u> <u>July 1,</u> <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30,</u> <u>2004</u>
Briarwood, Brooklake and Ridgedale Schools Schools Construction Projects	<u>-</u>	<u>\$ 2,898,734</u>	<u>-</u>	<u>\$ 2,898,734</u>
	<u>\$ -</u>	<u>\$ 2,898,734</u>	<u>\$ -</u>	<u>\$ 2,898,734</u>

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the District should they occur.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

**FLORHAM PARK BOARD OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 4 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2003-2004	\$ 3,783	\$ 19,568	\$ 21,760
2002-2003	1,222	24,617	37,304
2001-2002	133	15,944	60,184

**B. Contingent Liabilities**

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2004, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**C. Employee Retirement Systems and Pension Plans**

**Plan Descriptions**

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

FLORHAM PARK BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Plan Descriptions (Continued)

Teachers' Pension and Annuity Fund

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 coverage including post-retirement health care to substantially all full time public school employees in the State.

The Fund's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the Fund 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. The Fund's Board of Trustees is primarily responsible for the administration of the Fund.

According to the State of New Jersey Administrative Code, all obligations of the Fund will be assumed by the State of New Jersey should the Fund terminate.

Public Employees' Retirement System

The Public Employees Retirement System (PERS) was established January 1, 1955, under the provisions of N.J.S.A. 43:15A. The System's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the System 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 pension fund or local jurisdiction's pension fund. The System's Board of Trustees is primarily responsible for the administration of the System.

According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate.

Vesting and Benefit Provisions

Teachers' Pension and Annuity Fund

The vesting and benefit provisions are set by N.J.S.A. 18A:66. The Fund provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the Fund. Retirement benefits for age and service are available at age 60 and, under recently enacted legislation referred to below, are generally determined to be 1/55 of 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 service credit, as defined, or they may elect deferred retirement after achieving eight to ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

FLORHAM PARK BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Vesting and Benefit Provisions (Continued)

Teachers' Pension and Annuity Fund (Continued)

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31<sup>st</sup> immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

Public Employees Retirement System

The vesting and benefit provisions are set by statute (N.J.S.A. 43:15A and 43:3B). The System provides retirement, death and disability benefits, as well as medical benefits for certain qualified members. All benefits vest after eight to ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the system. Retirement benefits for age and service are available at the age of 60 and are generally determined to be 1/55 of 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.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% per annum of related interest earned on their contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for the calendar year in which the pensioner retired as compared to the average consumer price index for a 12-month period ending with each August 31<sup>st</sup> immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits after 24 months of retirement.

Contributions

Teachers' Pension and Annuity Fund

The contribution policy is set by N.J.S.A. 18A:66 requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Members' contribution at a uniform rate. In accordance with legislation passed in 2001 (Chapter 133, P.L. 2001), the employee contribution rate was lowered to 3% effective January 1, 2002. Prior to this date, employees had been contributing at a rate of 4.5%. The rate will remain at 3% for as long as surplus assets are available in the Fund. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits.

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 4 OTHER INFORMATION (Continued)**

**C. Employee Retirement Systems and Pension Plans (Continued)**

**Contributions (Continued)**

*Teachers' Pension and Annuity Fund (Continued)*

The State and local employers were not required to make a normal contribution to the System in 2003 and 2002. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by actuarially determined excess valuation assets in accordance with Chapter 115, P.L. 1997. This legislation provides for actuarially determined excess valuation assets to offset required normal contributions to the State of New Jersey and the local participating employers. Through FY 2003, excess valuation assets may be used to the extent possible to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation.

During the year ended June 30, 2004, the State of New Jersey contributed \$404,690 to the TPAF for normal cost pension contribution or post-retirement medical benefits on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$405,383 during the year ended June 30, 2004 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 district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

*Public Employees' Retirement System*

The contribution policy is set by statute and requires contributions from active members and contributing employers. Plan members and employer contribution rates may be amended by State of New Jersey legislation. Members contribute at a uniform rate of base pay. The full normal employee contribution rate is 5%; however, as a result of legislation (Ch. 415, P.L. 1999), the employee rate was reduced to 3% of base salary effective January 1, 2000. The legislation provides that the rate will remain 3% as long as actuarially determined excess valuation assets are available in the fund. The annual employer contribution is based upon an actuarially determined rate. Such contributions include funding for basic retirement allowances, cost-of-living adjustments and noncontributing death benefits. Local employers were not required to make a normal contribution in 2002, 2001 and 2000. The normal contribution was funded by excess valuation assets as permitted by Ch. 115, P.L. 1997. Ch. 108, P.L. 2003 provides that the State Treasurer will require the local employer PERS normal and accrued liability contributions to be a percentage of the amount certified annually by PERS as follows: 20% for payments due in State fiscal year 2005; 40% for payments due in State fiscal year 2006; not more than 60% for payments due in State fiscal year 2007; and not more than 80% for payments due in State fiscal year 2008.

**D. Post Retirement Benefits**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2003 there were 61,549 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums is on a pay-as-you-go basis. Beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one half of one percent of the active State payroll.

**FLORHAM PARK BOARD OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Post Retirement Benefits (Continued)**

In accordance with P.L. 2002, c.11 which allowed the State to use available reserves in the post-retirement medical reserve funds to cover required pay-as-you-go medical premiums, the State did not make a contribution to the PERS and TPAF in fiscal year 2003 toward the cost of post-retirement medical benefits. The legislation also suspended in fiscal years 2002 and 2003 the additional post retirement medical contribution to increase the fund balance by one half of one percent of active member salaries for the valuation period. State law provides that post retirement medical contributions resume in fiscal year 2004 and will be computed to provide an increase in the reserve fund of three fifths of one percent of active member salaries for the valuation period.

The State is also responsible for the cost attributable to Ch. 126, P.L. 1992, which provides for 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 \$57.9 million toward Chapter 126 benefits for 8,362 eligible retired members in fiscal year 2003.

**Financial Statements**

The TPAF and PERS are included along with other state-administered, pension trust and agency funds in the basic financial statements of the State of New Jersey.

Complete financial statements of the TPAF and PERS may be obtained from the State of New Jersey, Department of Treasury, Division of Pensions, P.O. Box 295, Trenton, NJ 08625.

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**BUDGETARY COMPARISON SCHEDULES**

**FLORHAM PARK BOARD OF EDUCATION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 10,771,768		\$ 10,771,768	\$ 10,771,768	
Tuition	25,000		25,000	34,870	\$ (25,000)
Transportation	33,000		33,000	17,991	1,870
Interest				17,991	17,991
Interest on Capital Reserve				13	13
Miscellaneous	21,351	-	21,351	10,431	(10,920)
<b>Total Local Sources</b>	<b>10,851,119</b>	<b>-</b>	<b>10,851,119</b>	<b>10,835,073</b>	<b>(16,046)</b>
State Sources					
Special Education Aid	627,845		627,845	627,845	
Transportation Aid	62,536		62,536	62,536	
Bilingual Aid	3,428		3,428	3,428	
Consolidated Aid	47,307		47,307	47,307	
Teacher Quality Mentoring				1,810	1,810
Additional Nonpublic Transportation Aid				3,816	3,816
Extraordinary Aid				195,994	195,994
On-behalf TPAF Pension Payments (Non-Budget)				404,690	404,690
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	405,383	405,383
<b>Total State Sources</b>	<b>741,116</b>	<b>-</b>	<b>741,116</b>	<b>1,752,809</b>	<b>1,011,693</b>
<b>Total Revenues</b>	<b>11,592,235</b>	<b>-</b>	<b>11,592,235</b>	<b>12,587,882</b>	<b>995,647</b>
Instruction - Regular Programs					
Salaries of Teachers					
Preschool/Kindergarten	226,350	\$ 27,998	254,348	254,348	
Grades 1-5	1,947,080	(81,406)	1,865,674	1,865,674	
Grades 6-8	1,123,640	(25,972)	1,097,668	1,097,668	
Regular Program - Home Instruction					
Salaries of Teachers	6,000	(2,010)	3,990	3,990	
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	85,000	15,685	100,685	98,042	2,643
Purchased Professional/Educational Services	3,500	(1,600)	1,900	817	1,083
Purchased Technical Services	14,200	4,508	18,708	18,184	524
Other Purchased Services	46,650	52,586	99,236	66,587	32,649
General Supplies	210,585	198,033	408,618	393,056	15,562
Textbooks	52,705	20,387	73,092	69,493	3,599
Other Objects	14,950	(1,700)	13,250	7,961	5,289
<b>Total Regular Programs</b>	<b>3,730,660</b>	<b>206,509</b>	<b>3,937,169</b>	<b>3,875,820</b>	<b>61,349</b>
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	180,410	(4,990)	175,420	175,420	
Other Salaries for Instruction	75,052	24,194	99,246	99,246	
General Supplies	1,500	98	1,598	1,475	123
Textbooks	800	-	800	622	178
<b>Total Learning and/or Language Disabilities</b>	<b>257,762</b>	<b>19,302</b>	<b>277,064</b>	<b>276,763</b>	<b>301</b>
Visual Impairments					
Other Salaries for Instruction	22,834	(19,437)	3,397	-	3,397
<b>Total Visual Impairments</b>	<b>22,834</b>	<b>(19,437)</b>	<b>3,397</b>	<b>-</b>	<b>3,397</b>

**FLORHAM PARK BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Special Education (Continued)					
Resource Room					
Salaries of Teachers	\$ 585,270	\$ (112,271)	\$ 472,999	\$ 472,999	
Other Salaries for Instruction	108,376	2,916	111,292	111,059	\$ 233
General Supplies	8,350	(589)	7,761	7,325	436
Textbooks	4,050	(592)	3,458	558	2,900
<b>Total Resource Room</b>	<b>706,046</b>	<b>(110,536)</b>	<b>595,510</b>	<b>591,941</b>	<b>3,569</b>
Preschool Disabilities - Full-Time					
Salaries of Teachers	57,450	(553)	56,897	56,897	
Other Salaries for Instruction	41,849	699	42,548	42,548	-
<b>Total Preschool Disabilities - Full-Time</b>	<b>99,299</b>	<b>146</b>	<b>99,445</b>	<b>99,445</b>	<b>-</b>
<b>Total Special Education</b>	<b>1,085,941</b>	<b>(110,525)</b>	<b>975,416</b>	<b>968,149</b>	<b>7,267</b>
Bilingual Education					
Salaries of Teachers	42,000	(3,528)	38,472	34,625	3,847
<b>Total Bilingual Education</b>	<b>42,000</b>	<b>(3,528)</b>	<b>38,472</b>	<b>34,625</b>	<b>3,847</b>
School Sponsored Cocurricular Activities					
Salaries	67,326	16,964	84,290	84,290	
Purchased Services		100	100		100
Supplies and Materials	6,675	(600)	6,075	4,933	1,142
<b>Total School Sponsored Cocurricular Activities</b>	<b>74,001</b>	<b>16,464</b>	<b>90,465</b>	<b>89,223</b>	<b>1,242</b>
School Sponsored Athletics					
Salaries	30,763	(8,495)	22,268	22,268	
Purchased Services	4,000		4,000	4,000	
Supplies and Materials	1,740	8,194	9,934	7,393	2,541
Other Objects	1,000	(600)	400	210	190
<b>Total School Sponsored Athletics</b>	<b>37,503</b>	<b>(901)</b>	<b>36,602</b>	<b>33,871</b>	<b>2,731</b>
Other Instructional Programs					
Supplies and Materials	550	(500)	50	-	50
<b>Total Other Instructional Programs</b>	<b>550</b>	<b>(500)</b>	<b>50</b>	<b>-</b>	<b>50</b>
<b>Total Instruction</b>	<b>4,970,655</b>	<b>107,519</b>	<b>5,078,174</b>	<b>5,001,688</b>	<b>76,486</b>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State	359,038	(113,498)	245,540	245,540	
Tuition to CSSD & Reg. Day Schools	48,268	2,454	50,722	50,722	
Tuition to Priv. Sch. for the Handicap					
Within the State	306,535	(68,863)	237,672	237,672	
Tuition - Other	39,107	-	39,107	39,107	-
<b>Total Undistributed Expenditures - Instruction</b>	<b>752,948</b>	<b>(179,907)</b>	<b>573,041</b>	<b>573,041</b>	<b>-</b>

**FLORHAM PARK BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 165,943	\$ (1,756)	\$ 164,187	\$ 164,187	
Other Purchased Services	1,070		1,070	209	\$ 861
Supplies and Materials	6,455	(1,259)	5,196	4,105	1,091
Other Objects	100	809	909	255	654
<b>Total Health Services</b>	<u>173,568</u>	<u>(2,206)</u>	<u>171,362</u>	<u>168,756</u>	<u>2,606</u>
Other Support Serv. Students - Related Serv.					
Salaries of Other Professional Staff	233,830	5,657	239,487	239,087	400
Purchased Professional-Educational Services	211,255	(67,029)	144,226	143,829	397
Supplies and Materials	1,700	3,271	4,971	4,769	202
<b>Total Other Support Serv. Students - Related Serv.</b>	<u>446,785</u>	<u>(58,101)</u>	<u>388,684</u>	<u>387,685</u>	<u>999</u>
Other Support Services-Students-Regular					
Salaries of Other Professional Staff	106,266		106,266	106,266	
Other Purchased Professional and Tech. Services	15,550	1,373	16,923	15,213	1,710
Other Purchased Services	600	(4)	596	125	471
Supplies and Materials	7,340	(1,131)	6,209	6,209	
Other Objects	500	(132)	368	240	128
<b>Total Other Support Services - Students - Regular</b>	<u>130,256</u>	<u>106</u>	<u>130,362</u>	<u>128,053</u>	<u>2,309</u>
Other Support Services-Students-Special Services					
Salaries of Other Professional Staff	234,706	(35,775)	198,931	197,939	992
Salaries of Secretarial and Clerical Assistants	36,350	1,300	37,650	37,650	
Other Purchased Professional and Tech. Services	7,500	410	7,910	7,910	
Other Purchased Services	1,625	1,200	2,825	2,393	432
Supplies and Materials	19,328	(1,500)	17,828	15,590	2,238
Other Objects	-	900	900	900	-
<b>Total Other Support Services - Students - Special Services</b>	<u>299,509</u>	<u>(33,465)</u>	<u>266,044</u>	<u>262,382</u>	<u>3,662</u>
Improvement of Instructional Services					
Salaries of Supervisors of Instruction	30,577	1,457	32,034	32,034	
Other Salaries	19,300	(7,500)	11,800	4,800	7,000
Other Purchased Services	5,000	(150)	4,850	2,380	2,470
Supplies and Materials	3,000		3,000	641	2,359
Other Objects	3,000	-	3,000	2,749	251
<b>Total Improvement of Instructional Services</b>	<u>60,877</u>	<u>(6,193)</u>	<u>54,684</u>	<u>42,604</u>	<u>12,080</u>
Educational Media Services/School Library					
Salaries	136,160	(750)	135,410	135,410	
Purchased Professional/Educational Services	350		350		350
Other Purchased Services	6,950	(580)	6,370	6,162	208
Supplies and Materials	27,550	6,153	33,703	31,544	2,159
<b>Total Educational Media Serv./School Library</b>	<u>171,010</u>	<u>4,823</u>	<u>175,833</u>	<u>173,116</u>	<u>2,717</u>
Staff Training Services					
Other Salaries	45,865	(1,018)	44,847	44,847	
Purchased Professional/Educational Services	43,060	(13,609)	29,451	18,919	10,532
Other Purchased Services	2,800	700	3,500	2,457	1,043
Supplies and Materials	1,900	5,700	7,600	7,600	
Other Objects	1,200	(1,031)	169	169	-
<b>Total Staff Training Services</b>	<u>94,825</u>	<u>(9,258)</u>	<u>85,567</u>	<u>66,392</u>	<u>19,175</u>

**FLORHAM PARK BOARD OF EDUCATION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Support Services General Administration					
Salaries	\$ 220,166	\$ (450)	\$ 219,716	\$ 219,716	
Legal Services	46,500	56,687	103,187	103,070	\$ 117
Other Purchased Professional Services	19,600	110,325	129,925	107,595	22,330
Communications/Telephone	48,700	20,887	69,587	69,587	
Other Purchased Services	41,000	15,531	56,531	56,196	335
Supplies and Materials	3,500	9,201	12,701	11,730	971
Miscellaneous Expenditures	38,000	1,117	39,117	31,181	7,936
<b>Total Support Services General Administration</b>	<b>417,466</b>	<b>213,298</b>	<b>630,764</b>	<b>599,075</b>	<b>31,689</b>
Support Services School Administration					
Salaries of Principal/Asst. Principals	285,600	3,176	288,776	288,776	
Salaries of Secretarial and Clerical Assistants	231,040	1,634	232,674	232,674	
Other Salaries	69,094	(22,297)	46,797	46,797	
Purchased Professional and Technical Services	2,750	(2,000)	750	700	50
Other Purchased Services	44,650	(5,198)	39,452	37,046	2,406
Supplies and Materials	12,188	(244)	11,944	11,022	922
Other Objects	6,240	(1,029)	5,211	5,096	115
<b>Total Support Services School Administration</b>	<b>651,562</b>	<b>(25,958)</b>	<b>625,604</b>	<b>622,111</b>	<b>3,493</b>
Other Operation & Maint. Of Plant					
Salaries	349,625	29,304	378,929	378,762	167
Purchased Prof. And Technical Serv.	14,000	14,717	28,717	23,037	5,680
Cleaning, Repair and Maint. Serv.	19,500	15,929	35,429	35,429	
Rental of Land & Bldg. Oth. Than Lease Purchase	20,000	(3,465)	16,535	16,535	
Other Purchased Property Services	27,000	(545)	26,455	23,596	2,859
Insurance	70,000	(9,728)	60,272	60,272	
General Supplies	22,500	24,160	46,660	44,292	2,368
Energy	262,000	39,307	301,307	301,307	
Other Objects	800	(646)	154	154	-
<b>Total Other Operation &amp; Maint. Of Plant</b>	<b>785,425</b>	<b>109,033</b>	<b>894,458</b>	<b>883,384</b>	<b>11,074</b>
Required Maintenance for School Facilities					
Salaries	96,305	(12,073)	84,232	81,677	2,555
Cleaning, Repair and Maintenance	20,000	54,801	74,801	74,785	16
General Supplies	20,000	(13,122)	6,878	6,640	238
Other Objects	1,000	(479)	521	521	-
<b>Total Required Maintenance for School Fac.</b>	<b>137,305</b>	<b>29,127</b>	<b>166,432</b>	<b>163,623</b>	<b>2,809</b>
Student Transportation Services					
Salaries for Pupil Transportation (Between Home and School) - Regular	129,600	(23,147)	106,453	106,453	
Salaries for Pupil Transportation (Between Home and School) - Special	61,280	8,016	69,296	69,296	
Salaries for Pupil Transportation (Other than Between Home and School)	9,000	10,884	19,884	19,242	642
Management Fee - ESC & CTSA Transp. Prog.	1,400		1,400	915	485
Other Purchased Prof. and Technical Serv.		839	839	839	
Cleaning, Repair and Maintenance Services	22,000	14,967	36,967	36,967	
Lease Purchase Payments - School Buses	89,000	(2,031)	86,969	86,969	
Contracted Services (Bet. Home and Sch)-Vendors	8,000	(3,699)	4,301	4,301	
Contracted Services (Other than Between Home and Sch) - Vendors	5,000	(785)	4,215	4,065	150
Contracted Services (Bet. Home & Sch) - Joint Agreements	40,000	(40,000)			

**FLORHAM PARK BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Student Transportation Services (Continued)					
Contracted Services (Spl. Ed. Students) - Vendors	\$ 147,000	\$ 13,883	\$ 160,883	\$ 160,620	\$ 263
Contracted Services (Spl. Ed. Students) - Joint Agmts	22,000	(22,000)			
Contracted Services - Aid in Lieu of Payments	52,550	(7,895)	44,655	44,559	96
Misc. Purchased Serv. - Transportation	1,200	485	1,685	1,685	
Supplies and Materials	7,000	4,565	11,565	11,565	
Miscellaneous Expenditures	1,500	(924)	576	511	65
<b>Total Student Transportation Services</b>	<b>596,530</b>	<b>(46,842)</b>	<b>549,688</b>	<b>547,987</b>	<b>1,701</b>
Business and Other Support Services					
Salaries	200,719	893	201,612	201,612	
Purchased Professional Services	13,950		13,950	9,804	4,146
Purchased Technical Services	7,800	(1,193)	6,607	6,607	
Miscellaneous Purchased Services	18,280	4,922	23,202	19,239	3,963
Supplies and Materials	2,700	14,886	17,586	16,592	994
Interest for Lease Purchase Agreements	5,600	(697)	4,903	4,903	
Miscellaneous Expenditures	2,000	1,552	3,552	2,489	1,063
<b>Total Business and Other Support Services</b>	<b>251,049</b>	<b>20,363</b>	<b>271,412</b>	<b>261,246</b>	<b>10,166</b>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	131,406	4,120	135,526	135,526	
Other Retirement Contributions - Regular	8,100	14,491	22,591	22,591	
Health Benefits	1,620,165	(314,471)	1,305,694	1,300,568	5,126
Workers Compensation		116,000	116,000	116,000	
Tuition Reimbursement	27,000	1,768	28,768	22,495	6,273
Other Employee Benefits	138,100	40,366	178,466	174,811	3,655
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>1,924,771</b>	<b>(137,726)</b>	<b>1,787,045</b>	<b>1,771,991</b>	<b>15,054</b>
On-behalf TPAF Pension Payments (Non-Budget)					
				404,690	(404,690)
On-behalf TPAF Social Security Payments (Non-Budget)					
	-	-	-	405,383	(405,383)
<b>Total Undistributed Expenditures</b>	<b>6,893,886</b>	<b>(122,906)</b>	<b>6,770,980</b>	<b>7,461,519</b>	<b>(690,539)</b>
<b>Total Expenditures - Current Expenditures</b>	<b>11,864,541</b>	<b>(15,387)</b>	<b>11,849,154</b>	<b>12,463,207</b>	<b>(614,053)</b>
<b>CAPITAL OUTLAY</b>					
Equipment					
Undistributed Expenditures:					
Instruction	85,549	77,763	163,312	120,503	42,809
Operations and Maint. Of Plant Serv.	-	42,031	42,031	27,117	14,914
<b>Total Equipment</b>	<b>85,549</b>	<b>119,794</b>	<b>205,343</b>	<b>147,620</b>	<b>57,723</b>
Facilities Acquisition and Construction Services					
Lease Purchase Agreements - Principal	18,331	348	18,679	18,679	
Construction Services	-	31,065	31,065	20,700	10,365
<b>Total Facilities Acquis. and Const. Services</b>	<b>18,331</b>	<b>31,413</b>	<b>49,744</b>	<b>39,379</b>	<b>10,365</b>
<b>Total Capital Outlay</b>	<b>103,880</b>	<b>151,207</b>	<b>255,087</b>	<b>186,999</b>	<b>68,088</b>
<b>Total Expenditures</b>	<b>11,968,421</b>	<b>135,820</b>	<b>12,104,241</b>	<b>12,650,206</b>	<b>(545,965)</b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures					
	(376,186)	(135,820)	(512,006)	(62,324)	(1,541,612)
Other Financing Sources					
Operating Transfers In					
	-	-	-	51,808	51,808
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,808</b>	<b>51,808</b>

**FLORHAM PARK BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	\$ (376,186)	\$ (135,820)	\$ (512,006)	\$ (10,516)	\$ (1,489,804)
Fund Balance, Beginning of Year	<u>944,783</u>	-	<u>944,783</u>	<u>944,783</u>	-
Fund Balance, End of Year	<u>\$ 568,597</u>	<u>\$ (135,820)</u>	<u>\$ 432,777</u>	<u>\$ 934,267</u>	<u>\$ (1,489,804)</u>

**Recapitulation of Fund Balance**

Reserved for Encumbrances	\$ 128,403
Capital Reserve	114,563
Reserved - Legally Restricted - Designated for Subsequent Year's Expenditures	87,121
Unreserved - Designated for Subsequent Year's Expenditures	397,815
Unreserved, Undesignated	<u>206,365</u>
Reconciliation to Governmental Funds Statements (GAAP):	934,267
Less: State Aid Revenue Not Recognized on GAAP Basis	<u>(139,477)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 794,790</u>

**FLORHAM PARK BOARD OF EDUCATION**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP) AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Modified Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 111,910	\$ (24,503)	\$ 87,407	\$ 75,660	\$ (11,747)
Federal	169,120	39,428	208,548	173,232	(35,316)
Total Revenues	<u>281,030</u>	<u>14,925</u>	<u>295,955</u>	<u>248,892</u>	<u>(47,063)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	22,450		22,450	22,450	
Purchased Professional Technical Services	46,979	(5,704)	41,275	36,212	5,063
Tuition	135,816	14,925	150,741	150,741	
Other Purchased Services		2,476	2,476	2,476	
General Supplies	8,939	(2,476)	6,463	41	6,422
Textbooks	12,744	5,704	18,448	18,448	-
Total Instruction	<u>226,928</u>	<u>14,925</u>	<u>241,853</u>	<u>230,368</u>	<u>11,485</u>
Support Services					
Personal Services-Employee Benefits	3,417		3,417		3,417
Purchased Professional/Educational Services	35,561		35,561	3,400	32,161
Other Purchased Services	15,124	-	15,124	15,124	-
Total Support Services	<u>54,102</u>	<u>-</u>	<u>54,102</u>	<u>18,524</u>	<u>35,578</u>
Total Expenditures	<u>281,030</u>	<u>14,925</u>	<u>295,955</u>	<u>248,892</u>	<u>47,063</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FLORHAM PARK BOARD OF EDUCATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

		<u>General</u> <u>Fund</u>		<u>Special</u> <u>Revenue</u> <u>Fund</u>
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1)	\$ 12,587,882	(C-2)	\$ 248,892
Difference - Budget to GAAP:				
State Aid payment recognized for budgetary purpose not recognized for GAAP statements (2002/03 State aid)		32,484		1,743
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (2003/04 State aid)		<u>(139,477)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.		<u>\$ 12,480,889</u>		<u>\$ 250,635</u>
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	\$ 12,650,206	(C-2)	\$ 248,892
Differences - Budget to GAAP				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes.		<u>-</u>		<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		<u>\$ 12,650,206</u>		<u>\$ 248,892</u>

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**SCHOOL LEVEL SCHEDULES**

**(General Fund)**

**NOT APPLICABLE**

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**SPECIAL REVENUE FUND**

**FLORHAM PARK BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	IDEA Part B Basic Carryover	IDEA Part B Preschool	NCLB Title II	NCLB Title II Carryover	NCLB Title IV Carryover	Character Education Aid	Total Exhibit E-1A	2004
<b>REVENUES</b>								
Intergovernmental								
State	\$ 125,129	\$ 7,681	\$ 19,875	\$ 2,575	\$ 41	\$ 3,400	\$ 72,260	\$ 75,660
Federal						-	-	173,232
<b>Total Revenues</b>	<u>\$ 125,129</u>	<u>\$ 7,681</u>	<u>\$ 19,875</u>	<u>\$ 2,575</u>	<u>\$ 41</u>	<u>\$ 3,400</u>	<u>\$ 72,260</u>	<u>\$ 248,892</u>
<b>EXPENDITURES</b>								
Instruction								
Salaries of Teachers			\$ 19,875	\$ 2,575			\$ 36,212	\$ 22,450
Purchased Prof. and Technical Services							2,476	36,212
Other Purchased Services								2,476
Tuition	\$ 125,129	\$ 7,681			\$ 41			150,741
General Supplies								41
Textbooks							18,448	18,448
<b>Total Instruction</b>	<u>125,129</u>	<u>7,681</u>	<u>19,875</u>	<u>2,575</u>	<u>41</u>	<u>-</u>	<u>57,136</u>	<u>230,368</u>
Support Services								
Purchased Professional/Educational Services						\$ 3,400		3,400
Other Purchased Services							15,124	15,124
<b>Total Support Services</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,400</u>	<u>15,124</u>	<u>18,524</u>
<b>Total Expenditures</b>	<u>\$ 125,129</u>	<u>\$ 7,681</u>	<u>\$ 19,875</u>	<u>\$ 2,575</u>	<u>\$ 41</u>	<u>\$ 3,400</u>	<u>\$ 72,260</u>	<u>\$ 248,892</u>

**FLORHAM PARK BOARD OF EDUCATION**  
**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Nonpublic Compensatory Instruction	Nonpublic Handicapped Services Corrective Speech	Exam. & Classification	Supplemental Instruction	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Technology	Total E-1A
<b>REVENUES</b>								
Intergovernmental State	\$ 665	\$ 16,129	\$ 13,602	\$ 5,816	\$ 15,124	\$ 12,600	\$ 8,324	\$ 72,260
Total Revenues	<u>\$ 665</u>	<u>\$ 16,129</u>	<u>\$ 13,602</u>	<u>\$ 5,816</u>	<u>\$ 15,124</u>	<u>\$ 12,600</u>	<u>\$ 8,324</u>	<u>\$ 72,260</u>
<b>EXPENDITURES</b>								
Instruction								
Purchased Prof. and Technical Services	\$ 665	\$ 16,129	\$ 13,602	\$ 5,816			\$ 2,476	\$ 36,212
Other Purchased Services						\$ 12,600	5,848	2,476
Textbooks								18,448
Total Instruction	<u>665</u>	<u>16,129</u>	<u>13,602</u>	<u>5,816</u>	<u>-</u>	<u>12,600</u>	<u>8,324</u>	<u>57,136</u>
Support Services								
Other Purchased Professional Services					\$ 15,124			15,124
Total Support Services					<u>15,124</u>			<u>15,124</u>
Total Expenditures	<u>\$ 665</u>	<u>\$ 16,129</u>	<u>\$ 13,602</u>	<u>\$ 5,816</u>	<u>\$ 15,124</u>	<u>\$ 12,600</u>	<u>\$ 8,324</u>	<u>\$ 72,260</u>

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FLORHAM PARK BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
SCHEDULE OF DEMONSTRABLY EFFECTIVE PROGRAM AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOT APPLICABLE

EXHIBIT E-3

SCHEDULE OF EARLY CHILDHOOD PROGRAM AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOT APPLICABLE

EXHIBIT E-4

SCHEDULE OF DISTANCE LEARNING NETWORK AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOT APPLICABLE

EXHIBIT E-5

SCHEDULE OF INSTRUCTIONAL SUPPLEMENT AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOT APPLICABLE

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**CAPITAL PROJECTS FUND**

**FLORHAM PARK BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>Issue/Project Title</u>	<u>Expenditures to Date</u>			<u>Unexpended Balance, June 30, 2004</u>
	<u>Appropriation</u>	<u>Prior Years</u>	<u>Current Year</u>	
Construct, furnish and equip educational and physical plant renovations and additions to the Briarwood, Brooklake and Ridgedale Schools	\$ 14,496,000	\$ 5,264,488	\$ 9,010,061	\$ 221,451
Acquisition of School Bus and Utility Trucks (Lease-Purchase)	<u>107,045</u>	<u>-</u>	<u>107,045</u>	<u>-</u>
	<u>\$ 14,603,045</u>	<u>\$ 5,264,488</u>	<u>\$ 9,117,106</u>	221,451
			Less: Unrealized Revenue	<u>58,419</u>
			Fund Balance, June 30, 2004	<u>\$ 163,032</u>

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**ENTERPRISE FUND**

**FLORHAM PARK BOARD OF EDUCATION  
ENTERPRISE FUND  
COMBINING STATEMENT OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

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**FIDUCIARY FUNDS**

**FLORHAM PARK BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2004**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash	\$ 31,360	\$ 36,015	\$ 67,375
Total Assets	<u>\$ 31,360</u>	<u>\$ 36,015</u>	<u>\$ 67,375</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings		\$ 19,072	\$ 19,072
Accrued Salaries and Wages		15,943	15,943
Interfund Payable		1,000	1,000
Due to Student Groups	<u>\$ 31,360</u>	<u>-</u>	<u>31,360</u>
Total Liabilities	<u>\$ 31,360</u>	<u>\$ 36,015</u>	<u>\$ 67,375</u>

**FLORHAM PARK BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-8

**STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Balance, July 1, 2003</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2004</u>
<b>ELEMENTARY SCHOOLS</b>				
Briarwood	\$ 2,076	\$ 5,973	\$ 6,137	\$ 1,912
Brooklake	2,207	5,802	4,314	3,695
<b>MIDDLE SCHOOLS</b>				
Ridgedale Athletics	1	4,000	3,850	151
Ridgedale	19,983	82,895	77,276	25,602
 Total All Schools	 <u>\$ 24,267</u>	 <u>\$ 98,670</u>	 <u>\$ 91,577</u>	 <u>\$ 31,360</u>

FLORHAM PARK BOARD OF EDUCATION  
 PAYROLL AGENCY FUND  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance, July 1, <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2004</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	\$ 9,188	\$ 3,024,539	\$ 3,014,655	\$ 19,072
Accrued Salaries and Wages	2,661	4,674,480	4,661,198	15,943
Interfund Payable	1,000	-	-	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 12,849</u>	<u>\$ 7,699,019</u>	<u>\$ 7,675,853</u>	<u>\$ 36,015</u>

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**LONG-TERM DEBT**

FLORHAM PARK BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Annual Maturities Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2003</u>	<u>Matured</u>	<u>Balance, June 30, 2004</u>
					%	\$	\$	\$
School District Bonds - Series 1994	12/15/1994	\$ 4,950,000	12/15/2004	\$ 380,000	6.00			
			12/15/2005	400,000	6.10			
			12/15/2006	410,000	6.15			
			12/15/07-09	410,000	6.20	\$ 2,770,000	\$ 350,000	\$ 2,420,000
School District Bonds - Series 2002	7/15/2002	10,940,000	7/15/04-05	60,000	4.20			
			7/15/2006	75,000	4.20			
			7/15/2007	105,000	4.20			
			7/15/2008	135,000	4.20			
			7/15/2009	165,000	4.20			
			7/15/2010	605,000	4.20			
			7/15/2011	635,000	4.20			
			7/15/2012	665,000	4.30			
			7/15/2013	695,000	4.30			
			7/15/2014	725,000	4.30			
			7/15/2015	760,000	4.30			
			7/15/2016	795,000	4.40			
			7/15/2017	830,000	4.40			
		7/15/2018	870,000	4.50				
		7/15/2019	905,000	4.60				
		7/15/2020	945,000	4.70				
		7/15/2021	950,000	4.75				
		7/15/2022	960,000	4.75		10,940,000	-	10,940,000
						\$ 13,710,000	\$ 350,000	\$ 13,360,000

**FLORHAM PARK BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>Purpose</u>	<u>Original Issue</u>	<u>Balance, June 30, 2003</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2004</u>
2000 Lighting Retrofit Project	\$ 129,336	\$ 80,787		\$ 18,331	\$ 62,456
2000 Bus- 39 Passenger	54,733	11,540		11,540	
2000 Bus- 54 Passenger	60,233	12,660		12,660	
2002 Bus - 54 Passenger (2)	123,782	50,826		24,673	26,153
2002 Savin Copier (3)	89,403	45,962		18,705	27,257
2003 Bus - 54 Passenger	54,841	32,853		10,422	22,431
2003 Bus - 24 Passenger	40,024	23,976		7,606	16,370
2004 Bus - 54 Passenger	60,575		\$ 60,575	12,163	48,412
2004 Ford F350 Utility Trucks (2)	46,470	-	46,470	-	46,470
		<u>\$ 258,604</u>	<u>\$ 107,045</u>	<u>\$ 116,100</u>	<u>\$ 249,549</u>

**FLORHAM PARK BOARD OF EDUCATION  
LONG-TERM DEBT  
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>REVENUES</b>	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Local Sources					
Local Tax Levy	\$ 782,824	-	\$ 782,824	\$ 782,824	-
Total Revenues	<u>782,824</u>	<u>-</u>	<u>782,824</u>	<u>782,824</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Principal	350,000		350,000	350,000	
Interest	644,581	-	644,581	644,580	1
Total Expenditures	<u>994,581</u>	<u>-</u>	<u>994,581</u>	<u>994,580</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(211,757)	-	(211,757)	(211,756)	(1)
Fund Balance, Beginning of Year	<u>211,758</u>	<u>-</u>	<u>211,758</u>	<u>211,758</u>	<u>-</u>
Fund Balance, End of Year	<u>1</u>	<u>-</u>	<u>1</u>	<u>2</u>	<u>(1)</u>

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**STATISTICAL SECTION**

**FLORHAM PARK BOARD OF EDUCATION  
GOVERNMENTAL FUND EXPENDITURES BY FUNCTION\*  
LAST TEN FISCAL YEARS  
(Unaudited)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>GENERAL FUND</b>										
Instruction	\$2,777,073	\$2,869,312	\$ 2,861,451	\$2,847,064	\$ 3,170,882	\$ 3,062,645	\$ 3,170,286	\$ 3,173,872	\$ 3,431,874	\$ 3,875,820
Regular	900,613	788,746	917,860	762,584	721,890	786,184	929,388	957,079	994,241	968,149
Special	29,330	70,663	72,346	15,907	15,487	15,907	94,544	102,675	97,980	34,625
Other	72,335	3,728,721	3,851,657	3,706,741	3,967,048	3,926,819	4,194,218	4,233,626	4,524,095	5,001,688
School-Sponsored/Other Instructional										
Total Instruction	3,779,351	3,728,721	3,851,657	3,706,741	3,967,048	3,926,819	4,194,218	4,233,626	4,524,095	5,001,688
Undistributed										
Instruction	233,593	234,889	200,203	162,007	268,608	264,571	235,902	103,755	419,954	573,041
Support services-students	431,312	471,329	464,971	669,575	662,728	814,930	840,874	909,265	963,347	946,876
Support services-instructional staff	197,574	155,243	167,896	164,101	258,900	284,030	305,213	296,069	270,998	282,112
General administration	382,040	398,892	406,621	353,073	490,309	356,626	372,282	412,305	390,654	599,075
School administration	299,378	293,718	294,568	333,577	480,317	473,375	557,661	549,261	610,828	622,111
Operations and maintenance	632,313	693,047	762,033	767,875	764,289	820,552	889,416	788,274	859,394	1,047,007
Student transportation	282,638	240,657	295,837	311,928	307,395	334,232	354,141	357,679	501,181	547,987
Business services and unallocated benefits	1,150,167	1,077,612	1,080,883	1,079,086	1,174,877	1,136,547	1,294,039	1,401,459	2,009,959	2,033,237
On-behalf TPAF Pension Contribution	-	39,811	125,660	118,697	281,090	111,787	145,085	-	256,143	404,690
Reimbursed TPAF Social Security Contributions	-	276,582	288,915	298,647	310,332	322,663	353,178	367,973	372,248	405,383
Total Undistributed	3,609,015	3,881,780	4,087,587	4,258,566	4,998,845	4,919,313	5,347,791	5,186,040	6,654,706	7,461,519
Capital Outlay										
Equipment	187,051	127,392	73,217	112,975	212,328	166,133	152,132	16,744	22,694	147,620
Facilities Acq. and construction services	76,037	57,475	260,118	146,785	127,215	24,517	41,265	16,162	30,355	39,379
Assets Acquired under Capital Leases	-	-	110,473	98,515	-	244,302	213,185	94,865	-	-
Total Capital Outlay	263,088	184,867	443,808	358,275	339,543	434,952	406,582	127,771	53,049	186,999
Total General Fund Expenditures	7,651,454	7,795,368	8,383,052	8,323,582	9,305,436	9,281,084	9,948,591	9,547,437	11,231,850	12,650,206
<b>SPECIAL REVENUE FUND</b>										
Federal	99,600	109,166	61,228	41,146	106,997	97,541	145,381	156,029	159,778	173,232
State	39,435	36,202	39,772	87,685	113,385	107,118	137,314	133,635	126,086	75,660
Total Special Revenue Expenditures	139,035	145,368	101,000	128,831	220,382	204,659	282,695	289,664	285,864	248,892
<b>DEBT SERVICE EXPENDITURES</b>										
Total Governmental Fund Expenditures	\$7,939,911	\$8,438,431	\$ 8,998,544	\$8,962,508	\$ 10,045,463	\$ 9,998,888	\$ 10,742,181	\$ 10,354,546	\$ 12,269,176	\$ 13,893,678

Source: School District's Financial Statements

\*Includes General, Special Revenue and Debt Service Funds

**FLORHAM PARK BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
FOR THE LAST FOUR FISCAL YEARS ENDED JUNE 30,  
(UNAUDITED)**

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

<u>School Facilities</u>	<u>Project Nos.</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Brooklake Elementary School	N/A	\$ 55,165	\$ 43,042	\$ 105,761	\$ 110,290
Briarwood Elementary School	N/A	33,869	49,198	104,660	109,141
Ridgedale Elementary School	N/A	<u>74,589</u>	<u>52,495</u>	<u>156,806</u>	<u>163,521</u>
Total School Facilities		<u>\$ 163,623</u>	<u>\$ 144,735</u>	<u>\$ 367,227</u>	<u>\$ 382,952</u>

Source: School District Records

**FLORHAM PARK BOARD OF EDUCATION  
GOVERNMENTAL FUND REVENUES BY SOURCE\*  
LAST TEN FISCAL YEARS  
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Local Tax Levy</u>	<u>Other Local Revenue</u>	<u>State Revenue</u>	<u>Federal Revenue</u>	<u>Total</u>
1995	\$ 7,363,640	\$ 542,207	\$ 327,620	\$ 99,600	\$ 8,333,067
1996	7,825,911	112,514	560,838	110,749	8,610,012
1997	7,331,806	309,722	946,911	61,228	8,649,667
1998	7,552,937	135,719	935,193	41,146	8,664,995
1999	7,939,569	125,206	1,131,625	106,997	9,303,397
2000	8,392,863	83,605	1,199,108	97,541	9,773,117
2001	8,818,316	101,893	1,293,596	145,381	10,359,186
2002	9,085,149	157,430	1,173,064	156,029	10,571,672
2003	10,339,185	96,204	1,461,788	159,778	12,056,955
2004	11,554,592	63,305	1,723,219	173,232	13,514,348

\* Includes General, Special Revenue and Debt Service Funds

Source: School District's Financial Statements

**FLORHAM PARK BOARD OF EDUCATION  
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended June 30,	<u>Interest</u>	<u>Tuition</u>	State Health Benefits <u>Rebate</u>	Prior Year Orders <u>Canceled</u>	Cancel Old Outstanding <u>Checks</u>	Transportation <u>Fees</u>	<u>Miscellaneous</u>	<u>Total</u>
1995	\$ 58,235	\$ 359,936	\$ 110,862		\$ 9,943		\$ 3,231	\$ 542,207
1996	97,358	8,294					6,862	112,514
1997	88,891	13,500		\$ 3,358			24,423	130,172
1998	76,547	14,500					22,798	113,845
1999	70,098	18,423		15,226			12,816	116,563
2000	42,813	31,130					9,662	83,605
2001	35,546	54,723		10,390			1,234	101,893
2002	29,327	12,998		46,634	19,745		48,726	157,430
2003	20,539	21,200				\$ 35,216	19,249	96,204
2004	18,004					34,870	10,431	63,305

Source: School District Records

**FLORHAM PARK BOARD OF EDUCATION  
MUNICIPAL PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Total Tax Levy</u>	<u>Current Year Collections</u>	<u>Percent of Tax Levy Collected</u>
1994	\$ 20,974,987	\$ 20,828,606	99.30%
1995	21,694,527	21,446,412	98.85%
1996	22,333,604	22,142,323	99.14%
1997	22,255,845	22,150,158	99.53%
1998	22,598,579	22,481,815	99.48%
1999	22,790,811	22,667,606	99.45%
2000	24,932,203	24,690,492	99.03%
2001	26,629,207	26,468,847	99.30%
2002	28,858,870	28,694,374	99.42%
2003	31,452,649	31,221,413	99.26%

Source: Municipal Records

**FLORHAM PARK BOARD OF EDUCATION  
EQUALIZED ANALYSIS OF REAL PROPERTY VALUES  
LAST TEN YEARS  
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Net Assessed Valuations</u>	<u>Equalized Valuations</u>	<u>Percent of Tax Assessed to Equalized Valuations</u>
1995	\$ 1,397,501,274	\$ 1,519,155,773	91.99%
1996	1,372,336,818	1,554,175,332	88.30%
1997	1,368,293,504	1,486,144,785	92.07%
1998	1,358,871,029	1,450,727,460	93.67%
1999	1,417,294,048	1,525,901,490	92.88%
2000	1,451,431,600	1,663,221,989	87.27%
2001	1,498,599,362	1,840,681,818	81.41%
2002	1,553,727,613	2,109,776,583	73.64%
2003	1,591,994,757	2,384,206,830	66.77%
2004	1,592,303,999	2,612,040,618	60.96%

Source: Municipal Records

**FLORHAM PARK BOARD OF EDUCATION  
PROPERTY TAX RATES  
PER \$100 OF ASSESSED VALUATION  
LAST TEN YEARS  
(Unaudited)**

<u>Calendar Year</u>	<u>Local Purpose</u>	<u>County</u>	<u>Local School</u>	<u>Regional School</u>	<u>Total</u>
1995	\$ 0.33	\$ 0.33	\$ 0.55	\$ 0.34	\$ 1.55
1996	0.38	0.35	0.55	0.34	1.62
1997	0.40	0.34	0.54	0.34	1.62
1998	0.42	0.32	0.57	0.33	1.64
1999	0.42	0.28	0.58	0.31	1.59
2000	0.44	0.36	0.59	0.31	1.70
2001	0.46	0.37	0.60	0.32	1.75
2002	0.47	0.40	0.63	0.33	1.83
2003	0.49	0.44	0.69	0.34	1.96
2004	0.52	0.38	0.76	0.36	2.02

Source: Borough Tax Collector

**FLORHAM PARK BOARD OF EDUCATION  
RATIO OF LONG-TERM DEBT  
TO ASSESSED VALUE AND LONG-TERM DEBT PER CAPITA  
LAST TEN FISCAL YEARS  
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>School District Population</u>	<u>Net Assessed Valuation</u>	<u>Net Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1995	8,906	\$ 1,397,501,274	\$ 4,950,000	0.35%	\$ 556
1996	8,980	1,372,336,818	4,745,000	0.35%	528
1997	9,061	1,368,293,504	4,510,000	0.33%	498
1998	9,073	1,358,871,029	4,265,000	0.31%	470
1999	9,089	1,417,294,048	3,995,000	0.28%	440
2000	10,296	1,451,431,600	3,715,000	0.26%	361
2001	12,221	1,498,599,362	3,420,000	0.23%	280
2002	12,245	1,553,727,613	3,100,000	0.20%	253
2003	12,508	1,591,994,757	13,710,000	0.86%	1,096
2004	12,508	1,592,303,999	13,360,000	0.84%	1,068

Source: United States Bureau of Census  
School District's Records

**FLORHAM PARK BOARD OF EDUCATION  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR FISCAL YEAR ENDED JUNE 30, 2004  
(Unaudited)**

<u>Year</u>	<u>Equalized Valuation Basis</u>
2003	\$ 2,612,040,618
2002	2,306,434,375
2001	<u>2,015,519,417</u>
Average equalized valuation of taxable property	<u>\$ 2,311,331,470</u>
School borrowing margin (3% of \$2,311,331,470)	\$ 69,339,944
Net school debt issued and authorized but not issued as of June 30, 2004	<u>16,258,762</u>
School Borrowing Margin Available	<u>\$ 53,081,182</u>

Source: 2003 Borough of Florham Park Annual Debt Statement  
School District's Records

**FLORHAM PARK BOARD OF EDUCATION  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
Florham Park School District (as of June 30, 2004)	\$ 16,258,762
Regional School District	148,791
Borough of Florham Park	<u>10,275,400</u>
Total Direct Debt	<u>26,682,953</u>
Overlapping Debt Apportioned to the Municipality:	
Morris County: (2)	
County of Morris (A)	<u>9,767,510</u>
Total Overlapping Debt	<u>9,767,510</u>
Total Direct and Overlapping Debt	<u>\$ 36,450,463</u>

(A) The debt for this entity was apportioned by dividing the Municipality's 2003 equalized value by the total 2003 equalized value for Morris County.

Sources:

- (1) Borough of Florham Park 2003 Annual Debt Statement
- (2) Morris County 2003 Annual Debt Statement

**FLORHAM PARK BOARD OF EDUCATION**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES**  
**FOR LONG-TERM DEBT TO TOTAL GENERAL FUND EXPENDITURES**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>	<u>Total</u> <u>General Fund</u> <u>Expenditures</u>	<u>Ratio of</u> <u>Debt Service</u> <u>to General</u> <u>Expenditures</u>
1995		\$ 149,422	\$ 149,422	\$ 7,651,454	1.95%
1996	\$ 205,000	292,695	497,695	7,795,367	6.38%
1997	235,000	279,492	514,492	8,382,952	6.14%
1998	245,000	265,095	510,095	8,323,582	6.13%
1999	270,000	249,645	519,645	9,305,436	5.58%
2000	280,000	233,145	513,145	9,281,084	5.53%
2001	295,000	215,895	510,895	9,948,591	5.14%
2002	320,000	197,445	517,445	9,547,437	5.42%
2003	330,000	421,462	751,462	11,231,850	6.69%
2004	350,000	644,580	994,580	12,650,206	7.86%

Source: School District Financial Statements

**FLORHAM PARK BOARD OF EDUCATION  
DEMOGRAPHIC STATISTICS  
LAST TEN YEARS  
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income (1)</u>	<u>School District Population</u>
1994	5.0	\$ 36,458	8,906
1995	4.3	39,412	8,980
1996	4.0	41,954	9,061
1997	3.3	44,156	9,073
1998	2.8	47,975	9,089
1999	2.8	49,647	10,296
2000	2.3	56,175	12,221
2001	2.9	55,915	12,245
2002	4.4	56,002	12,508
2003	4.5	N/A	12,508

(1) - Represents Morris County

Source: United States Bureau of Census  
School District Records

**FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF PRINCIPAL TAXPAYERS  
(Unaudited)**

<u>Taxpayer</u>	<u>2004 Assessed Valuation</u>	<u>As a % of District's Net Assessed Valuation</u>	
Park Avenue Realty	\$ 77,358,100	4.86	%
Exxon Research & Engineering Co.	58,603,100	3.68	
Wells Reit II 180 Park Ave LLC	51,368,000	3.23	
100/200 Campus Drive	50,214,600	3.15	
Sun Valley LLC	38,092,600	2.39	
Avalon Bay Communities	33,478,100	2.10	
200/224 Park Ave LLC	30,868,500	1.94	
Dolce/AEW Properties	28,944,400	1.82	
Campus Drive LLC	27,032,800	1.70	
Koll Bren	25,583,200	1.61	
	<u>\$ 421,543,400</u>	<u>26.48</u>	

Source: 2004 Tax Duplicate

**FLORHAM PARK BOARD OF EDUCATION  
ATTENDANCE DATA  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended June 30,	Average Daily Enrollment	Average Daily Attendance	%Change in Average Daily Enrollment	Attendance %
1995	706	676	2.3	95.8%
1996	690	658	(1.7)	95.3%
1997	702	673	(4.0)	95.9%
1998	731	700	(2.1)	95.9%
1999	747	716	4.1	95.5%
2000	749	716	0.3	95.60%
2001	779	746	4.0	95.80%
2002	838	804	7.6	95.94%
2003	928	889	10.6	95.80%
2004	931	895	0.3	96.10%

Source: School District Records

**FLORHAM PARK BOARD OF EDUCATION**  
**SCHEDULE OF INSURANCE**  
**JUNE 30, 2004**  
**(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property - Blanket Building & Contents	\$ 21,253,017	\$ 5,000
Increased Cost of Construction	5,000,000	
Energy Systems - Property Damage	100,000,000	
Commercial Liability	1,000,000	
Workers Compensation	2,000,000	
School Board Legal Liability	5,000,000	
Automobile	1,000,000	1,000
Employee Dishonesty	25,000	
Depositors Forgery	25,000	
Primary Umbrella	5,000,000	
School Board Liability	5,000,000	5,000
Excess Umbrella - AIG Ins. Co.	10,000,000	
Catastrophe Access Plan - Firemens Fund Ins. Co.	50,000,000	
Student Accident - Bollinger Ins. Co.	1,000,000	
Public Official Bond - Board Secretary	100,000	
Public Official Bond - Treasurer of School Monies	230,000	

Source: School District's records

**FLORHAM PARK BOARD OF EDUCATION  
MISCELLANEOUS STATISTICS  
JUNE 30, 2004  
(Unaudited)**

Date established	1930
Area	7.52 Sq. Miles
Number of Schools	
Elementary	2
Middle High School	<u>1</u>
	<u>3</u>
Employees	
Certified	96
Other	<u>42</u>
Total Employees	<u>138</u>
Teacher/Student Ratio	
Elementary	1:12
Middle	1:12
Student Count	950

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**SINGLE AUDIT SECTION**

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
FAIR LAWN, NJ 07410  
TELEPHONE (201) 791-7100  
FACSIMILE (201) 791-3035

DIETER P. LERCH, CPA, RMA, PSA  
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ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA

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

Honorable President and Members  
of the Board of Trustees  
Florham Park Board of Education  
Florham Park, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Florham Park Board of Education as of and for the fiscal year ended June 30, 2004, which collectively comprise the Florham Park Board of Education's basic financial statements and have issued our report thereon dated October 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

**Compliance**

As part of obtaining reasonable assurance about whether the Florham Park Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey which is described in the accompanying schedule of findings and questioned costs as item 2004-1.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Florham Park Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Florham Park Board of Education's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition identified above is a material weakness.

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

*LERCH, VINCI & HIGGINS, LLP*

LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants



Jeffrey C. Bliss  
Public School Accountant  
PSA Number CS00932

Fair Lawn, New Jersey  
October 19, 2004

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REGISTERED MUNICIPAL ACCOUNTANTS

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

Honorable President and Members  
of the Board of Trustees  
Florham Park Board of Education  
Florham Park, New Jersey

**Compliance**

We have audited the compliance of the Florham Park Board of Education with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the "New Jersey State Grant Compliance Supplement" that are applicable to each of its major state programs for the fiscal year ended June 30, 2004. Florham Park Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Florham Park Board of Education's management. Our responsibility is to express an opinion on Florham Park Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Florham Park Board of Education's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Florham Park Board of Education's compliance with those requirements.

In our opinion, Florham Park Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 2004-2 and 2004-3.

### Internal Control Over Compliance

The management of Florham Park Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Florham Park Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect Florham Park Board of Education's ability to administer a major state program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-2 and 2004-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions identified above is a material weakness.

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

*Leerch, Vinci & Higgins, LLP*

LERCH, VINCI & HIGGINS, LLP  
 Certified Public Accountants  
 Public School Accountants



Jeffrey C. Bliss  
 Public School Accountant  
 PSA Number CS00932

Fair Lawn, New Jersey  
 October 19, 2004

**FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2003	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years Balances	(Account Receivable) June 30, 2004	Deferred Revenue June 30, 2004	Due to Grantor at June 30, 2004
	<b>U.S. Department of Agriculture Passed-through State Department of Education</b>										
10.556	N/A	7/1/03-6/30/04	\$ 5,491	\$ -	-	\$ 5,013	5,491	-	\$ (478)	-	-
10.556	N/A	7/1/02-6/30/03	4,470	(696)	-	696	-	-	-	-	-
	<b>Total U.S. Department of Agriculture</b>			(696)	-	5,709	5,491	-	(478)	-	-
	<b>U.S. Department of Education Passed-through State Department of Education</b>										
	<b>I.A.S.A. Consolidated</b>										
84.281A	NCLB153003	9/1/02-8/31/03	32,121	2,575	(2,575)	-	2,575	-	(31,105)	11,230	-
84.281A	NCLB153003	9/1/02-8/31/03	32,121	-	2,575	-	19,875	-	-	285	-
84.281A	NCLB153004	9/1/03-8/31/04	31,105	-	-	-	-	-	-	2,529	-
84.365	NCLB153003	9/1/02-8/31/03	1,353	285	-	-	-	-	-	-	-
84.186A	NCLB153004	9/1/03-8/31/04	2,529	-	-	-	-	-	-	-	-
84.186A	IASA153002	9/1/02-8/31/03	2,555	1,961	(1,961)	-	-	-	-	1,920	-
84.186A	IASA153002	9/1/02-8/31/03	2,555	-	1,961	-	41	-	-	-	-
84.298	NCLB153003	9/1/02-8/31/03	4,506	101	(101)	-	-	-	-	101	-
84.298	NCLB153003	9/1/02-8/31/03	4,506	-	101	-	-	-	-	4,596	-
84.298	NCLB153004	9/1/03-8/31/04	4,596	-	-	-	-	-	-	-	-
84.027A	FT-1530-03	9/1/02-8/31/03	130,926	17,931	(17,931)	-	-	-	-	-	-
84.027A	FT-1530-03	9/1/02-8/31/03	130,926	-	17,931	-	17,931	-	-	37,081	-
84.027A	FT-1530-04	9/1/03-8/31/04	162,210	-	-	162,210	125,129	-	-	-	-
84.027A	PS-1530-04	9/1/03-8/31/04	8,108	-	-	8,108	7,681	-	-	427	-
	<b>Total U.S. Department of Education</b>			22,853	-	170,318	173,232	-	(38,230)	58,169	-
	<b>Total</b>			\$ 22,157	\$ -	\$ 176,027	\$ 178,723	\$ -	\$ (38,708)	\$ 58,169	\$ -

Note: This schedule was not subject to a Federal Single Audit in accordance with OMB Circular A-133.

FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2003	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	MEMO		Combined Total Expenditures
										June 30, 2004 (Accounts Receivable)	Due to Grantor	
<b>State Department of Education</b>												
<b>General Fund:</b>												
Special Education Aid	03-495-034-5120-011	7/1/02-6/30/03	\$ 627,845	\$ (28,568)		\$ 28,568	\$ 627,845					\$ 627,845
Special Education Aid	04-495-034-5120-011	7/1/03-6/30/04	627,845			601,917	627,845					
Transportation Aid	03-495-035-5120-014	7/1/02-6/30/03	62,536	(3,123)		3,123	62,536					62,536
Transportation Aid	04-495-035-5120-014	7/1/03-6/30/04	62,536			59,953	62,536					
Bilingual Education Aid	03-495-034-5120-008	7/1/02-6/30/03	3,428	(173)		173	3,428					3,428
Bilingual Education Aid	04-495-034-5120-008	7/1/03-6/30/04	3,428			3,287	3,428					
Academic Achievement Reward Program	03-100-034-5120-344	7/1/02-6/30/03	12,416	(620)		620	108,873					108,873
Teacher Quality Mentoring	04-495-034-5120-052	7/1/03-6/30/04	1,810			1,810	1,810					1,810
Consolidated Aid	04-495-034-5120-057	7/1/03-6/30/04	47,307			45,355	47,307					47,307
Additional Non Public Transportation Aid	N/A	7/1/03-6/30/04	3,816				3,816					3,816
Extraordinary Special Education Costs Aid	03-495-034-5120-044	7/1/02-6/30/03	35,313	(35,313)		122,434	108,873					108,873
Extraordinary Special Education Costs Aid	04-495-034-5120-044	7/1/03-6/30/04	108,873			2,918	405,383					405,383
TPAF Social Security Contributions	03-495-034-5095-051	7/1/02-6/30/03	372,248	(2,918)		380,467	404,690					404,690
TPAF Social Security Contributions	04-495-034-5095-051	7/1/03-6/30/04	405,383			1,655,315	1,752,809					1,752,809
TPAF Pension Contribution	04-495-034-5095-050	7/1/03-6/30/04	404,690									
<b>Total General Fund</b>				<b>(70,715)</b>		<b>1,655,315</b>	<b>1,752,809</b>			<b>(168,209)</b>		<b>1,752,809</b>
<b>Special Revenue Fund:</b>												
New Jersey Nonpublic Aid	03-100-034-5120-067	7/1/02-6/30/03	12,573	9,613		6,656	665		\$ 9,613		\$ 5,991	665
Auxiliary Services	04-100-034-5120-067	7/1/03-6/30/04	6,656									
Compensatory Education	03-100-034-5120-066	7/1/02-6/30/03	19,463	2,344		16,129	16,129					16,129
Compensatory Education	04-100-034-5120-066	7/1/03-6/30/04	16,129			17,072	13,602					13,602
Handicapped Services	03-100-034-5120-066	7/1/02-6/30/03	9,430	4,714		8,644	5,816					5,816
Handicapped Services	04-100-034-5120-066	7/1/03-6/30/04	15,124			15,124	15,124					15,124
Corrective Speech	03-100-034-5120-070	7/1/03-6/30/04	15,124			12,744	12,600		527		144	12,600
Corrective Speech	04-100-034-5120-064	7/1/02-6/30/03	18,357	527		8,560	8,324		107		236	8,324
Examination and Classification	03-100-034-5120-064	7/1/02-6/30/03	13,080	107		4,000	3,400				50	3,400
Examination and Classification	04-100-034-5120-064	7/1/03-6/30/04	12,744			1,743						
Supplemental Instruction	03-100-034-5120-373	7/1/03-6/30/04	8,560	50								
Supplemental Instruction	04-100-034-5120-373	7/1/02-6/30/03	4,000			4,000	3,400					3,400
Textbooks	03-100-034-5120-418	7/1/02-6/30/03	4,000									
Textbooks	04-100-034-5120-418	7/1/02-6/30/03	4,000									
Technology Initiative Aid	03-100-034-5120-348	7/1/02-6/30/03	34,891	(1,743)								
Technology Initiative Aid	04-100-034-5120-348	7/1/03-6/30/04	34,891									
Character Education Aid	03-100-034-5120-418	7/1/02-6/30/03	4,000									
Character Education Aid	04-100-034-5120-418	7/1/02-6/30/03	4,000									
Distance Learning Network Aid	03-100-034-5120-348	7/1/02-6/30/03	34,891									
<b>Total Special Revenue Fund</b>				<b>23,076</b>		<b>90,672</b>	<b>75,660</b>		<b>24,769</b>		<b>600</b>	<b>12,719</b>
<b>Economic Development Authority</b>												
Capital Projects Fund:												
Educational Facilities Construction and Financing Act of 2000	SP202276-77-78	N/A	2,913,301	(1,038,331)			1,802,012			(2,898,734)	58,391	1,802,012
<b>Total Economic Development Authority</b>												
<b>Total</b>												

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO THE SCHEDULES OF EXPENDITURES OF**  
**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of all federal and state financial assistance programs of the Florham Park Board of Education. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal financial assistance received directly from federal 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 are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements.

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of certain state aid payments in the current budget year, which is mandated pursuant to P.L. 2003 c.97.(A3521). For GAAP purposes, these payments are not recognized until the subsequent year due to the state deferral and recording of these state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the deferred state aid payment, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$106,993 for the general fund and \$1,743 for the special revenue fund. See *the Notes to Required Supplementary Information* for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,645,816	\$ 1,645,816
Special Revenue Fund	\$ 173,232	77,403	250,635
Capital Projects Fund		1,802,012	1,802,012
Food Service Fund	<u>5,491</u>	<u>-</u>	<u>5,491</u>
Total Financial Assistance	<u>\$ 178,723</u>	<u>\$ 3,525,231</u>	<u>\$ 3,703,954</u>

**FLORHAM PARK BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

**NOTE 5 OTHER**

Revenues and expenditures reported under the U.S.D.A. Commodities Program represent current year value received and current year distributions, respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2004. The amount reported as TPAF Pension Contributions represent the amount paid by the State on behalf of the District for the year ended June 30, 2004.

**FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

*Part I – Summary of Auditor’s Results*

**Financial Statement Section**

Type of auditors' report issued on financial statements	<u>Unqualified</u>
Internal control over financial reporting:	
1) Material weakness(es) identified	<u>  X  </u> yes <u>    </u> no
2) Reportable condition identified that are not considered to be material weakness(es)?	<u>    </u> yes <u>  X  </u> none reported
Noncompliance material to basic financial statements noted?	<u>  X  </u> yes <u>    </u> no

**Federal Awards Section**      Not Applicable

**FLORHAM PARK BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

*Part I – Summary of Auditor’s Results*

State Awards Section

Internal Control over major programs:

(1) Material weakness(es) identified \_\_\_\_\_ yes       X  no

(2) Reportable condition identified that are not considered to be material weakness(es)?  X  yes      \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs  Unqualified  \_\_\_\_\_

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 04-04?  X  yes      \_\_\_\_\_ no

Identification of major state programs:

GMIS Number(s)	Name of State Program
04-495-034-5120-011	Special Education Aid
04-495-034-5095-051	TPAF Social Security
SP202276-77-78	Educational Facilities Construction Act

Dollar threshold used to distinguish between Type A and Type B programs: \$  300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes       X  no

**FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

*Part 2 – Schedule of Financial Statement Findings*

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

**Finding 2004-1**

Certain purchase orders classified as encumbrances at year end were deemed to be accounts payable in the Capital Projects Fund.

**Criteria or specific requirement**

The State Department of Education's GAAP Technical Systems Manual.

**Condition**

Certain open purchase orders were not properly classified in the District's records at June 30, 2004 as accounts payable.

**Questioned Costs**

None. Financial statements have been adjusted.

**Context**

\$352,983 of encumbrances in the Capital Projects Fund were reclassified to accounts payable.

**Effect**

Understatement of accounts payable in the Capital Projects Fund understates expenditures and overstates fund balance. In addition, capital assets are also understated.

**Recommendation**

Internal control procedures be reviewed and revised to ensure open purchase orders are properly classified as accounts payable.

**FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

*Part 3 – Schedule of Federal and State Award Findings and Questioned Costs*

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

**CURRENT YEAR FEDERAL AWARDS**

NOT APPLICABLE



**FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

*Part 3 – Schedule of Federal and State Award Findings and Questioned Costs (Cont'd)*

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

**CURRENT YEAR STATE AWARDS**

**Finding 2004-3**

Exceptions were noted for on-roll related services reported on the District's workpapers supporting the Application for State School Aid (ASSA) and related services reported in the students' IEP's.

**State program information:**

Special Education Aid

04-495-034-5120-011

**Criteria or specific requirement:**

N.J. Department of Education – Specific grant compliance

**Condition:**

- Related services reported on District workpapers were not included in the students' IEP's.

**Questioned Costs:**

Unknown.

**Context:**

26% of the related services tested per the District workpapers were not reported in the student's IEP.

**Effect:**

State aid is based on ASSA information which may not agree to supporting documents.

**Recommendation:**

Greater care be exercised in the reporting of related services to ensure services reported on the District workpapers are reported in the student's IEP.

**FLORHAM PARK BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

**STATUS OF PRIOR YEAR FINDINGS**

**FINDING 2003-1**

**Condition**

The District purchased certain computer equipment during the year where no evidence of public bidding or State contract existed.

**Current Status**

See Finding 2004-2.

**FINDING 2003-2**

**Condition**

Exceptions were noted for on-roll related services and tier classifications reported on the District's workpapers, supporting the Application for State School Aid (ASSA) and related services and tier classifications reported on the student's IEP.

**Current Status**

See Finding 2004-3.

