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**FLORHAM PARK BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**Florham Park, New Jersey**

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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the  
Florham Park Board of Education  
Florham Park, New Jersey  
For The Fiscal Year Ended June 30, 2005**

**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

August 15, 2005

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, 2005 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 2004/2005 with an enrollment of 965. The following Average Daily Enrollment figures details the changes in student enrollment over the last ten (10) years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2004/05	965	1.6%
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%)

## 2. ECONOMIC CONDITION AND OUTLOOK

Compared to other Districts, Florham Park remains financially healthy. The District is currently carrying a 2.2% 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, mathematics, health education, technology, social studies, and science. The district has also explored new programs offering such as a "health quest" physical education lab and Project Adventure for the middle school students.

In order to maintain dialogue with the staff, in service training in the curriculum areas are offered to committee members. The district also continues to offer technology staff training during the school day, as well as after-school hours. The Quality Annual Assurance Report addresses this area.

In addition to technology, in-service training has focused on reading, language and mathematics instruction to address the NJASK 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

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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 2004/2005 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, 2005.

## 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, 2005 the District had \$13,920,000 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

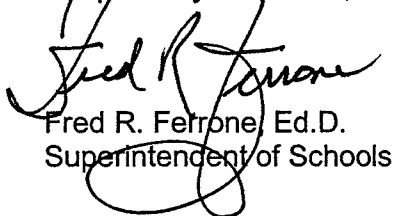
Independent Audit – State statute requires an annual audit by independent certified public accountants or registered municipal accounts. The Board's Finance Committee selected the accounting firm of Lerch Vinci & Higgins, LLP, CPA's. In addition to meeting the requirements as set forth in State statutes, 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.

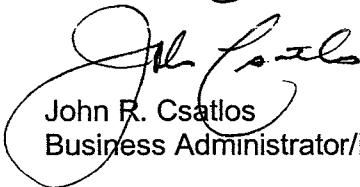
## 11. ACKNOWLEDGEMENTS

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,

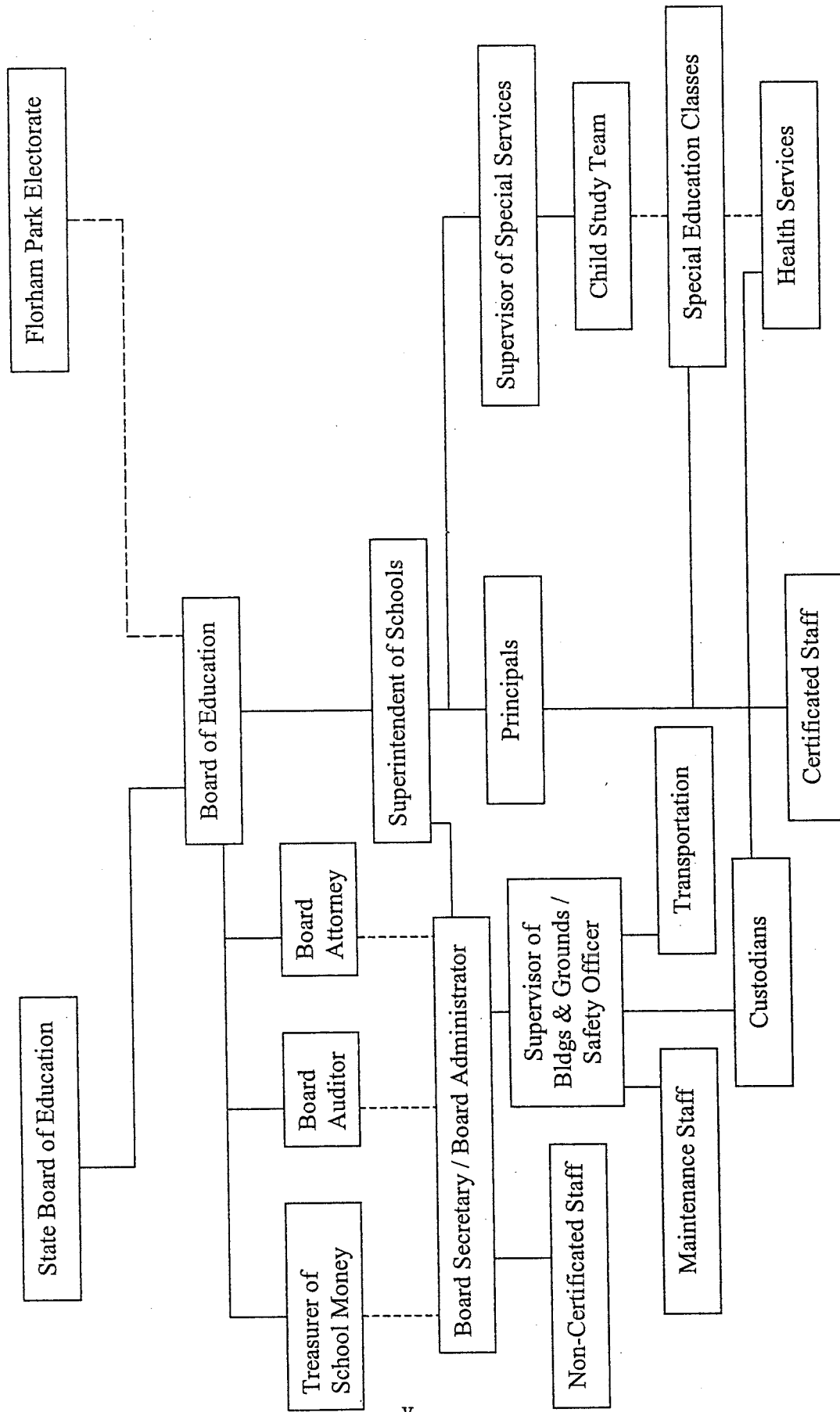


Fred R. Ferrone, Ed.D.  
Superintendent of Schools



John R. Csatlos  
Business Administrator/Board Secretary

# FLORHAM PARK SCHOOL DISTRICT ORGANIZATIONAL CHART



**FLORHAM PARK BOARD OF EDUCATION  
FLORHAM PARK, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2005**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
John McFarlane, President	2008
Patrick Montuore, Vice President	2008
Kevin DeCoursey	2007
Scott Eveland	2007
Dr. John Carollo	2007
John Gaffney	2006
Linda Michalowski	2006

**Other Officials**

Dr. Fred R. Ferrone, Superintendent  
John R. Csatlos, Business Administrator/Board Secretary  
Raymond Karaty, Treasurer

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

**ATTORNEY**

Mathew J. Giacobbe, 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

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## **FINANCIAL SECTION**

# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
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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

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, 2005, 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, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Governmental Auditing Standards and should be considered in assessing 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  
August 15, 2005

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

# FLORHAM PARK BOARD OF EDUCATION

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## Management's Discussion and Analysis Year Ended June 30, 2005

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, 2005. 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 (2004-2005) and the prior year (2003-2004) is required to be presented in the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2004-2005 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 \$6,751,902. (Net Assets)
- The District's total net assets decreased by \$196,085.
- Overall District revenues were \$14,672,292. General revenues accounted for \$12,534,173 or 85% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,138,119 or 15% of total revenues.
- The school district had \$14,848,683 in expenses for governmental activities; only \$2,121,943 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$12,534,173 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 \$474,983. Of this amount, \$120,875 (25%) is available for spending at the District's discretion (unreserved/undesignated fund balance – General Fund).
- The General Fund fund balance at June 30, 2005 was \$385,181, a decrease of \$409,609 compared to the ending fund balance at June 30, 2004 of \$794,790.
- The General Fund unreserved/undesignated budgetary fund balance at June 30, 2005 was \$282,008, which represents an increase of \$75,643 compared to the ending fund balance at June 30, 2004 of \$206,365.

## Management's Discussion and Analysis

### Year Ended June 30, 2005

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 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.

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graph TD
    A[Management Discussion And Analysis] --- B[Basic Financial Statements]
    B --- C1[District-wide Financial Statements]
    B --- C2[Fund Financial Statements]
    B --- C3[Notes To the Financial Statements]
    C1 --- D[Summary]
    C1 --- E[Detail]
    C2 --- D
    C2 --- E
    C3 --- D
    C3 --- E
    D <--> E
  
```

Management Discussion And Analysis

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes To the Financial Statements

Summary

Detail

# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2005

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-term 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 deductions 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, 2005

- 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, 2005

### 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 \$6,751,902 on June 30, 2005 as follows:

#### Net Assets As of June 30, 2005

	Governmental Activities		Business- Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current Assets	\$ 3,588,520	\$ 4,339,775	\$ 3,511	\$ 5,345	\$ 3,592,031	\$ 4,345,120
Capital Assets	20,010,477	20,230,854	3,721	5,405	20,014,198	20,236,259
<b>Total Assets</b>	<b>23,598,997</b>	<b>24,570,629</b>	<b>7,232</b>	<b>10,750</b>	<b>23,606,229</b>	<b>24,581,379</b>
Long-Term Liabilities	13,433,673	13,990,919			13,433,673	13,990,919
Other Liabilities	3,420,654	3,642,473	-	-	3,420,654	3,642,473
<b>Total Liabilities</b>	<b>16,854,327</b>	<b>17,633,392</b>	<b>-</b>	<b>-</b>	<b>16,854,327</b>	<b>17,633,392</b>
Net Assets						
Invested in Capital Assets, net of related debt	6,852,751	6,784,337	3,721	5,405	6,856,472	6,789,742
Restricted	104,339	114,565			104,339	114,565
Unrestricted	(212,420)	38,335	3,511	5,345	(208,909)	43,680
<b>Total Net Assets</b>	<b>\$ 6,744,670</b>	<b>\$ 6,937,237</b>	<b>\$ 7,232</b>	<b>\$ 10,750</b>	<b>\$ 6,751,902</b>	<b>\$ 6,947,987</b>

The District's total net assets of \$6,751,902 at June 30, 2005 represent a \$196,085, or 3%, decrease from the prior year as follows.

# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2005

### Change in Net Assets For The Years Ended June 30, 2005 and 2004

	Governmental Activities		Business- Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 42,363	\$ 34,870	\$ 8,700	\$ 8,544	\$ 51,063	\$ 43,414
Operating Grants and Contributions	2,014,423	1,851,096	7,476	5,491	2,021,899	1,856,587
Capital Grants and Contributions	65,157	1,802,012			65,157	1,802,012
General Revenues						
Property Taxes	12,368,457	11,554,592			12,368,457	11,554,592
State Aid - Unrestricted	112,719	45,355			112,719	45,355
Other	52,997	62,706	-	-	52,997	62,706
<b>Total Revenues</b>	<b><u>14,656,116</u></b>	<b><u>15,350,631</u></b>	<b><u>16,176</u></b>	<b><u>14,035</u></b>	<b><u>14,672,292</u></b>	<b><u>15,364,666</u></b>
<b>Expenses</b>						
Instruction						
Regular	5,521,996	5,474,587			5,521,996	5,474,587
Special Education	2,455,940	1,752,336			2,455,940	1,752,336
Other Instruction	70,221	83,181			70,221	83,181
School Sponsored Activities and Athletics	129,699	163,886			129,699	163,886
Support Services						
Student and Instruction Related Services	1,817,140	1,566,051			1,817,140	1,566,051
General Administrative Services	557,374	762,681			557,374	762,681
School Administrative Services	654,996	833,658			654,996	833,658
Central/Business Administrative Services	1,928,465	326,534			1,928,465	326,534
Plant Operations and Maintenance	773,436	1,605,918			773,436	1,605,918
Pupil Transportation	250,832	554,681			250,832	554,681
Interest on Debt	688,584	657,338			688,584	657,338
Food Services	-	-	19,694	12,440	19,694	12,440
<b>Total Expenses</b>	<b><u>14,848,683</u></b>	<b><u>13,780,851</u></b>	<b><u>19,694</u></b>	<b><u>12,440</u></b>	<b><u>14,868,377</u></b>	<b><u>13,793,291</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b>(192,567)</b>	<b>1,569,780</b>	<b>(3,518)</b>	<b>1,595</b>	<b>(196,085)</b>	<b>1,571,375</b>
<b>Net Assets, Beginning of Year</b>	<b><u>6,937,237</u></b>	<b><u>5,367,457</u></b>	<b><u>10,750</u></b>	<b><u>9,155</u></b>	<b><u>6,947,987</u></b>	<b><u>5,376,612</u></b>
<b>Net Assets, End of Year</b>	<b><u>\$ 6,744,670</u></b>	<b><u>\$ 6,937,237</u></b>	<b><u>\$ 7,232</u></b>	<b><u>\$ 10,750</u></b>	<b><u>\$ 6,751,902</u></b>	<b><u>\$ 6,947,987</u></b>

# FLORHAM PARK BOARD OF EDUCATION

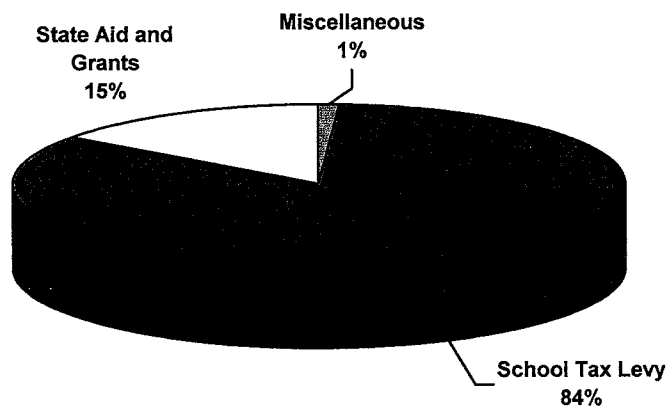
## Management's Discussion and Analysis Year Ended June 30, 2005

**Governmental Activities.** The District's total governmental activities' revenues, which includes State and Federal grants, were \$14,656,116 for the year ended June 30, 2005, property taxes of \$12,368,457 represented 84% of revenues. Another significant portion of revenues came from State aid; total State, Federal and formula aid was \$2,192,299 represented 15% of revenues. In addition, transportation fees and miscellaneous income such as interest, prior year refunds and other miscellaneous items represented 1% of revenues.

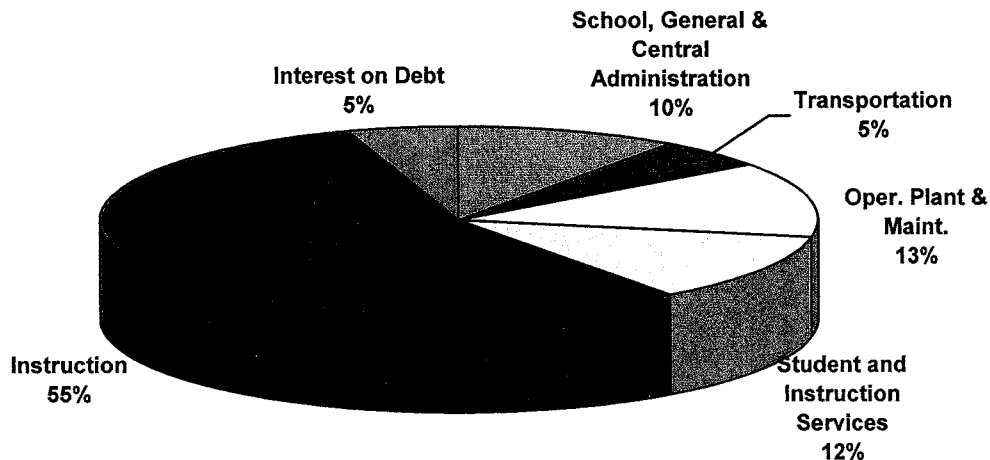
The total cost of all governmental activities programs and services was \$14,848,683. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$8,177,856 (55%) of total expenses. Student support services, total \$5,982,243 (40%) of total expenses and interest on debt totaled \$688,584 (5%) of total expenses.

Total governmental activities expenses exceeded revenues, decreasing net assets \$192,567 from the previous year.

Revenues by Sources – Governmental Activities  
For Fiscal Year 2005



Expenses by Use – Governmental Activities  
For Fiscal Year 2005



# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2005

**Net Cost of Governmental Activities.** The District's total cost of services was \$14,848,683. After applying program revenues, derived from operating grants and contributions of \$2,014,423, capital grants and contributions of \$65,157 and charges for services of \$42,363, the net cost of services of the District is \$12,726,740.

### Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
Instruction				
Regular	\$ 5,521,996	\$ 5,474,587	\$ 4,952,466	\$ 4,927,978
Special Education	2,455,940	1,752,336	1,405,050	774,739
Other Instruction	70,221	83,181	16,704	38,146
School Sponsored Activities and Athletics	129,699	163,886	129,699	147,381
Support Services				
Student and Instruction Related Services	1,817,140	1,566,051	1,630,044	1,447,628
General Administrative Services	557,374	762,681	531,077	739,782
School Administrative Services	654,996	833,658	608,431	788,928
Central/Business Administrative Services	250,832	326,534	237,453	314,128
Plant Operations and Maintenance	1,928,465	1,605,918	1,863,308	(196,094)
Pupil Transportation	773,436	554,681	663,924	452,919
Interest on Debt	688,584	657,338	688,584	657,338
<b>Total</b>	<b>\$ 14,848,683</b>	<b>\$ 13,780,851</b>	<b>\$ 12,726,740</b>	<b>\$ 10,092,873</b>

**Business-Type Activities** – The District's total business-type activities revenues were \$16,176 for the year ended June 30, 2005. Charges for services accounted for 54% of total revenues. Operating grants and contributions accounted for 46% of total revenue for the year.

Total cost of all business-type activities programs and services was \$19,694.

Total business-type activities expenses surpassed revenues, decreasing net assets by \$3,518 over the previous year.

# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2005

### 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 \$474,983, a decrease from last year's fund balance of \$957,824. This decrease was attributable to the utilization of general fund balance to finance the District's budget appropriations and its local share of facility improvement projects during the school year.

Revenues for the District's governmental funds were \$14,656,116, while total expenses were \$15,272,543. In addition, the District had other financing sources of \$133,586.

### 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, 2005</u>	Year Ended <u>June 30, 2004</u>	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 11,307,037	\$ 10,771,768	\$ 535,269	5%
Other	92,407	63,305	29,102	46%
State Sources	<u>1,820,064</u>	<u>1,645,816</u>	<u>174,248</u>	11%
Total General Fund Revenues	<u>\$ 13,219,508</u>	<u>\$ 12,480,889</u>	<u>\$ 738,619</u>	6%

The following schedule presents a summary of General Fund expenditures.

	Year Ended <u>June 30, 2005</u>	Year Ended <u>June 30, 2004</u>	Amount of Increase (Decrease)	Percent Increase (Decrease)
Instruction	\$ 7,939,012	\$ 7,299,869	\$ 639,143	9%
Support Services	5,368,849	5,049,903	318,946	6%
Debt Service	165,978	132,114	33,864	27%
Capital Outlay	<u>89,868</u>	<u>168,320</u>	<u>(78,452)</u>	(47%)
Total Expenditures	<u>\$ 13,563,707</u>	<u>\$ 12,650,206</u>	<u>\$ 913,501</u>	7%

Total General Fund expenditures increased \$913,501 or 7% from the previous year. The majority of this increase can be attributed to contractual salary increases and a double digit percentage increase in employee benefits, tuition and transportation costs.

# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2005

### GENERAL FUND (Continued)

In 2004-2005 General Fund revenues and other financing sources were less than expenditures and other financing uses by \$409,609. Therefore, total fund balance decreased to \$385,181 at June 30, 2005 due to an unfavorable variance in unexpended budget appropriations for the year. However, after deducting statutory reserves and designations, the unreserved undesignated fund balance increased from \$66,888 at June 30, 2004 to \$120,875 at June 30, 2005. This increase can be attributable to the District realizing revenues in excess of anticipated budget amounts.

### CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2005, the District had \$20,010,477 invested in land, buildings, furniture, equipment and vehicles. The following are the June 30, 2005 and 2004 balances.

Capital Assets Governmental Activities		Governmental Activities	
		<u>2005</u>	<u>2004</u>
Land	\$	1,156,663	\$ 1,156,663
Construction in Progress		17,825	3,861,167
Land Improvements		1,184,836	1,178,235
Buildings and Building Improvements		21,753,387	17,699,781
Machinery and Equipment		<u>2,068,819</u>	<u>1,855,478</u>
		26,181,530	25,751,324
<b>Less Accumulated Depreciation</b>		<u>(6,171,053)</u>	<u>(5,520,470)</u>
<b>Total</b>		<u>\$ 20,010,477</u>	<u>\$ 20,230,854</u>

### LONG TERM LIABILITIES

At June 30, 2005 the District had \$13,433,673 of outstanding debt. Of this amount, \$275,947 is for compensated absences; \$12,920,000 is for serial bonds; and \$237,726 is for lease purchase agreements.

#### Outstanding Long-Term Debt at June 30, 2005 and 2004

		<u>2005</u>	<u>2004</u>
Serial Bonds	\$	12,920,000	\$ 13,360,000
Capital Leases Payable		237,726	249,549
Compensated Absences		<u>275,947</u>	<u>381,370</u>
<b>Total</b>		<u>\$ 13,433,673</u>	<u>\$ 13,990,919</u>

# FLORHAM PARK BOARD OF EDUCATION

## Management's Discussion and Analysis Year Ended June 30, 2005

### 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 gifts and donations.
- Increases in appropriations for significant unbudgeted costs.

Revisions in the budget were made through budget transfers 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:

- \$100,859 of capital reserve fund balance appropriated to the capital projects fund to finance the local share of the Briarwood multi-purpose room improvement project.
- \$44,370 of additional state aid appropriated for various instructional and support services expenditures.
- \$112,689 of additional unreserved/undesignated fund balance appropriated for various instructional and support services expenditures.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

While many factors influence the district's future, the availability of funding for increased enrollment, 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 2005-2006 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 2005-2006. Budgeted expenditures in the General Fund increased 6 percent to \$13,380,374 in fiscal year 2005-2006. Increases in contractual payroll, tuition and the capital reserve account 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.

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## **BASIC FINANCIAL STATEMENTS**

**FLORHAM PARK BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 872,267	\$ 3,108	\$ 875,375
Receivables, net	2,701,716	403	2,702,119
Restricted Assets			
Capital Reserve Account - Cash	14,537		14,537
Capital Assets, net	<u>20,010,477</u>	<u>3,721</u>	<u>20,014,198</u>
Total Assets	<u>23,598,997</u>	<u>7,232</u>	<u>23,606,229</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	84,406		84,406
Payable to Other Governments	13,962		13,962
Notes Payable	2,898,734		2,898,734
Accrued Interest Payable	307,117		307,117
Deferred Revenue	116,435		116,435
Noncurrent Liabilities			
Due within one year	615,827		615,827
Due beyond one year	<u>12,817,846</u>	<u>-</u>	<u>12,817,846</u>
Total Liabilities	<u>16,854,327</u>	<u>-</u>	<u>16,854,327</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt <sup>(C)</sup>	6,852,751	3,721	6,856,472
Restricted for			
Debt Service - <sup>(B)</sup>	2		2
Capital Projects	104,337		104,337
Unrestricted <sup>69,800 + 14,537 (A)</sup>	<u>(212,420)</u>	<u>3,511</u>	<u>(208,909)</u>
Total Net Assets	<u>\$ 6,744,670</u>	<u>\$ 7,232</u>	<u>\$ 6,751,902</u>

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

**FLORHAM PARK BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 5,521,996		\$ 569,530		\$ (4,952,466)		\$ (4,952,466)
Special Education	2,455,940		1,050,890		(1,405,050)		(1,405,050)
Other Instruction	70,221		53,517		(16,704)		(16,704)
School Sponsored Activities and Athletics	129,699				(129,699)		(129,699)
Support Services							
Student and Instruction Related Services	1,817,140		187,096		(1,630,044)		(1,630,044)
General Administrative Services	557,374		26,297		(531,077)		(531,077)
School Administrative Services	654,996		46,565		(608,431)		(608,431)
Central Administrative Services	250,832		13,379		(237,453)		(237,453)
Plant Operations and Maintenance	1,928,465			\$ 65,157	(1,863,308)		(1,863,308)
Pupil Transportation	773,436	\$ 42,363	67,149		(663,924)		(663,924)
Interest on Debt	688,584	-	-	-	(688,584)	-	(688,584)
Total Governmental Activities	14,848,683	42,363	2,014,423	65,157	(12,726,740)	-	(12,726,740)
<b>Business-Type Activities</b>							
Food Service	19,694	8,700	7,476	-	-	\$ (3,518)	(3,518)
Total Business-Type Activities	19,694	8,700	7,476	-	-	(3,518)	(3,518)
Total Primary Government	\$ 14,868,377	\$ 51,063	\$ 2,021,899	\$ 65,157	(12,726,740)	(3,518)	(12,730,258)
<b>General Revenues</b>							
Taxes							
Property Tax, levied for general purposes					11,307,037		11,307,037
Property Tax, levied for debt service					1,061,420		1,061,420
Investment Earnings					22,755		22,755
Miscellaneous Income					30,242		30,242
Unrestricted State Aid					112,719		112,719
Total General Revenues					12,534,173	-	12,534,173
Change in Net Assets					(192,567)	(3,518)	(196,085)
Net Assets, Beginning of Year					6,937,237	10,750	6,947,987
Net Assets, End of Year					\$ 6,744,670	\$ 7,232	\$ 6,751,902

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## **FUND FINANCIAL STATEMENTS**

**FLORHAM PARK BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2005**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 475,521	\$ 76,122	\$ 320,622	\$ 2	\$ 872,267
Receivables from Other Governments	12,983		2,669,145		2,682,128
Due from Other Funds	15,813		66,067		81,880
Other Receivables	3,775				3,775
Restricted Cash and Cash Equivalents	<u>14,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,537</u>
Total Assets	<u>\$ 522,629</u>	<u>\$ 76,122</u>	<u>\$ 3,055,834</u>	<u>\$ 2</u>	<u>\$ 3,654,587</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 71,381	\$ 700	\$ 12,325		\$ 84,406
Notes Payable			2,898,734		2,898,734
Due to Other Funds	66,067				66,067
Payable to State Government		13,576			13,576
Payable to Federal Government		386			386
Deferred Revenue	<u>-</u>	<u>61,460</u>	<u>54,975</u>	<u>-</u>	<u>116,435</u>
Total Liabilities	<u>137,448</u>	<u>76,122</u>	<u>2,966,034</u>	<u>-</u>	<u>3,179,604</u>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Encumbrances	\$ 55,139		130,308		185,447
Capital Reserve Account	<u>14,537 (A)</u>				<u>14,537</u>
<b>Unreserved</b>					
Designated for Subsequent Year's Expenditures	194,630			1	194,631
Undesignated, Reported in General Fund	120,875				120,875
Debt Service Fund				1	1
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>(40,508)</u>	<u>-</u>	<u>(40,508)</u>
Total Fund Balances	<u>385,181</u>	<u>-</u>	<u>89,800 (A)</u>	<u>2 (B)</u>	<u>474,983</u>
Total Liabilities and Fund Balances	<u>\$ 522,629</u>	<u>\$ 76,122</u>	<u>\$ 3,055,834</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 \$26,181,530 and the accumulated depreciation is \$(6,171,053).

20,010,477 (C) +

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

(307,117)

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	\$ 12,920,000 (C) -
Compensated Absences	275,947
Capital Leases Payable	<u>237,726 (C) -</u>
	<u>(13,433,673)</u>

Net assets of governmental activities \$ 6,744,670

**FLORHAM PARK BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<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	\$ 11,307,037			\$ 1,061,420	\$ 12,368,457
Transportation	42,363				42,363
Interest	19,802		\$ 2,953		22,755
Miscellaneous	30,242	-	-	-	30,242
Total - Local Sources	11,399,444	-	2,953	1,061,420	12,463,817
State Sources	1,820,064	\$ 96,953	65,157		1,982,174
Federal Sources	-	210,125	-	-	210,125
Total Revenues	13,219,508	307,078	68,110	1,061,420	14,656,116
<b>EXPENDITURES</b>					
Current					
Instruction					
Regular	5,460,867	52,345			5,513,212
Special Education	2,327,124	167,370			2,494,494
Other Instruction	22,710	47,511			70,221
School-Sponsored Activities and Athletics	128,311				128,311
Support Services					
Student and Instruction Related Services	1,804,475	39,852			1,844,327
General Administrative Services	537,630				537,630
School Administrative Services	641,633				641,633
Central Services/Business Services	249,263				249,263
Plant Operations and Maintenance	1,407,771				1,407,771
Student Transportation Services	728,077				728,077
Debt Service					
Principal	112,885			440,000	552,885
Interest and Other Charges	53,093			621,420	674,513
Capital Outlay	89,868	-	340,338	-	430,206
Total Expenditures	13,563,707	307,078	340,338	1,061,420	15,272,543
Excess (Deficiency) of Revenues Over Expenditures	(344,199)	-	(272,228)	-	(616,427)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital Leases (Non-Budgeted)			101,062		101,062
Premium on Notes Payable			32,524		32,524
Transfers In	35,449		100,859		136,308
Transfers Out	(100,859)	-	(35,449)	-	(136,308)
Total Other Financing Sources and Uses	(65,410)	-	198,996	-	133,586
Net Change in Fund Balances	(409,609)	-	(73,232)	-	(482,841)
Fund Balance, Beginning of Year	794,790	-	163,032	2	957,824
Fund Balance, End of Year	\$ 385,181	\$ -	\$ 89,800	\$ 2	\$ 474,983

The accompanying Notes to the Basic 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, 2005**

**Total net change in fund balances - governmental funds (Exhibit B-2)** **\$ (482,841)**

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	\$ 430,206	
Depreciation Expense	<u>(650,583)</u>	
		(220,377)

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		105,423
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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	440,000	
Capital Leases	<u>112,885</u>	
		552,885

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		(101,062)
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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>(46,595)</u>
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**Change in net assets of governmental activities (Exhibit A-2)** **\$ (192,567)**

**FLORHAM PARK BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF NET ASSETS  
 AS OF JUNE 30, 2005**

	<b>Other Non-Major Enterprise Fund <u>Totals</u></b>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 3,108
Intergovernmental Receivable Federal	<u>403</u>
Total Current Assets	<u>3,511</u>
Capital Assets	
Equipment	61,316
Less: Accumulated Depreciation	<u>57,595</u>
Total Capital Assets	<u>3,721</u>
Total Assets	<u>7,232</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	3,721
Unrestricted	<u>3,511</u>
Total Net Assets	<u>\$ 7,232</u>

The accompanying Notes to the Basic 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, 2005**

	<b>Other Non-Major Enterprise Fund <u>Totals</u></b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Daily Sales	\$ 8,700
	<u>8,700</u>
Total Operating Revenues	<u>8,700</u>
<b>OPERATING EXPENSES</b>	
Salaries	6,379
Cost of Sales	10,836
Purchased Services	795
Depreciation	1,684
	<u>19,694</u>
Total Operating Expenses	<u>19,694</u>
Operating Income (Loss)	<u>(10,994)</u>
<b>NONOPERATING REVENUES</b>	
Federal Sources	
Special Milk Program	7,476
	<u>7,476</u>
Total Nonoperating Revenues	<u>7,476</u>
Change in Net Assets	(3,518)
Net Assets, Beginning of Year	<u>10,750</u>
Net Assets, End of Year	<u>\$ 7,232</u>

The accompanying Notes to the Basic 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, 2005**

	<b>Other Non-Major Enterprise Fund <u>Totals</u></b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 8,700
Cash Payments for Employee Salaries	(6,379)
Cash Payments to Suppliers for Goods and Services	<u>(11,631)</u>
Net Cash (Used for) Operating Activities	<u>(9,310)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash Received from State and Federal Subsidy Reimbursements	<u>7,551</u>
Net Cash Provided by Noncapital Financing Activities	<u>7,551</u>
Net Decrease in Cash and Cash Equivalents	(1,759)
Cash and Cash Equivalents, Beginning of Year	<u>4,867</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,108</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	\$ (10,994)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used For) Operating Activities	
Depreciation	<u>1,684</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (9,310)</u></u>

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

**FLORHAM PARK BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
AS OF JUNE 30, 2005**

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,503	\$ 6,873	\$ 65,298
Due from Other Funds	<u>1,000</u>	<u>-</u>	<u>-</u>
Total Assets	<u>15,503</u>	<u>6,873</u>	<u>65,298</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings			\$ 19,363
Accounts Payable			4,145
Due to Other Funds			16,813
Due to Student Groups	<u>-</u>	<u>-</u>	<u>24,977</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 65,298</u>
<b>NET ASSETS</b>			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 15,503</u>	<u>\$ 6,873</u>	

**FLORHAM PARK BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
<b>ADDITIONS</b>		
Contributions		
Employees	\$ 10,291	
Private Donations		\$ 200
Investment Earnings		
Interest	<u>134</u>	<u>33</u>
Total Additions	<u>10,425</u>	<u>233</u>
<b>DEDUCTIONS</b>		
Unemployment Claims and Contributions	<u>16,682</u>	<u>-</u>
Total Deductions	<u>16,682</u>	<u>-</u>
Change in Net Assets	(6,257)	233
Net Assets, Beginning of Year	<u>21,760</u>	<u>6,640</u>
Net Assets, End of Year	<u>\$ 15,503</u>	<u>\$ 6,873</u>

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**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.

**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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 claims and for private donations for scholarship awards. 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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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 2003-04 and 2004-05 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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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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 and salary related payments 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 and salary related payments 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)

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 THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

***Comparative Data/Reclassifications***

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 general fund and 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 2004/2005. During 2004/2005 the Board increased the original budget by \$472,877. The increase was funded by additional surplus appropriated, capital reserve, state aid, grant awards, and the reappropriation of prior year encumbrances. During the fiscal year authorized and approved unreserved/undesignated fund balance appropriation of \$112,689 of additional general fund surplus was made on March 7, 2005.

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 treatment of encumbrances in 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 THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**Deficit Fund Equity**

The District has an accumulated unreserved/undesignated deficit of \$40,508 in the Capital Projects Fund as of June 30, 2005. This deficit is the result of the Board incurring expenditures and encumbrances for the Briarwood multi-purpose improvement project, which was prior to the receipt of state aid. As the Board earns state aid, the District will realize as revenues state aid earned. This deficit does not indicate that the District is facing financial difficulties and is permitted practice under accounting principles generally accepted in the United States of America.

**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 increase the balance in capital reserve at any time by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. 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.

The activity of the capital reserve for the fiscal year ended June 30, 2005 is as follows:

Beginning balance	\$ 114,563
Interest earnings	833
Withdrawals	
Board resolution March 7, 2005	(100,859)
Ending balance	<u>\$ 14,537</u>

The June 30, 2005 LRFP balance of local support costs of uncompleted capital projects at June 30, 2005 is \$12,399,000. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

**Transfers to Capital Outlay**

During the year ending June 30, 2005, the district transferred \$112,359 to the capital outlay accounts. The transfers were made from the capital reserve account to provide for the local share of a state facilities grant project transferred to the Capital Projects Fund and from unbudgeted state aid appropriated to certain capital outlay line items.

**FLORHAM PARK BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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, 2005, the book value of the Board's deposits was \$976,586 and bank balances of the Board's cash and deposits amounted to \$1,142,308. Of the bank balances \$100,000 was covered by FDIC, \$828,719 was covered by the New Jersey Governmental Unit Deposit Protection Act, and \$213,589 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	\$ 928,719
Uninsured and Collateralized	<u>213,589</u>
	<u><u>\$1,142,308</u></u>

**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, 2005, the Board's bank balance of \$213,589 was exposed to custodial credit risk as follows:

Uninsured and Collateralized:	
Collateral held by Pledging Bank's	
Trust Department, not in the Board's Name	<u><u>\$213,589</u></u>

**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, 2005, the Board had no outstanding investments.

**Interest Rate Risk** – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

**Concentration of Credit Risk** – The Board places no limit in the amount the District may invest in any one issuer.

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**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:					
Intergovernmental	\$ 12,983		\$ 2,669,145	\$ 403	\$ 2,682,531
Accounts	<u>3,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,775</u>
Gross Receivables	16,758	-	2,669,145	403	2,686,306
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 16,758</u>	<u>\$ -</u>	<u>\$ 2,669,145</u>	<u>\$ 403</u>	<u>\$ 2,686,306</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	\$ 55,522
Grant draw downs reserved for encumbrances	<u>5,938</u>
	61,460
Capital Projects Fund	
Economic Development Authority School Facility Grants	<u>54,975</u>
Total Deferred Revenue for Governmental Funds	<u>\$116,435</u>

**FLORHAM PARK BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

Capital asset activity for the year ended June 30, 2005 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	3,861,167	\$ 216,865	\$ 4,060,207	17,825
Total capital assets, not being depreciated	<u>5,017,830</u>	<u>216,865</u>	<u>4,060,207</u>	<u>1,174,488</u>
Capital assets, being depreciated:				
Land Improvements	1,178,235	6,601		1,184,836
Building and Building Improvements	17,699,781	4,053,606		21,753,387
Machinery and Equipment	1,855,478	213,341	-	2,068,819
Total capital assets being depreciated	<u>20,733,494</u>	<u>4,273,548</u>	<u>-</u>	<u>25,007,042</u>
Less accumulated depreciation for:				
Land Improvements	(258,688)	(67,379)		(326,067)
Building and Building Improvements	(3,952,895)	(446,212)	-	(4,399,107)
Machinery and Equipment	<u>(1,308,887)</u>	<u>(136,992)</u>	<u>-</u>	<u>(1,445,879)</u>
Total capital assets, being depreciated, net	<u>(5,520,470)</u>	<u>(650,583)</u>	<u>-</u>	<u>(6,171,053)</u>
Total assets, being depreciation, net	<u>15,213,024</u>	<u>3,622,965</u>	<u>-</u>	<u>18,835,989</u>
Government activities capital assets, net	<u>\$ 20,230,854</u>	<u>\$ 3,839,830</u>	<u>\$ 4,060,207</u>	<u>\$ 20,010,477</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	(55,911)	(1,684)	-	(57,595)
Total accumulated depreciation	<u>(55,911)</u>	<u>(1,684)</u>	<u>-</u>	<u>(57,595)</u>
Total capital assets, being depreciated, net	<u>5,405</u>	<u>(1,684)</u>	<u>-</u>	<u>3,721</u>
Business-type activities capital assets, net	<u>\$ 5,405</u>	<u>\$ (1,684)</u>	<u>\$ -</u>	<u>\$ 3,721</u>

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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	\$ 55,451
School Sponsored Athletics and Activities	1,388
Total Instruction	<u>56,839</u>

Support Services

Student and Instructional Related Services	11,825
General Administrative Services	6,398
School Administrative Services	9,468
Plant Operations and Maintenance	520,694
Pupil Transportation	<u>45,359</u>
Total Support Services	<u>593,744</u>

Total depreciation expense - governmental activities	<u>\$ 650,583</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, 2005:

<u>Project</u>	<u>Remaining Commitment</u>
Briarwood Multi-Purpose Room	<u>\$130,308</u>

**Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	\$15,813
Capital Projects Fund	General Fund	<u>66,067</u>
		<u>\$81,880</u>

The above balances are the results of receipts deposited in one fund which are due to another fund.

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

**Receivables**

	<u>Transfer In:</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Transfer Out:			
General Fund		\$ 100,859	\$ 100,859
Capital Projects Fund	\$ 35,449	-	35,449
Total transfers out	<u>\$ 35,449</u>	<u>\$ 100,859</u>	<u>\$ 136,308</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 trucks totaling \$432,308 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, 2005 were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2006	\$ 89,187
2007	68,322
2008	44,740
2009	31,903
2010	<u>21,901</u>
Total minimum lease payments	256,053
Less: amount representing interest	<u>18,327</u>
Present value of minimum lease payments	<u>\$ 237,726</u>

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Building Improvements	\$ 129,336
Machinery and Equipment	<u>302,972</u>
	<u>\$ 432,308</u>

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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, 2005 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%	\$2,040,000
\$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>10,880,000</u>
	<u>\$12,920,000</u>

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2004 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 77,455,093
Less: Net Debt	<u>15,527,404</u>
Remaining Borrowing Power	<u>\$ 61,927,689</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>	
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>\$ 12,920,000</u>	<u>\$ 6,024,940</u>	<u>\$ 18,944,940</u>

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 13,360,000		\$ 440,000	\$ 12,920,000	\$ 460,000
Capital leases payable	249,549	\$ 101,062	112,885	237,726	81,947
Compensated absences	381,370	28,474	133,897	275,947	73,880
Governmental activity Long-term liabilities	<u>\$ 13,990,919</u>	<u>\$ 129,536</u>	<u>\$ 686,782</u>	<u>\$ 13,433,673</u>	<u>\$ 615,827</u>

For the governmental activities, compensated absences and capital leases 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, 2005 was as follows:

<u>Purpose</u>	<u>Balance, July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2005</u>
Briarwood, Brooklake and Ridgedale Schools				
Schools Construction Projects	<u>\$ 2,898,734</u>	<u>\$ 2,898,734</u>	<u>\$ 2,898,734</u>	<u>\$ 2,898,734</u>
	<u>\$ 2,898,734</u>	<u>\$ 2,898,734</u>	<u>\$ 2,898,734</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 THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**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>
2004-2005	\$ 10,291	\$ 16,682	\$ 15,503
2003-2004	3,783	19,568	21,760
2002-2003	1,222	24,617	37,304

**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, 2005, 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. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2005, the District had no estimated arbitrage earnings due to the IRS.

**FLORHAM PARK BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. 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.

**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. 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 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 ten years of service credit, in which case benefits would begin the first day of the month after the member attains normal retirement age.

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**NOTE 4 OTHER INFORMATION (Continued)**

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

**Vesting and Benefit Provisions (Continued)**

*Teachers' Pension and Annuity Fund (Continued)*

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.

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 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, as defined, 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 earning on their contributions at 2% per annum. 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.

**FLORHAM PARK BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**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. Member's contribute 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 returned to the normal rate of 5% effective January 1, 2004 per statute since there are no longer surplus assets 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.

The State was not required to make a normal contribution to the System in between the years 1997 and 2004. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by 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. For fiscal year 2004, 68% of available excess valuation assets could be used 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, 2005, 2004, 2003, the State of New Jersey contributed \$475,666, \$404,690, and \$256,143, respectively, 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 \$426,858 during the year ended June 30, 2005 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 by 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. The full normal employee contribution rate is 5% of base salary; however, as a result of special legislation (Ch. 415, P.L. 1999), the employee rate was reduced to 3% of base salary effective January 1, 2000 and the rate for state employees returned to the normal rate of 5% effective July 1, 2004 per statute since there are no longer surplus assets available in the system. The rate for local employees returned to the normal rate of 5% effective January 1, 2005. The annual employer contribution is based upon an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributing death benefits. For fiscal year 2004, the 68% of available excess valuation assets could be utilized to offset normal contributions. Thereafter, a certain percentage of available excess valuation assets may be used as specified in the legislation. The State and local employers were not required to make a normal contribution to the System between the years 1997 and 2004. The normal contribution for basic pension benefits, noncontributory death benefits, and cost-of-living adjustments was funded by 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 of the State of New Jersey and the local participating employers.

**FLORHAM PARK BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**NOTE 4 OTHER INFORMATION (Continued)**

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

**Contributions (Continued)**

***Public Employees' Retirement System (Continued)***

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; not more than 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.

During the years ended June 30, 2005, 2004 and 2003 the District was required to contribute \$7,269, \$-0- and \$-0-, respectively to the PERS for normal cost pension contributions or post-retirement medical benefits.

**E. 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, 2004, there were 64,628 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.

The state made post-retirement (PRM) contributions of \$424.8 million for TPAF and \$168.7 million for PERS in fiscal year 2004. 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 and 2002 toward the cost of post-retirement medical benefits. The legislation also suspended in fiscal years 2003 and 2002 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. Under state law post retirement medical contributions resumed in fiscal year 2004 and are 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 \$74.0 million toward Chapter 126 benefits for 9,138 eligible retired members in fiscal year 2004.

**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, 2005

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 11,307,037		\$ 11,307,037	\$ 11,307,037	
Transportation	33,000		33,000	42,363	\$ 9,363
Interest				18,969	18,969
Interest on Capital Reserve	20		20	833	813
Miscellaneous	21,371	-	21,371	30,242	8,871
Total Local Sources	11,361,428	-	11,361,428	11,399,444	38,016
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	
Additional Formula Aid	22,233		22,233	22,233	
Above Average Enrollment Growth Aid		\$ 44,370	44,370	44,370	
Additional Nonpublic Transportation Aid				4,857	4,857
Extraordinary Aid				126,620	126,620
On-behalf TPAF Pension Payments (Non-Budget)				475,666	475,666
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	426,858	426,858
Total State Sources	763,349	44,370	807,719	1,841,720	1,034,001
Total Revenues	12,124,777	44,370	12,169,147	13,241,164	1,072,017
<b>Instruction - Regular Programs</b>					
Salaries of Teachers					
Preschool/Kindergarten	263,000	3,563	266,563	266,298	265
Grades 1-5	2,007,000	(119,148)	1,887,852	1,886,210	1,642
Grades 6-8	1,144,000	5,205	1,149,205	1,149,205	
Regular Program - Home Instruction					
Salaries of Teachers	6,000	(2,430)	3,570	3,570	
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	175,348	62,258	237,606	237,606	
Purchased Professional/Educational Services	3,800	(2,600)	1,200	1,200	
Purchased Technical Services	15,675		15,675	13,005	2,670
Other Purchased Services	59,125	7,297	66,422	54,221	12,201
General Supplies	279,414	111,507	390,921	380,157	10,764
Textbooks	67,300	(15,618)	51,682	51,262	420
Other Objects	15,650	(816)	14,834	9,808	5,026
Total Regular Programs	4,036,312	49,218	4,085,530	4,052,542	32,988
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	184,400	9,243	193,643	191,711	1,932
Other Salaries for Instruction	106,900	(16,400)	90,500	88,861	1,639
General Supplies	1,200	520	1,720	1,678	42
Textbooks	1,500	-	1,500	1,458	42
Total Learning and/or Language Disabilities	294,000	(6,637)	287,363	283,708	3,655
Visual Impairments					
Salaries of Teachers		63,460	63,460	59,700	3,760
Other Salaries for Instruction	-	23,833	23,833	23,703	130
Total Visual Impairments	-	87,293	87,293	83,403	3,890

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, 2005

	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	\$ 438,400	\$ 206,599	\$ 644,999	\$ 644,400	\$ 599
Other Salaries for Instruction	89,300	(26,289)	63,011	63,011	
General Supplies	7,200	(384)	6,816	6,489	327
Textbooks	3,050	(500)	2,550	1,240	1,310
Total Resource Room	537,950	179,426	717,376	715,140	2,236
Preschool Disabilities - Full-Time					
Salaries of Teachers	58,800		58,800	58,108	692
Other Salaries for Instruction	62,030	(14,978)	47,052	41,828	5,224
General Supplies	-	87	87	81	6
Total Preschool Disabilities - Full-Time	120,830	(14,891)	105,939	100,017	5,922
Total Special Education	952,780	245,191	1,197,971	1,182,268	15,703
Bilingual Education					
Salaries of Teachers	40,230	(21,011)	19,219	16,563	2,656
Total Bilingual Education	40,230	(21,011)	19,219	16,563	2,656
School Sponsored Cocurricular Activities					
Salaries	68,800	(169)	68,631	51,458	17,173
Supplies and Materials	7,775	-	7,775	5,225	2,550
Total School Sponsored Cocurricular Activities	76,575	(169)	76,406	56,683	19,723
School Sponsored Athletics					
Salaries	31,300	2,169	33,469	33,469	
Purchased Services	4,200		4,200	4,200	
Supplies and Materials	4,390	4,041	8,431	6,923	1,508
Other Objects	1,000	-	1,000	475	525
Total School Sponsored Athletics	40,890	6,210	47,100	45,067	2,033
Other Instructional Programs					
Supplies and Materials	550	-	550	-	550
Total Other Instructional Programs	550	-	550	-	550
Total Instruction	5,147,337	279,439	5,426,776	5,353,123	73,653
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State - Special	417,736	(15,094)	402,642	371,035	31,607
Tuition to CSSD & Reg. Day Schools	52,775	495	53,270	53,270	
Tuition to Priv. Sch. for the Disabled Within the State	448,144	(194,225)	253,919	250,458	3,461
Total Undistributed Expenditures - Instruction	918,655	(208,824)	709,831	674,763	35,068

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, 2005

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 169,671	\$ 6,658	\$ 176,329	\$ 176,329	
Other Purchased Services	1,125	(899)	226	226	
Supplies and Materials	8,035	445	8,480	8,438	\$ 42
Other Objects	300	(295)	5	5	-
Total Health Services	179,131	5,909	185,040	184,998	42
Other Support Serv. Students - Related Serv.					
Salaries of Other Professional Staff	249,317	(8,826)	240,491	240,491	
Purchased Professional-Educational Services	171,400	(101,328)	70,072	49,848	20,224
Supplies and Materials	1,370	377	1,747	1,581	166
Total Other Support Serv. Students - Related Serv.	422,087	(109,777)	312,310	291,920	20,390
Other Support Services-Students-Extra Serv.					
Salaries		52,236	52,236	51,271	965
Purchased Professional-Educational Services	-	3,600	3,600	2,845	755
Total Other Support Services - Students - Extra Serv.	-	55,836	55,836	54,116	1,720
Other Support Services-Students-Regular					
Salaries of Other Professional Staff	108,417	1,030	109,447	108,623	824
Salaries of Secretarial and Clerical Assistants	48,636		48,636	48,198	438
Other Purchased Professional and Tech. Services	18,760	5,708	24,468	22,281	2,187
Other Purchased Services	700	(700)			
Supplies and Materials	12,505	323	12,828	10,792	2,036
Other Objects	500	(500)	-	-	-
Total Other Support Services - Students - Regular	189,518	5,861	195,379	189,894	5,485
Other Support Services-Students-Special Services					
Salaries of Other Professional Staff	256,745	(21,765)	234,980	234,239	741
Salaries of Secretarial and Clerical Assistants	58,400	4,226	62,626	62,626	
Other Purchased Professional and Tech. Services	9,500	(3,000)	6,500	5,150	1,350
Misc Purchased Services	1,950	2,000	3,950	3,566	384
Supplies and Materials	18,350	2,149	20,499	20,268	231
Other Objects	-	225	225	225	-
Total Other Support Services - Students - Special Services	344,945	(16,165)	328,780	326,074	2,706
Improvement of Instructional Services					
Salaries of Other Professional Staff	39,156	4,600	43,756	43,669	87
Other Salaries	14,300	(4,600)	9,700	700	9,000
Other Purchased Services	6,000		6,000	1,742	4,258
Supplies and Materials	3,000		3,000	2,139	861
Other Objects	3,000	-	3,000	1,675	1,325
Total Improvement of Instructional Services	65,456	-	65,456	49,925	15,531
Educational Media Services/School Library					
Salaries	177,176	(20,167)	157,009	153,286	3,723
Purchased Professional and Technical Service	2,700	1,100	3,800	3,800	
Other Purchased Services	8,300	(1,100)	7,200	5,717	1,483
Supplies and Materials	31,930	17,436	49,366	46,936	2,430
Total Educational Media Serv./School Library	220,106	(2,731)	217,375	209,739	7,636
Instructional Staff Training Services					
Salaries of Other Professional Staff	40,000	9,900	49,900	49,189	711
Purchased Professional/Educational Services	46,275	(11,050)	35,225	30,927	4,298
Other Purchased Services	3,200	115	3,315	2,508	807
Supplies and Materials	2,000	5,731	7,731	6,054	1,677
Other Objects	1,200	-	1,200	1,050	150
Total Staff Training Services	92,675	4,696	97,371	89,728	7,643

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, 2005

	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	\$ 211,924	\$ 648	\$ 212,572	\$ 212,572	
Legal Services	50,000	17,311	67,311	67,311	
Audit Fees	20,000	200	20,200		\$ 20,200
Other Purchased Professional Services	14,600	38,653	53,253	53,253	
Communications/Telephone	47,000	6,379	53,379	53,379	
Other Purchased Services	38,700	2,736	41,436	41,363	73
General Supplies	4,000	1,853	5,853	5,350	503
Miscellaneous Expenditures	39,500	(25,186)	14,314	13,567	747
<b>Total Support Services General Administration</b>	<b>425,724</b>	<b>42,594</b>	<b>468,318</b>	<b>446,795</b>	<b>21,523</b>
Support Services School Administration					
Salaries of Principal/Asst. Principals	292,552	5,034	297,586	297,586	
Salaries of Secretarial and Clerical Assistants	155,076	(1,428)	153,648	153,648	
Other Salaries					
Purchased Professional and Technical Services	2,750	(1,758)	992	992	
Other Purchased Services	32,990	(1,327)	31,663	28,381	3,282
Supplies and Materials	13,565	(1,943)	11,622	10,742	880
Other Objects	6,945	(376)	6,569	6,036	533
<b>Total Support Services School Administration</b>	<b>503,878</b>	<b>(1,798)</b>	<b>502,080</b>	<b>497,385</b>	<b>4,695</b>
Support Services Central Services					
Salaries	158,312	(4,079)	154,233	154,233	
Purchased Professional Services	7,500	(1,868)	5,632	5,482	150
Purchased Technical Services	8,000	(4,524)	3,476	3,471	5
Miscellaneous Purchased Services	17,280	4,382	21,662	21,610	52
Supplies and Materials	3,800	829	4,629	4,629	
Interest on Current Loans	10,000	33,159	43,159	43,159	
Interest on Lease Purchase Agreements	4,100	(318)	3,782	3,782	
Other Objects	2,200	627	2,827	2,827	-
<b>Total Support Central School Administration</b>	<b>211,192</b>	<b>28,208</b>	<b>239,400</b>	<b>239,193</b>	<b>207</b>
Required Maintenance for School Facilities					
Salaries	92,629	(4,036)	88,593	88,593	
Cleaning, Repair and Maintenance	52,550	47,102	99,652	93,407	6,245
General Supplies	8,000	12,866	20,866	20,866	
Other Objects	600	(205)	395	395	-
<b>Total Required Maintenance for School Fac.</b>	<b>153,779</b>	<b>55,727</b>	<b>209,506</b>	<b>203,261</b>	<b>6,245</b>
Other Operation & Maint. Of Plant					
Salaries	477,121	7,999	485,120	484,957	163
Purchased Prof. And Technical Serv.	21,000	12,133	33,133	33,133	
Cleaning, Repair and Maint. Serv.	22,000	9,425	31,425	31,425	
Rental of Land & Bldg. Oth. Than Lease Purchase					
Other Purchased Property Services	24,000	1,984	25,984	25,984	
Insurance	73,600	17,869	91,469	91,432	37
General Supplies	38,000	13,778	51,778	51,778	
Energy	273,000	41,907	314,907	314,623	284
Other Objects	500	282	782	782	-
<b>Total Other Operation &amp; Maint. Of Plant</b>	<b>929,221</b>	<b>105,377</b>	<b>1,034,598</b>	<b>1,034,114</b>	<b>484</b>
Student Transportation Services					
Salaries for Pupil Transportation					
(Between Home and School) - Regular	137,658	44,336	181,994	181,994	
Salaries for Pupil Transportation					
(Between Home and School) - Special	78,909	2,797	81,706	81,706	
Salaries for Pupil Transportation					
(Other than Between Home and School)	11,000	12,687	23,687	23,687	
Management Fee - ESC & CTSA Transp. Prog.	4,390	1,549	5,939	5,939	
Other Purchased Prof. and Technical Serv.	800	798	1,598	1,598	
Cleaning, Repair and Maintenance Services	24,000	53,155	77,155	77,155	
Lease Purchase Payments - School Buses	79,000	(16,339)	62,661	62,661	
Contracted Services (Bet. Home and Sch)-Vendors	8,000	(3,562)	4,438	4,438	
Contracted Services (Other than Between Home and Sch) - Vendors	2,000	(2,000)			

## 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, 2005

	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	\$ 190,000	\$ (10,519)	\$ 179,481	\$ 179,481	
Contracted Services (Spl. Ed. Students) - Joint Agmts	9,000	(499)	8,501	8,501	
Contracted Services - Aid in Lieu of Payments					
Non-Public	53,617	(10,298)	43,319	43,319	
Contracted Services - Aid in Lieu of Payments					
Charter School	2,253	(1,482)	771	771	
Misc. Purchased Serv. - Transportation	2,000	9,282	11,282	11,282	
Supplies and Materials	12,000	4,441	16,441	16,441	
Miscellaneous Expenditures	500	430	930	930	-
Total Student Transportation Services	615,127	84,776	699,903	699,903	-
Unallocated Benefits - Employee Benefits					
Social Security Contributions	140,000	22,804	162,804	162,792	\$ 12
Other Retirement Contributions - Regular	22,000	(3,946)	18,054	18,054	
Workers Compensation	130,000	(34,042)	95,958	95,958	
Health Benefits	1,563,126	(38,185)	1,524,941	1,518,594	6,347
Tuition Reimbursement	27,000		27,000	10,434	16,566
Other Employee Benefits	169,300	23,389	192,689	192,689	-
Total Unallocated Benefits - Employee Benefits	2,051,426	(29,980)	2,021,446	1,998,521	22,925
On-behalf TPAF Pension Payments					
(Non-Budget)				475,666	(475,666)
On-behalf TPAF Social Security Payments					
(Non-Budget)	-	-	-	426,858	(426,858)
Total Undistributed Expenditures	7,322,920	19,709	7,342,629	8,092,853	(750,224)
Transfer to Charter Schools	40,043	(31,980)	8,063	8,063	-
Total Expenditures - Current Expenditures	12,510,300	267,168	12,777,468	13,454,039	(676,571)
<b>CAPITAL OUTLAY</b>					
Equipment					
Grades 1-5		24,470	24,470	24,470	
Grades 6-8	11,500	7,648	19,148	19,148	
School-Sponsored and Other Instructional Program		5,990	5,990	5,990	
Undistributed Expenditures:					
Instruction	68,370	(56,870)	11,500	10,731	769
Operations and Maint. Of Plant Serv.	-	26,414	26,414	19,164	7,250
Total Equipment	79,870	7,652	87,522	79,503	8,019
Facilities Acquisition and Construction Services					
Construction Services		10,365	10,365	10,365	
Lease Purchase Agreements - Principal	19,523	277	19,800	19,800	-
Total Facilities Acquis. and Const. Services	19,523	10,642	30,165	30,165	-
Total Capital Outlay	99,393	18,294	117,687	109,668	8,019
Total Expenditures	12,609,693	285,462	12,895,155	13,563,707	(668,552)
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(484,916)	(241,092)	(726,008)	(322,543)	403,465

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, 2005

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Other Financing Sources (Uses)					
Operating Transfers In - Capital Projects Fund				\$ 35,449	\$ 35,449
Operating Transfers Out - Capital Projects Fund	-	\$ (100,859)	\$ (100,859)	(100,859)	-
Total Other Financing Sources (Uses)	-	(100,859)	(100,859)	(65,410)	35,449
Excess (Deficiency) of Revenues Over/(Under)					
Expenditures and Other Financing Sources	\$ (484,916)	(341,951)	(826,867)	(387,953)	438,914
Fund Balance, Beginning of Year	934,267	-	934,267	934,267	-
Fund Balance, End of Year	\$ 449,351	\$ (341,951)	\$ 107,400	\$ 546,314	\$ 438,914

**Recapitulation of Fund Balance**

Reserved for Encumbrances	\$ 55,139
Capital Reserve	14,537
Unreserved - Designated for Subsequent Year's Expenditures	194,630
Unreserved, Undesignated	282,008
Reconciliation to Governmental Funds Statements (GAAP):	546,314
Less: State Aid Revenue Not Recognized on GAAP Basis	(161,133)
Fund Balance Per Governmental Funds (GAAP)	\$ 385,181

**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, 2005**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 87,407	\$ 26,278	\$ 113,685	\$ 97,141	\$ (16,544)
Federal	208,548	60,278	268,826	215,875	(52,951)
Total Revenues	<u>295,955</u>	<u>86,556</u>	<u>382,511</u>	<u>313,016</u>	<u>(69,495)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	18,500		18,500	18,500	
Purchased Professional Technical Services	123,782	45,953	169,735	156,049	13,686
Tuition	59,445		59,445	58,832	613
General Supplies	11,169		11,169	11,091	78
Textbooks	17,068	-	17,068	16,950	118
Total Instruction	<u>229,964</u>	<u>45,953</u>	<u>275,917</u>	<u>261,422</u>	<u>14,495</u>
Support Services					
Personal Services-Employee Benefits	2,775	6,093	8,868	5,992	2,876
Purchased Professional/Educational Services	43,020	34,510	77,530	25,406	52,124
Other Purchased Services	20,196	-	20,196	20,196	-
Total Support Services	<u>65,991</u>	<u>40,603</u>	<u>106,594</u>	<u>51,594</u>	<u>55,000</u>
Total Expenditures	<u>295,955</u>	<u>86,556</u>	<u>382,511</u>	<u>313,016</u>	<u>69,495</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, 2005**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 13,241,164	(C-2) \$ 313,016
 Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2005		(5,938)
State Aid payment recognized for budgetary purpose not recognized for GAAP statements (2003/04 State aid)	139,477	
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (2004/05 State aid)	<u>(161,133)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>13,219,508</u>	(B-2) \$ <u>307,078</u>
 <b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 13,563,707	(C-2) \$ 313,016
 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.		
Encumbrances, June 30, 2005	<u>-</u>	<u>(5,938)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>13,563,707</u>	(B-2) \$ <u>307,078</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, 2005**

		IDEA Part B <u>Basic</u>	IDEA Part B <u>Preschool</u>	NCLB Title II	NCLB Title II <u>Carryover</u>	Total Exhibit <u>E-1A</u>	Total Exhibit <u>E-1B</u>	2005
<b>REVENUES</b>								
Intergovernmental								
State								
Federal		\$ 158,832	\$ 8,538	\$ 26,240	\$ 11,230	\$ 1,682	\$ 95,459	\$ 97,141
						11,035	-	215,875
Total Revenues		\$ 158,832	\$ 8,538	\$ 26,240	\$ 11,230	\$ 12,717	\$ 95,459	\$ 313,016
<b>EXPENDITURES</b>								
Instruction								
Salaries of Teachers		\$ 100,000	\$ 8,538	\$ 18,500			\$ 47,511	\$ 18,500
Purchased Prof. and Technical Services								156,049
Other Purchased Services								
Tuition		58,832				\$ 289	10,802	58,832
General Supplies							16,950	11,091
Textbooks		-	-	-	-	-		16,950
Total Instruction		158,832	8,538	18,500	-	289	75,263	261,422
Support Services								
Personnel Services - Employee Benefits					\$ 5,992			5,992
Purchased Professional/Educational Services				7,740	5,238	12,428		25,406
Other Purchased Services		-	-	-	-	-	20,196	20,196
Total Support Services		-	-	7,740	11,230	12,428	20,196	51,594
Total Expenditures		\$ 158,832	\$ 8,538	\$ 26,240	\$ 11,230	\$ 12,717	\$ 95,459	\$ 313,016

**FLORHAM PARK BOARD OF EDUCATION**  
**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>NCLB Title IV Carryover</u>	<u>NCLB Title IV</u>	<u>NCLB Title V Carryover</u>	<u>NCLB Title V</u>	<u>Character Education</u>	<u>Character Education Carryover</u>	<u>Total E-1A</u>
<b>REVENUES</b>							
Intergovernmental							
Federal	\$ 2,815	\$ 379	\$ 4,190	\$ 3,651	\$ 1,032	\$ 650	\$ 11,035
State	-	-	-	-	-	-	1,682
Total Revenues	\$ 2,815	\$ 379	\$ 4,190	\$ 3,651	\$ 1,032	\$ 650	\$ 12,717
<b>EXPENDITURES</b>							
Instruction							
Salaries of Teachers							
Purchased Prof. and Technical Services							
Other Purchased Services							
Tuition							
General Supplies				\$ 289			\$ 289
Textbooks	-	-	-	-	-	-	-
Total Instruction	-	-	-	289	-	-	289
Support Services							
Personnel Services - Employee Benefits							
Purchased Professional/Educational Services	\$ 2,815	\$ 379	\$ 4,190	3,362	\$ 1,032	\$ 650	12,428
Other Purchased Services	-	-	-	-	-	-	-
Total Support Services	2,815	379	4,190	3,362	1,032	650	12,428
Total Expenditures	\$ 2,815	\$ 379	\$ 4,190	\$ 3,651	\$ 1,032	\$ 650	\$ 12,717

**FLORHAM PARK BOARD OF EDUCATION**  
**SPECIAL REVENUE FUND**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Nonpublic Compensatory Instruction	Nonpublic Handicapped Services				Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Technology	Total E-1B
		Corrective Speech	Exam. & Classification	Supplemental Instruction					
<b>REVENUES</b>									
Intergovernmental State	\$ 4,966	\$ 12,741	\$ 22,040	\$ 7,764	\$ 20,196	\$ 16,950	\$ 10,802	\$ 95,459	
Total Revenues	\$ 4,966	\$ 12,741	\$ 22,040	\$ 7,764	\$ 20,196	\$ 16,950	\$ 10,802	\$ 95,459	
<b>EXPENDITURES</b>									
Instruction									
Salaries of Teachers									
Purchased Prof. and Technical Services	\$ 4,966	\$ 12,741	\$ 22,040	\$ 7,764				\$ 47,511	
Other Purchased Services									
Tuition									
General Supplies							\$ 10,802	10,802	
Textbooks	-	-	-	-	-	\$ 16,950	-	16,950	
Total Instruction	4,966	12,741	22,040	7,764	-	16,950	10,802	75,263	
Support Services									
Personnel Services - Employee Benefits									
Purchased Professional/Educational Services									
Other Purchased Services	-	-	-	-	\$ 20,196	-	-	-	
Total Support Services	-	-	-	-	20,196	-	-	20,196	
Total Expenditures	\$ 4,966	\$ 12,741	\$ 22,040	\$ 7,764	\$ 20,196	\$ 16,950	\$ 10,802	\$ 95,459	

**FLORHAM PARK BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
SCHEDULE OF DEMONSTRABLY EFFECTIVE PROGRAM AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOT APPLICABLE**

**SCHEDULE OF EARLY CHILDHOOD PROGRAM AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOT APPLICABLE**

**SCHEDULE OF DISTANCE LEARNING NETWORK AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOT APPLICABLE**

**SCHEDULE OF INSTRUCTIONAL SUPPLEMENT AID EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOT APPLICABLE**

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**CAPITAL PROJECTS FUND**

**FLORHAM PARK BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**Revenues and Other Financing Sources**

Revenues	
Interest	\$ 2,953
State Sources- SCC Grant	65,157
Other Financing Sources	
Capital Lease Proceeds	101,062
Premium on Note	32,524
Transfer from Capital Reserve	<u>100,859</u>
Total Revenues and Other Financing Sources	<u>302,555</u>

**Expenditures and Other Financing Uses**

Expenditures	
Purchased Professional and Technical Services	9,000
Construction Services	230,276
Equipment Purchases	101,062
Other Financing Uses	
Transfers Out - General Fund	<u>35,449</u>
Total Expenditures and Other Financing Uses	<u>375,787</u>

Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(73,232)
Fund Balance- Beginning of Year	<u>163,032</u>
Fund Balance- End of Year	<u>\$ 89,800</u>

**FLORHAM PARK BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<u>Issue/Project Title</u>	<u>Expenditures to Date</u>			<u>Unexpended Balance, June 30, 2005</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	\$ 14,274,549	\$ 221,451	
Briarwood Multipurpose Room	162,600		17,825	\$ 144,775
Acquisition of Buses and Vehicles	<u>101,062</u>	<u>-</u>	<u>101,062</u>	<u>-</u>
	<u>\$ 14,759,662</u>	<u>\$ 14,274,549</u>	<u>\$ 340,338</u>	<u>\$ 144,775</u>
			Less: Unrealized Revenue	<u>\$ 54,975</u>
			Fund Balance, June 30, 2005	<u>\$ 89,800</u>

Analysis of Project Funding Sources

Construct, furnish and equip educational and physical plant renovations and additions to the Briarwood, Brooklake and Ridgedale Schools

State Facilities Grant	\$ 2,913,301
Bond Proceeds	10,940,000
Transfer from Unexpended Balance of 1993 Capital Project	642,671
Local Contribution	<u>28</u>
	<u>\$ 14,496,000</u>
Briarwood Multipurpose Room	
State Facilities Grant	\$ 61,741
Transfer from Capital Reserve	<u>100,859</u>
	<u>\$ 162,600</u>
Acquisition of Buses and Vehicles	
Lease - Purchase Proceeds	<u>\$ 101,062</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, 2005**

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, 2005**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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, 2005**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash	\$ 29,122	\$ 36,176	\$ 65,298
Total Assets	<u>\$ 29,122</u>	<u>\$ 36,176</u>	<u>\$ 65,298</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings		\$ 19,363	\$ 19,363
Due to Other Funds		16,813	16,813
Accounts Payable	\$ 4,145		4,145
Due to Student Groups	<u>24,977</u>	<u>-</u>	<u>24,977</u>
Total Liabilities	<u>\$ 29,122</u>	<u>\$ 36,176</u>	<u>\$ 65,298</u>

**FLORHAM PARK BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-8

**STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Balance, July 1, 2004</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2005</u>
<b>ELEMENTARY SCHOOLS</b>				
Briarwood	\$ 1,912	\$ 4,129	\$ 3,735	\$ 2,306
Brooklake	3,695	9,154	10,326	2,523
<b>MIDDLE SCHOOLS</b>				
Ridgedale Athletics	151	4,200	4,100	251
Ridgedale	<u>25,602</u>	<u>95,704</u>	<u>97,264</u>	<u>24,042</u>
 Total All Schools	 <u>\$ 31,360</u>	 <u>\$ 113,187</u>	 <u>\$ 115,425</u>	 <u>\$ 29,122</u>

**FLORHAM PARK BOARD OF EDUCATION**  
**PAYROLL AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Balance, July 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2005</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	\$ 19,072	\$ 3,289,614	\$ 3,289,323	\$ 19,363
Accrued Salaries and Wages	15,943	5,114,141	5,130,084	
Interfund Payable	<u>1,000</u>	<u>15,813</u>	<u>-</u>	<u>16,813</u>
 Total	 <u>\$ 36,015</u>	 <u>\$ 8,419,568</u>	 <u>\$ 8,419,407</u>	 <u>\$ 36,176</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, 2005**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2004</u>	<u>Matured</u>	<u>Balance, June 30, 2005</u>
School District Bonds - Series 1994	12/15/1994	\$ 4,950,000	12/15/2005	\$ 400,000	6.10	%		
			12/15/2006	410,000	6.15			
			12/15/07-09	410,000	6.20	\$ 2,420,000	\$ 380,000	\$ 2,040,000
School District Bonds - Series 2002	7/15/2002	10,940,000	7/15/2005	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	60,000	10,880,000
						\$ 13,360,000	\$ 440,000	\$ 12,920,000

**FLORHAM PARK BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<u>Purpose</u>	<u>Original Issue</u>	<u>Balance, June 30, 2004</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2005</u>
2000 Lighting Retrofit Project	\$ 129,336	\$ 62,456		\$ 19,522	\$ 42,934
2002 Bus - 54 Passenger (2)	123,782	26,153		26,153	
2002 Savin Copier (3)	89,403	27,257		27,257	
2003 Bus - 54 Passenger	54,841	22,431		10,942	11,489
2003 Bus - 24 Passenger	40,024	16,370		7,986	8,384
2004 Bus - 54 Passenger	60,575	48,412		11,676	36,736
2004 Ford F350 Utility Trucks (2)	46,470	46,470		9,349	37,121
2006 Bus - 54 Passenger, 2004 Ford F350 Pickup Truck, 2005 Dodge Caravan SE	101,062	-	\$ 101,062	-	101,062
		<u>\$ 249,549</u>	<u>\$ 101,062</u>	<u>\$ 112,885</u>	<u>\$ 237,726</u>

**FLORHAM PARK BOARD OF EDUCATION  
LONG-TERM DEBT  
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

<b>REVENUES</b>	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
Local Sources					
Local Tax Levy	\$ 1,061,420	-	\$ 1,061,420	\$ 1,061,420	-
Total Revenues	1,061,420	-	1,061,420	1,061,420	-
<b>EXPENDITURES</b>					
Regular Debt Service					
Principal	440,000		440,000	440,000	
Interest	621,421	-	621,421	621,420	\$ 1
Total Expenditures	1,061,421	-	1,061,421	1,061,420	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	-	(1)	-	(1)
Fund Balance, Beginning of Year	2	-	2	2	-
Fund Balance, End of Year	1	-	1	2	(1)

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## **STATISTICAL SECTION**

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

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>GENERAL FUND</b>										
Instruction										
Regular	\$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	\$4,052,542
Special	788,746	917,860	762,584	721,890	786,184	929,388	957,079	994,241	968,149	1,182,268
Other	70,663	72,346	81,186	58,789	77,990	94,544	102,675	97,980	34,625	16,563
School-Sponsored/Other Instructional									123,094	101,750
Total Instruction	<u>3,728,721</u>	<u>3,851,657</u>	<u>3,706,741</u>	<u>3,967,048</u>	<u>3,926,819</u>	<u>4,194,218</u>	<u>4,233,626</u>	<u>4,524,095</u>	<u>5,001,688</u>	<u>5,353,123</u>
Undistributed										
Instruction	234,889	200,203	162,007	268,608	264,571	235,902	103,755	419,954	573,041	674,763
Support services-students	471,329	464,971	669,575	662,728	814,930	840,874	909,265	963,347	946,876	1,047,002
Support services-instructional staff	155,243	167,896	164,101	258,900	284,030	305,213	296,069	270,998	282,112	349,392
General administration	398,892	406,621	353,073	490,309	356,626	372,282	412,305	390,654	599,075	446,795
School administration	293,718	294,568	333,577	480,317	473,375	557,661	549,261	610,828	622,111	497,385
Central administration										239,193
Operations and maintenance	693,047	762,033	767,875	764,289	820,552	889,416	788,274	859,394	1,047,007	1,237,375
Student transportation	240,657	295,837	311,928	307,395	334,232	354,141	357,679	501,181	547,987	699,903
Business services and unallocated benefits	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	1,998,521
On-behalf TPAF Pension Contribution	39,811	125,660	118,697	281,090	111,787	145,085	367,973	256,143	404,690	475,666
Reimbursed TPAF Social Security Contributions	276,582	288,915	298,647	310,332	322,663	353,178	372,248	372,248	405,383	426,858
Total Undistributed	<u>3,881,780</u>	<u>4,087,587</u>	<u>4,258,566</u>	<u>4,998,845</u>	<u>4,919,313</u>	<u>5,347,791</u>	<u>5,186,040</u>	<u>6,654,706</u>	<u>7,461,519</u>	<u>8,092,853</u>
Transferred to Charter Schools	-	-	-	-	-	-	-	-	-	8,063
Capital Outlay										
Equipment	127,392	73,217	112,975	212,328	166,133	152,132	16,744	22,694	147,620	79,503
Facilities Acq. and Construction Services	57,475	260,118	146,785	127,215	24,517	41,265	16,162	30,355	39,379	30,165
Assets Acquired under Capital Leases	-	110,473	98,515	-	244,302	213,185	94,865	-	-	-
Total Capital Outlay	<u>184,867</u>	<u>443,808</u>	<u>358,275</u>	<u>339,543</u>	<u>434,952</u>	<u>406,582</u>	<u>127,771</u>	<u>53,049</u>	<u>186,999</u>	<u>109,668</u>
Total General Fund Expenditures	<u>7,795,368</u>	<u>8,383,052</u>	<u>8,323,582</u>	<u>9,305,436</u>	<u>9,281,084</u>	<u>9,948,591</u>	<u>9,547,437</u>	<u>11,231,850</u>	<u>12,650,206</u>	<u>13,563,707</u>
<b>SPECIAL REVENUE FUND</b>										
Federal	109,166	61,228	41,146	106,997	97,541	145,381	156,029	159,778	173,232	210,125
State	36,202	39,772	87,685	113,385	107,118	137,314	133,635	126,086	75,660	96,953
Total Special Revenue Expenditures	<u>145,368</u>	<u>101,000</u>	<u>128,831</u>	<u>220,382</u>	<u>204,659</u>	<u>282,695</u>	<u>289,664</u>	<u>285,864</u>	<u>248,892</u>	<u>307,078</u>
<b>DEBT SERVICE EXPENDITURES</b>										
Total Governmental Fund Expenditures	<u>497,695</u>	<u>514,492</u>	<u>510,095</u>	<u>519,645</u>	<u>513,145</u>	<u>510,895</u>	<u>517,445</u>	<u>751,462</u>	<u>994,580</u>	<u>1,061,420</u>
Total Governmental Fund Expenditures	<u>\$8,438,431</u>	<u>\$8,998,544</u>	<u>\$8,962,508</u>	<u>\$10,045,463</u>	<u>\$9,998,888</u>	<u>\$10,742,181</u>	<u>\$10,354,546</u>	<u>\$12,269,176</u>	<u>\$13,893,678</u>	<u>\$14,932,205</u>

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 FIVE 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>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Brooklake Elementary School	N/A	\$ 79,746	\$ 55,165	\$ 43,042	\$ 105,761	\$ 110,290
Briarwood Elementary School	N/A	60,084	33,869	49,198	104,660	109,141
Ridgedale Elementary School	N/A	63,431	74,589	52,495	156,806	163,521
Total School Facilities		\$ 203,261	\$ 163,623	\$ 144,735	\$ 367,227	\$ 382,952

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>
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
2005	12,368,457	92,407	1,917,017	210,125	14,588,006

\* 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)**

<u>Fiscal Year Ended June 30,</u>	<u>Interest</u>	<u>Tuition</u>	<u>Transportation Fees</u>	<u>Prior Year Reimbursements</u>	<u>Prior Year Orders Canceled</u>	<u>Cancel Old Outstanding Checks</u>	<u>Miscellaneous</u>	<u>Total</u>
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
2005	19,802		42,363	15,117	568	1,539	13,018	92,407

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>
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%
2004	33,196,996	33,185,469	99.90%

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>
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%
2005	1,589,186,314	2,843,114,880	55.90%

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>
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	0.51	0.47	0.76	0.36	2.10
2005	0.59	0.47	0.80	0.39	2.25

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>
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	12,232	1,498,599,362	3,420,000	0.23%	280
2002	12,255	1,553,727,613	3,100,000	0.20%	253
2003	12,522	1,591,994,757	13,710,000	0.86%	1,095
2004	12,556	1,592,303,999	13,360,000	0.84%	1,064
2005	12,556	1,589,186,314	12,920,000	0.81%	1,029

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, 2005  
(Unaudited)**

<u>Year</u>	Equalized Valuation <u>Basis</u>
2004	\$ 2,827,034,336
2003	2,612,040,618
2002	<u>2,306,434,375</u>
Average equalized valuation of taxable property	\$ <u>2,581,836,443</u>
School borrowing margin (3% of \$2,581,836,443)	\$ 77,455,093
Net school debt issued and authorized but not issued as of June 30, 2005	<u>15,527,404</u>
School Borrowing Margin Available	\$ <u>61,927,689</u>

Source: 2004 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, 2004  
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
Florham Park School District (as of June 30, 2005)	\$ 15,527,404
Regional School District	95,303
Borough of Florham Park	<u>11,110,600</u>
 Total Direct Debt	 <u>26,733,307</u>
 Overlapping Debt Apportioned to the Municipality:	
Morris County: (2)	
County of Morris (A)	<u>9,575,499</u>
 Total Overlapping Debt	 <u>9,575,499</u>
 Total Direct and Overlapping Debt	 <u>\$ 36,308,806</u>

(A) The debt for this entity was apportioned by dividing the Municipality's 2004 equalized value by the total 2004 equalized value for Morris County.

Sources:

- (1) Borough of Florham Park 2004 Annual Debt Statement
- (2) Morris County 2004 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 Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
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%
2005	440,000	621,420	1,061,420	13,563,707	7.83%

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>
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	56,163	12,232
2001	2.9	56,475	12,255
2002	4.4	55,113	12,522
2003	4.5	55,796	12,556
2004	3.6	N/A	12,556

(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	4.87	%
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	3.16	
Avalon Bay Communities	33,478,100	2.11	
Sun Valley LLC	30,869,100	1.94	
Advance at Park Place LLC	30,868,500	1.94	
LH Florham Holding	28,944,400	1.82	
Campus Drive LLC	27,032,800	1.70	
Well REIT II Marvin Boer and Company	26,235,300	1.65	
	<u>\$ 414,972,000</u>	<u>26.10</u>	

Source: 2004 Tax Duplicate

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

<u>Fiscal Year Ended June 30,</u>	<u>Average Daily Enrollment</u>	<u>Average Daily Attendance</u>	<u>%Change in Average Daily Enrollment</u>	<u>Attendance %</u>
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	95.6%
2001	779	746	4.0	95.8%
2002	838	804	7.6	95.9%
2003	928	889	10.6	95.8%
2004	931	895	0.3	96.1%
2005	965	919	3.7	95.2%

Source: School District Records

**FLORHAM PARK BOARD OF EDUCATION**  
**SCHEDULE OF INSURANCE**  
**JUNE 30, 2005**  
**(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSBAIG		
Property - Blanket Building & Contents	\$ 26,385,287	\$ 5,000
Increased Cost of Construction	5,000,000	
Pollutant Cleanup and Removal	100,000	
Property Damage	100,000,000	
Comprehensive General Liability	1,000,000	1,000
Workers Compensation	2,000,000	
School Leaders Errors and Omissions	1,000,000	5,000
Automobile	1,000,000	1,000
Employee Dishonesty	25,000	
Theft Disappearance and Destruction	25,000	
Computer Fraud	25,000	
Forgery or Alteration	25,000	
Excess Liability - Ins. Co. of PA	10,000,000	
Student Accident - Peoples Benefit Life Ins. Co.	5,000,000	
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, 2005**  
**(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>53</u>
Total Employees	<u>149</u>
Teacher/Student Ratio	
Elementary	1:12
Middle	1:12
Student Count	997

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**SINGLE AUDIT SECTION**

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208  
FAIR LAWN, NJ 07410  
TELEPHONE (201) 791-7100  
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ANDREW PARENTE, CPA, RMA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH KOZAK, CPA, PSA

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

Honorable President and Members  
of the Board of 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, 2005, which collectively comprise the Florham Park Board of Education's basic financial statements and have issued our report thereon dated August 15, 2005. 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.

### 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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving internal control over financial reporting that we have reported to management of the Florham Park Board of Education in a separate "Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance" dated August 15, 2005.

**Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by Division of Finance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to management of the Florham Park Board of Education in a separate "Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance" dated August 15, 2005.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

*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  
August 15, 2005

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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DEBORAH KOZAK, CPA, PSA

## 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, 2005. 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, 2005. 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 2005-1 and 2005-2.

### **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 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 2005-1 and 2005-2.

A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major 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 are material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, 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.

*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  
 August 15, 2005

**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, 2005

State Grant/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2004	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Years' Balances	(Accounts Receivable)	June 30, 2005 Deferred Revenue	Due to Grantor	MEMO	
													GAAP Receivable	Combined Total Expenditures
<b>State Department of Education</b>														
<b>General Fund:</b>														
Special Education Aid	05-495-034-5120-011	7/1/04-6/30/05	627,845			\$ 599,458	\$ 627,845			\$ (28,387)			\$	627,845
Special Education Aid	04-495-034-5120-011	7/1/03-6/30/04	627,845	\$ (25,928)		25,928				(2,827)				62,536
Transportation Aid	05-495-035-5120-014	7/1/04-6/30/05	62,536			59,709	62,536			(155)				3,428
Transportation Aid	04-495-035-5120-014	7/1/03-6/30/04	62,536	(2,583)		3,273				(2,139)				47,307
Bilingual Education Aid	05-495-034-5120-008	7/1/04-6/30/05	3,428	(141)		141				(1,005)				22,233
Bilingual Education Aid	04-495-034-5120-008	7/1/03-6/30/04	3,428							(4,857)			\$ (4,857)	44,370
Teacher Quality Mentoring	05-495-034-5120-032	7/1/03-6/30/04	1,810			45,168	47,307			(8,126)				426,858
Consolidated Aid	05-495-034-5120-037	7/1/04-6/30/05	47,307	(1,952)		1,952								475,666
Consolidated Aid	04-495-034-5120-037	7/1/03-6/30/04	47,307			21,228	22,233							126,620
Additional Formula Aid	05-495-034-5120-038	7/1/04-6/30/05	22,233			44,370	44,370							426,858
Above Avg. Enrollment Growth Aid	N/A	7/1/04-6/30/05	44,370				4,857							4,857
Additional Non-Pub Trans. Aid	N/A	7/1/04-6/30/05	4,857			3,816								
Additional Non-Pub Trans. Aid	05-495-034-5120-044	7/1/04-6/30/05	126,620	(3,816)		108,873	126,620			(126,620)				
Extraordinary Special Education Costs Aid	04-495-034-5120-044	7/1/03-6/30/04	108,873	(108,873)		418,732	426,858							
Extraordinary Special Education Costs Aid	05-495-034-5095-051	7/1/04-6/30/05	427,383			24,916								
TPAF Social Security Contributions	04-495-034-5095-051	7/1/03-6/30/04	405,383	(24,916)										
TPAF Social Security Contributions	05-495-034-5095-050	7/1/04-6/30/05	475,666				475,666							
TPAF Pension Contribution														
<b>Total General Fund</b>				(168,209)		1,835,813	1,841,720			(174,116)			(12,983)	1,841,720
<b>Special Revenue Funds:</b>														
<b>New Jersey Nonpublic Aid</b>														
Auxiliary Services	05-100-034-5120-067	7/1/04-6/30/05	7,706			7,706	4,966		\$ 5,991			\$ 2,740	\$	4,966
Compensatory Education	04-100-034-5120-067	7/1/03-6/30/04	6,656	5,991										
Compensatory Education														
Handicapped Services	05-100-034-5120-066	7/1/04-6/30/05	21,855			21,855	12,741					9,114		12,741
Corrective Speech	04-100-034-5120-066	7/1/03-6/30/04	16,129			23,400	22,040					1,360		21,874
Corrective Speech	05-100-034-5120-066	7/1/04-6/30/05	23,400	3,470		7,930	7,764		3,470			166		7,930
Examination and Classification	04-100-034-5120-066	7/1/03-6/30/04	17,072			20,196	20,196		2,828			118		20,196
Examination and Classification	05-100-034-5120-066	7/1/04-6/30/05	7,930	2,828		17,068	16,950					78		16,950
Supplemental Instruction	04-100-034-5120-070	7/1/04-6/30/04	8,644			10,880	10,802							10,802
Supplemental Instruction	05-100-034-5120-070	7/1/04-6/30/05	20,196			4,000	1,032		236		\$ 2,968			1,032
Nursing	05-100-034-5120-064	7/1/04-6/30/05	17,068				650							650
Textbooks	04-100-034-5120-064	7/1/03-6/30/04	12,744	144										
Textbooks	05-100-034-5120-064	7/1/04-6/30/05	10,880											
Technology Initiative Aid	04-100-034-5120-373	7/1/04-6/30/05	8,560	236										
Technology Initiative Aid	05-100-034-5120-373	7/1/03-6/30/04	4,000											
Character Education Aid	05-100-034-5120-418	7/1/04-6/30/05	4,000	650										
Character Education Aid, Carryover	03-100-034-5120-418	7/1/02-6/30/03	4,000											
<b>Total Special Revenue Fund</b>				13,319		113,035	97,141		12,669		2,968	13,576		97,141
<b>Economic Development Authority</b>														
<b>Capital Projects Fund:</b>														
Educational Facilities Construction	SP20276-77-78	N/A	2,913,301	(2,840,343)		291,330	58,391			(2,607,404)			(2,607,404)	58,391
and Financing Act of 2000	SP1530-015-04-0A/FS	N/A	61,741				6,766			(61,741)			(61,741)	6,766
2002 School Impts.														
Brianwood M.P. Room														
<b>Total Economic Development Authority</b>				(2,840,343)		291,330	65,157			(2,669,145)			(2,669,145)	65,157
<b>Total</b>				\$ (2,995,233)		\$ 2,240,178	\$ 2,004,018		\$ 12,669	\$ (2,843,261)		\$ 57,943	\$ (2,682,128)	\$ 2,004,018

**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, 2005****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 \$21,656 for the general fund and \$5,938 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		\$ 1,820,064	\$ 1,820,064
Special Revenue Fund	\$ 210,125	96,953	307,078
Capital Projects Fund		65,157	65,157
Food Service Fund	<u>7,476</u>	<u>-</u>	<u>7,476</u>
Total Financial Assistance	<u>\$ 217,601</u>	<u>\$ 1,982,174</u>	<u>\$ 2,199,775</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, 2005**

**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**

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, 2005. 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, 2005.

**FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

*Part I – Summary of Auditor's Results*

**Financial Statement Section**

Type of auditors' report issued on financial statements

Unqualified

Internal control over financial reporting:

1) Material weakness(es) identified

\_\_\_\_ yes

X no

2) Reportable condition identified that are  
not considered to be material weakness(es)?

\_\_\_\_ yes

X none reported

Noncompliance material to the basic financial  
statements noted?

\_\_\_\_ yes

X 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, 2005**

*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)
05-495-034-5120-011
05-495-034-5095-051

Name of State Program
Special Education Aid
TPAF Social Security

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, 2005**

***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*.

THERE WERE NONE.

**FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

*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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

*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 STATE AWARDS**

**Finding 2005-1**

Expenditures for certain purchases were in excess of the bid threshold for which no public advertising for bids were sought.

**State program information:**

Special Education Aid

05-495-034-5120-011

**Criteria or specific requirement:**

N.J.S.A. 18A:18A-4, Contracts and Agreements Requiring Advertisement

**Condition:**

The District purchased computer equipment, automotive repair services, transportation services and curtains during the year where no evidence of public bidding or state contract existed. We noted that automotive repair services and certain transportation services were publicly bid for the 2005/2006 school year.

**Questioned Costs:**

Undeterminable.

**Context:**

The aggregate purchases for computer equipment, automotive repair services, transportation services and curtains exceeded the bid threshold of \$17,500 during the school year.

**Effect:**

The District may not be in compliance with the Public School Contracts Law.

**Recommendation:**

The Board Attorney's opinion be sought before a commitment is made for expenditures that might result in non-compliance of the Public School Contracts Law.

**FLORHAM PARK BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

***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 2005-2**

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

05-495-034-5120-011

**Criteria or specific requirement:**

N.J. Department of Education – Specific grant compliance

**Condition:**

- Related services included in the students IEP's were not reported on the District's ASSA for both on-roll and private schools for the handicapped students.
- Certain student's classifications on the District workpapers were not in agreement with the students IEP for both on-roll and private schools for the handicapped students.

**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 in the student's IEP are reported on the District workpapers.

**FLORHAM PARK BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 2004-1**

**Condition**

Certain purchase orders were not properly classified in the District's records as accounts payable.

**Current Status**

Corrective action was taken.

**FINDING 2004-2**

**Condition**

The District purchased computer equipment, automotive repair services and furniture during the year where no evidence of public bidding or state contract was sought.

**Current Status**

See Finding 2005-1

**FINDING 2004-3**

**Condition**

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

**Current Status**

See Finding 2005-2.

