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

Florham Park, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Florham Park Board of Education

Florham Park, New Jersey

For The Fiscal Year Ended June 30, 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

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

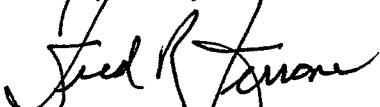
Independent Audit – State statute requires an annual audit by independent certified public accountants or registered municipal accounts. The Board’s Finance Committee selected the accounting firm of Lerch Vinci & Higgins, LLP, CPA’s. In addition to meeting the requirements as set forth in State statutes,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

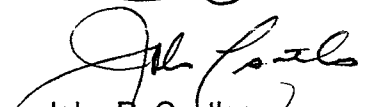
11. ACKNOWLEDGEMENTS

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,

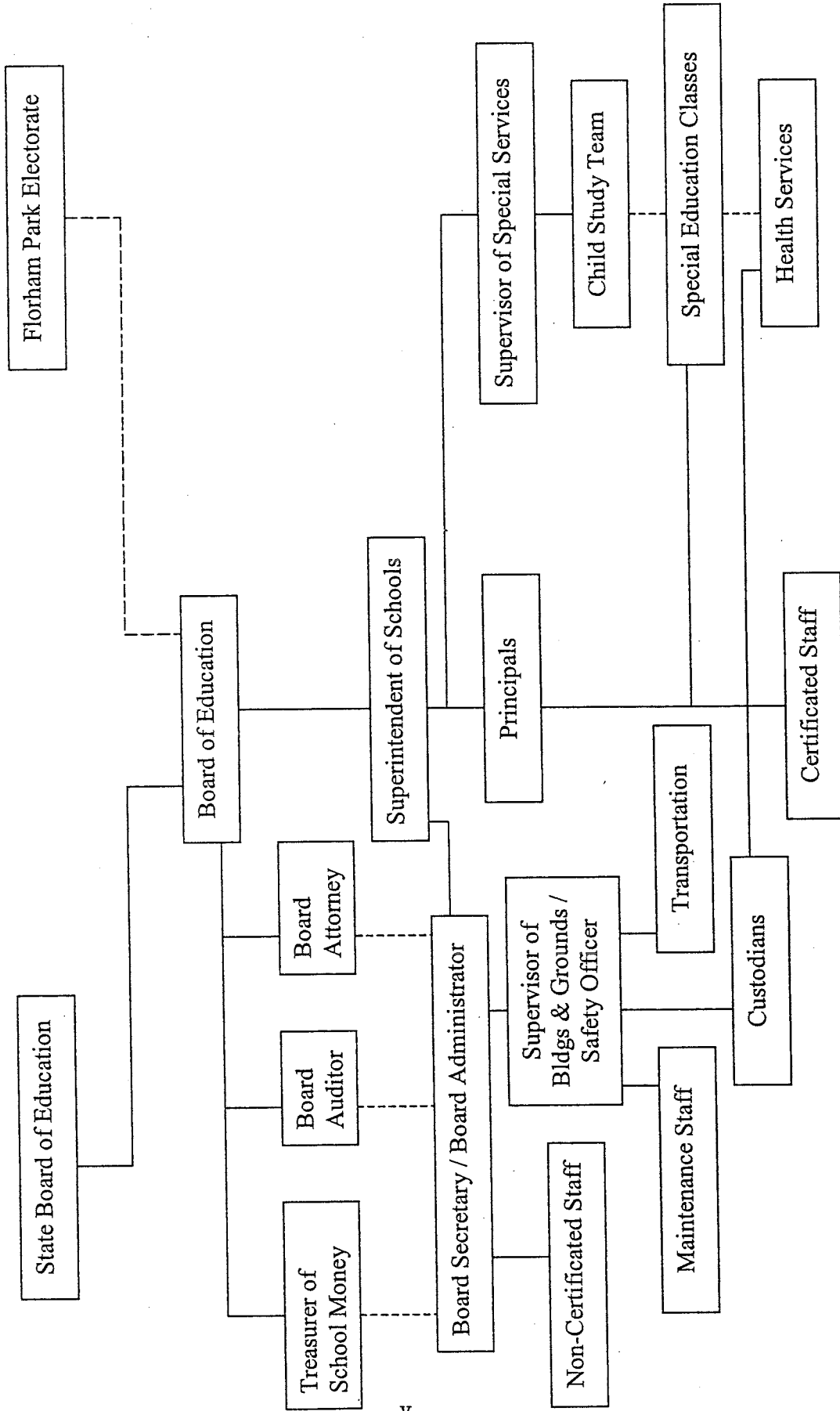


Fred R. Ferrone Ed.D.
Superintendent of Schools



John R. Csatlós
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**

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|---|----------------------------|
| 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

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

FINANCIAL SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

DIETER P. LERCH, CPA, RMA, PSA
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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FLORHAM PARK BOARD OF EDUCATION

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.

FLORHAM PARK BOARD OF EDUCATION

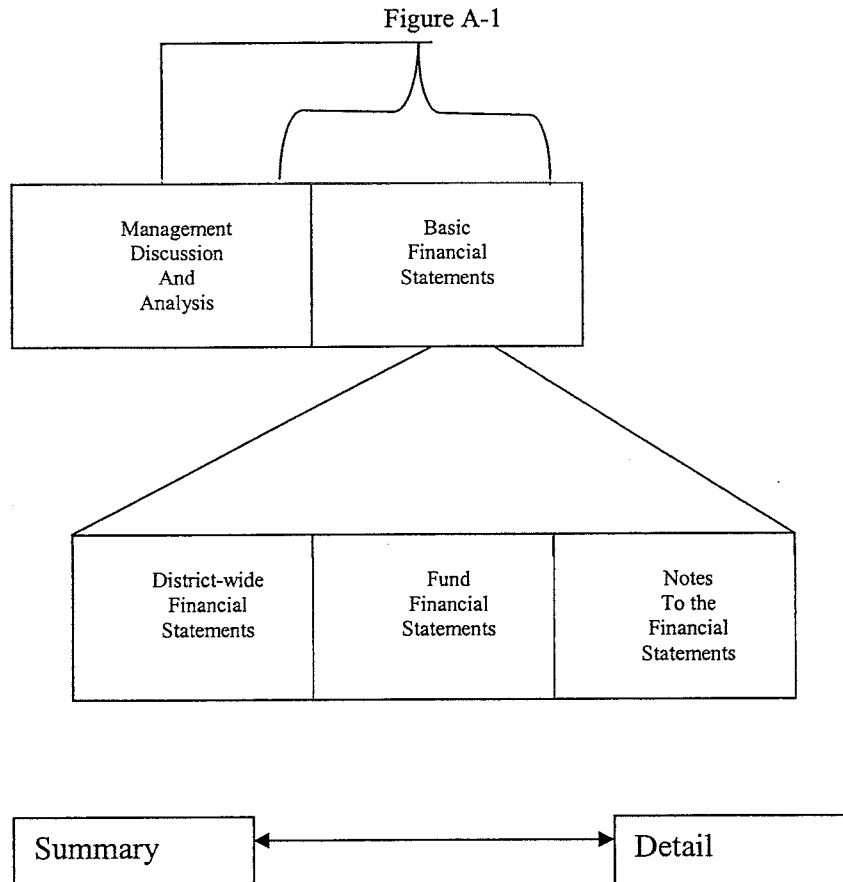
Management's Discussion and Analysis
Year Ended June 30, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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 there after; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long funds do not currently contain capital assets, although they can |
| Type of inflow/outflow Information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable. | All revenues and expenses during the year, regardless of when cash is received or paid. | All additions and dedications during the year, regardless of when cash is received or paid. |

District-wide Statements

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

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

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis Year Ended June 30, 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 | | | | | |
| | <u>Governmental</u> <u>Activities</u> | | <u>Business-</u> <u>Type</u> <u>Activities</u> | | <u>Total</u> | |
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Current Assets | \$ 3,588,520 | \$ 4,339,775 | \$ 3,511 | \$ 5,345 | \$ 3,592,031 | \$ 4,345,120 |
| Capital Assets | <u>20,010,477</u> | <u>20,230,854</u> | <u>3,721</u> | <u>5,405</u> | <u>20,014,198</u> | <u>20,236,259</u> |
| Total Assets | <u>23,598,997</u> | <u>24,570,629</u> | <u>7,232</u> | <u>10,750</u> | <u>23,606,229</u> | <u>24,581,379</u> |
| Long-Term Liabilities | 13,433,673 | 13,990,919 | | | 13,433,673 | 13,990,919 |
| Other Liabilities | <u>3,420,654</u> | <u>3,642,473</u> | <u>-</u> | <u>-</u> | <u>3,420,654</u> | <u>3,642,473</u> |
| Total Liabilities | <u>16,854,327</u> | <u>17,633,392</u> | <u>-</u> | <u>-</u> | <u>16,854,327</u> | <u>17,633,392</u> |
| 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 | <u>(212,420)</u> | <u>38,335</u> | <u>3,511</u> | <u>5,345</u> | <u>(208,909)</u> | <u>43,680</u> |
| Total Net Assets | <u>\$ 6,744,670</u> | <u>\$ 6,937,237</u> | <u>\$ 7,232</u> | <u>\$ 10,750</u> | <u>\$ 6,751,902</u> | <u>\$ 6,947,987</u> |

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 | | Business- | | Total | |
|---|---------------------|---------------------|-----------------|------------------|---------------------|---------------------|
| | Activities | | Type | | | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | | | |
| 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 |
| Total Revenues | 14,656,116 | 15,350,631 | 16,176 | 14,035 | 14,672,292 | 15,364,666 |
| Expenses | | | | | | |
| 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 |
| Total Expenses | 14,848,683 | 13,780,851 | 19,694 | 12,440 | 14,868,377 | 13,793,291 |
| Increase (Decrease) in Net Assets | (192,567) | 1,569,780 | (3,518) | 1,595 | (196,085) | 1,571,375 |
| Net Assets, Beginning of Year | 6,937,237 | 5,367,457 | 10,750 | 9,155 | 6,947,987 | 5,376,612 |
| Net Assets, End of Year | \$ 6,744,670 | \$ 6,937,237 | \$ 7,232 | \$ 10,750 | \$ 6,751,902 | \$ 6,947,987 |

FLORHAM PARK BOARD OF EDUCATION

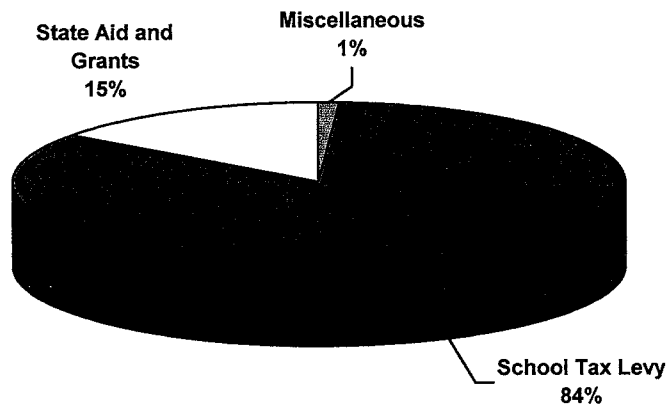
Management's Discussion and Analysis
Year Ended June 30, 2005

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.

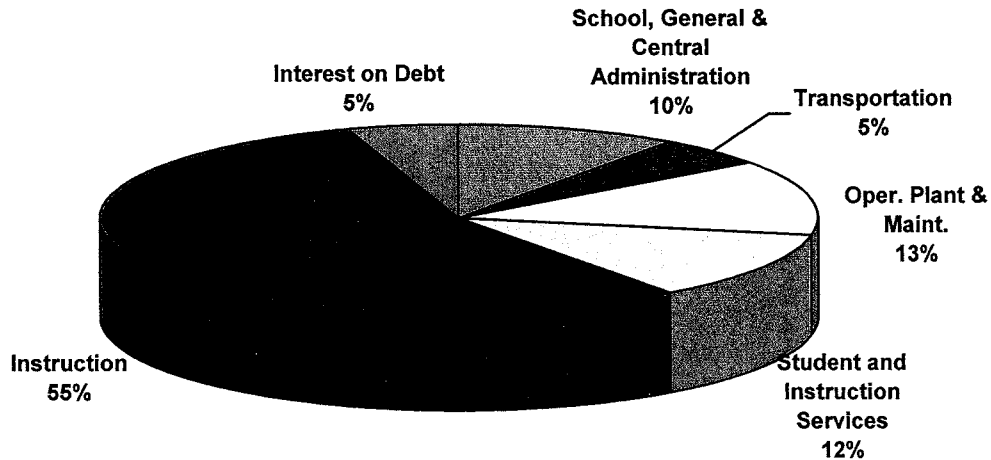
The total cost of all governmental activities programs and services was \$14,848,683. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$8,177,856 (55%) of total expenses. Student support services, total \$5,982,243 (40%) of total expenses and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

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|---|-----------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| 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 |
| Total | <u>\$ 14,848,683</u> | <u>\$ 13,780,851</u> | <u>\$ 12,726,740</u> | <u>\$ 10,092,873</u> |

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 <u>Activities</u> | |
| | <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 |
| Less Accumulated Depreciation | <u>(6,171,053)</u> | <u>(5,520,470)</u> |
| Total | <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> |
| Total | <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.

BASIC FINANCIAL STATEMENTS

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

| ASSETS | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|---------------------|
| 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> |
| LIABILITIES | | | |
| 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> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt (C) | 6,852,751 | 3,721 | 6,856,472 |
| Restricted for | | | |
| Debt Service - (B) | 2 | | 2 |
| Capital Projects | 104,337 | | 104,337 |
| Unrestricted 89,800 + 14,537 (A) | <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 | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| 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 | \$ | 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) |
| Business-Type Activities | | | | | | | |
| 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) |
| General Revenues | | | | | | | |
| 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 |

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> |
|---|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| ASSETS | | | | | |
| 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> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| 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> |
| Fund Balances | | | | | |
| Reserved for | | | | | |
| Encumbrances | \$ 55,139 | | 130,308 | | 185,447 |
| Capital Reserve Account | 14,537 (A) | | | | 14,537 |
| Unreserved | | | | | |
| 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> |
| | (13,433,673) |

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> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| REVENUES | | | | | |
| 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 | <u>11,399,444</u> | <u>-</u> | <u>2,953</u> | <u>1,061,420</u> | <u>12,463,817</u> |
| State Sources | 1,820,064 | \$ 96,953 | 65,157 | | 1,982,174 |
| Federal Sources | - | 210,125 | - | - | 210,125 |
| Total Revenues | <u>13,219,508</u> | <u>307,078</u> | <u>68,110</u> | <u>1,061,420</u> | <u>14,656,116</u> |
| EXPENDITURES | | | | | |
| 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 | <u>13,563,707</u> | <u>307,078</u> | <u>340,338</u> | <u>1,061,420</u> | <u>15,272,543</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(344,199)</u> | <u>-</u> | <u>(272,228)</u> | <u>-</u> | <u>(616,427)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| 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 | <u>(65,410)</u> | <u>-</u> | <u>198,996</u> | <u>-</u> | <u>133,586</u> |
| Net Change in Fund Balances | (409,609) | - | (73,232) | - | (482,841) |
| Fund Balance, Beginning of Year | <u>794,790</u> | <u>-</u> | <u>163,032</u> | <u>2</u> | <u>957,824</u> |
| Fund Balance, End of Year | <u>\$ 385,181</u> | <u>\$ -</u> | <u>\$ 89,800</u> | <u>\$ 2</u> | <u>\$ 474,983</u> |

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 |
|----------------------|--|---------|

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) |
|------------------------|--|-----------|

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> |
|------------------------------|--|-----------------|

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**

| | | Other Non-Major Enterprise Fund <u>Totals</u> |
|---|----|--|
| ASSETS | | |
| 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> |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | | 3,721 |
| Unrestricted | | <u>3,511</u> |
| Total Net Assets | \$ | <u><u>7,232</u></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**

| | Other Non-Major Enterprise Fund <u>Totals</u> |
|----------------------------------|--|
| OPERATING REVENUES | |
| Charges for Services | |
| Daily Sales | \$ 8,700 |
| | |
| Total Operating Revenues | <u>8,700</u> |
| OPERATING EXPENSES | |
| Salaries | 6,379 |
| Cost of Sales | 10,836 |
| Purchased Services | 795 |
| Depreciation | <u>1,684</u> |
| | |
| Total Operating Expenses | <u>19,694</u> |
| | |
| Operating Income (Loss) | <u>(10,994)</u> |
| NONOPERATING REVENUES | |
| Federal Sources | |
| Special Milk Program | <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**

| | Other Non-Major Enterprise Fund <u>Totals</u> |
|--|--|
| Cash Flows from Operating Activities | |
| 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> |
| Cash Flows from Noncapital Financing Activities | |
| 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>\$ 3,108</u> |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities | |
| 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>\$ (9,310)</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> |
|---|--|-------------------------|--------------------|
| ASSETS | | | |
| 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> |
| LIABILITIES | | | |
| 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> |
| NET ASSETS | | | |
| 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> |
|---------------------------------------|--|-------------------------|
| ADDITIONS | | |
| 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> |
| DEDUCTIONS | | |
| 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

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**

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**

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 1st 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**

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**

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 | <u>(100,859)</u> |
| 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:

| <u>Depository Account</u> | <u>Bank Balance</u> |
|----------------------------------|--------------------------------|
| Insured | \$ 928,719 |
| Uninsured and Collateralized | <u>213,589</u> |
| | <u>\$1,142,308</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>\$213,589</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> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| 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 | (1,308,887) | (136,992) | - | (1,445,879) |
| 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> |
| Business-Type activities: | | | | |
| 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 | 45,359 |
| Total Support Services | <u>593,744</u> |

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

Business-Type Activities

| | |
|-------------------|----------------|
| Food Service Fund | <u>\$1,684</u> |
|-------------------|----------------|

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> |
|--|------------------------------|-------------------|-------------------|---------------------------|------------------------------------|
| Governmental activities: | | | | | |
| 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 | <u>381,370</u> | <u>28,474</u> | <u>133,897</u> | <u>275,947</u> | <u>73,880</u> |
| 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

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

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 31st 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 31st 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**

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.

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 |
|---|--------------------|---------------------|-------------------|-------------------|--------------------------------|
| REVENUES | | | | | |
| 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 | <u>11,361,428</u> | <u>-</u> | <u>11,361,428</u> | <u>11,399,444</u> | <u>38,016</u> |
| 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 | <u>763,349</u> | <u>44,370</u> | <u>807,719</u> | <u>1,841,720</u> | <u>1,034,001</u> |
| Total Revenues | <u>12,124,777</u> | <u>44,370</u> | <u>12,169,147</u> | <u>13,241,164</u> | <u>1,072,017</u> |
| Instruction - Regular Programs | | | | | |
| 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 | <u>4,036,312</u> | <u>49,218</u> | <u>4,085,530</u> | <u>4,052,542</u> | <u>32,988</u> |
| 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 | <u>294,000</u> | <u>(6,637)</u> | <u>287,363</u> | <u>283,708</u> | <u>3,655</u> |
| 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 | <u>-</u> | <u>87,293</u> | <u>87,293</u> | <u>83,403</u> | <u>3,890</u> |

FLORHAM PARK BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final To Actual |
|--|--------------------|---------------------|------------------|------------------|--------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| 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 |
|---|--------------------|---------------------|-----------------|----------------|--------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| 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 |
|---|--------------------|---------------------|------------------|------------------|--------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| 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 | \$ 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 |
| Total Support Services General Administration | 425,724 | 42,594 | 468,318 | 446,795 | 21,523 |
| 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 |
| Total Support Services School Administration | 503,878 | (1,798) | 502,080 | 497,385 | 4,695 |
| 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 | - |
| Total Support Central School Administration | 211,192 | 28,208 | 239,400 | 239,193 | 207 |
| 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 | 355 | - |
| Total Required Maintenance for School Fac. | 153,779 | 55,727 | 209,506 | 203,261 | 6,245 |
| 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 | - |
| Total Other Operation & Maint. Of Plant | 929,221 | 105,377 | 1,034,598 | 1,034,114 | 484 |
| 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 |
|---|--------------------|---------------------|-------------------|-------------------|--------------------------------|
| EXPENDITURES | | | | | |
| CURRENT EXPENDITURES (Continued) | | | | | |
| 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) |
| CAPITAL OUTLAY | | | | | |
| 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> |
|--|----------------------------|-----------------------------|-------------------------|----------------|-------------------------------------|
| REVENUES | | | | | |
| 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> |
| EXPENDITURES | | | | | |
| 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> |
|---|-------|-------------------------|-------|-------------------------------------|
| Sources/inflows of resources | | | | |
| 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> |
| Uses/outflows of resources | | | | |
| 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> |

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

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**

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

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

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

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

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

**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

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 | 101,062 | - | 101,062 | - |
| | <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> |

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

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> |
|-------------------------------------|-----------------------------|------------------|-------------------------------|
| ASSETS | | | |
| Cash | \$ 29,122 | \$ 36,176 | \$ 65,298 |
| Total Assets | <u>\$ 29,122</u> | <u>\$ 36,176</u> | <u>\$ 65,298</u> |
| LIABILITIES | | | |
| 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> |
|---------------------------|----------------------------------|-----------------------|-----------------------|-----------------------------------|
| ELEMENTARY SCHOOLS | | | | |
| Briarwood | \$ 1,912 | \$ 4,129 | \$ 3,735 | \$ 2,306 |
| Brooklake | 3,695 | 9,154 | 10,326 | 2,523 |
| MIDDLE SCHOOLS | | | | |
| 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> |
|-------------------------------------|---|-------------------------|-------------------------|--|
| LIABILITIES | | | | |
| 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> |

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>Annual Maturities 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 | | | | |
| | | | | | | <u>10,940,000</u> | <u>60,000</u> | <u>10,880,000</u> |
| | | | | | | <u>\$ 13,360,000</u> | <u>\$ 440,000</u> | <u>\$ 12,920,000</u> |

**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**

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

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 |
|---|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| GENERAL FUND | | | | | | | | | | |
| Instruction | \$ 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 |
| Regular | 788,746 | 917,860 | 762,584 | 721,890 | 786,184 | 929,388 | 957,079 | 994,241 | 968,149 | 1,182,268 |
| Special | | | 15,907 | 15,487 | | | | | 34,625 | 16,563 |
| Other | 70,663 | 72,346 | 81,186 | 58,789 | 77,990 | 94,544 | 102,675 | 97,980 | 123,094 | 101,750 |
| School-Sponsored/Other Instructional | | | | | | | | | | |
| 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> |
| SPECIAL REVENUE FUND | | | | | | | | | | |
| 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> |
| DEBT SERVICE EXPENDITURES | | | | | | | | | | |
| 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 | <u>63,431</u> | <u>74,589</u> | <u>52,495</u> | <u>156,806</u> | <u>163,521</u> |
| 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 |

SINGLE AUDIT SECTION

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

DIETER P. LERCH, CPA, RMA, PSA
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

**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

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

DIETER P. LERCH, CPA, RMA, PSA
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

**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

**FLORHAM PARK BOARD OF EDUCATION
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

| Federal CFDA Number | Grant or State Project Number | Grant Period | Award Amount | Balance July 1, 2004 | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Years Balances | (Account Receivable) June 30, 2005 | Deferred Revenue June 30, 2005 | Due to Grantor at June 30, 2005 |
|---|----------------------------------|-----------------|-----------------|-------------------------|------------------------------------|------------------|---------------------------|---|--|--------------------------------------|--|
| 10.556 | N/A | 7/1/04-6/30/05 | \$ 5,491 | \$ (478) | - | \$ 7,073 | \$ 7,476 | - | \$ (403) | - | - |
| 10.556 | N/A | 7/1/03-6/30/04 | 5,491 | | | 478 | | | | | |
| U.S. Department of Agriculture | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | |
| Special Milk Program | | | | | | | | | | | |
| Special Milk Program | | | | | | | | | | | |
| Total U.S. Department of Agriculture | | | | | | | | | | | |
| U.S. Department of Education | | | | | | | | | | | |
| Passed-through State Department of Education | | | | | | | | | | | |
| Title II A | | | | | | | | | | | |
| 84.281A | NCLB153005 | 9/1/04-8/31/05 | 30,247 | | | 30,247 | 26,240 | | | \$ 4,007 | |
| 84.281A | NCLB153004 | 9/1/04-8/31/05 | 31,105 | | \$ 11,230 | | 11,230 | | | | |
| 84.281A | NCLB153004 | 9/1/03-8/31/04 | 31,105 | (19,875) | (11,230) | 31,105 | | | | | |
| 84.365 | NCLB153003 | 9/1/02-8/31/03 | 1,353 | | | | | | | | |
| 84.365 | NCLB153003 | 9/1/03-8/31/04 | 1,353 | 285 | | 2,499 | 379 | | | 2,120 | 285 |
| 84.186A | NCLB153005 | 9/1/04-8/31/05 | 2,499 | | | | 895 | | | 1,634 | |
| 84.186A | NCLB153004 | 9/1/04-8/31/05 | 2,529 | | 2,529 | 2,529 | | | | | |
| 84.186A | NCLB153004 | 9/1/03-8/31/04 | 2,529 | 1,920 | (2,529) | | 1,920 | | | 154 | |
| 84.186A | JASA153002 | 9/1/03-8/31/04 | 2,555 | | | 3,805 | 3,651 | | | 406 | |
| 84.298 | NCLB153005 | 9/1/04-8/31/05 | 3,805 | | | | 4,190 | | | | |
| 84.298 | NCLB153004 | 9/1/04-8/31/05 | 4,596 | | 4,596 | 4,596 | | | | | |
| 84.298 | NCLB153004 | 9/1/03-8/31/04 | 4,596 | 101 | (4,596) | | | | | | 101 |
| 84.027A | NCLB153003 | 9/1/03-8/31/04 | 4,506 | | | 183,488 | 158,832 | | | 24,656 | |
| 84.027A | FT-1530-05 | 9/1/04-8/31/05 | 183,488 | | | | | | | 19,150 | |
| 84.027A | FT-1530-04 | 9/1/04-8/31/05 | 162,210 | | 19,150 | | | | | | |
| 84.027A | FT-1530-04 | 9/1/03-8/31/04 | 162,210 | 19,150 | (19,150) | | | | | | |
| 84.027A | FT-1530-03 | 9/1/03-8/31/04 | 130,926 | 17,931 | | | | \$ 17,931 | | | |
| 84.027A | PS-1530-05 | 9/1/04-8/31/05 | 8,538 | | | 8,538 | 8,538 | | | 427 | |
| 84.027A | PS-1530-04 | 9/1/04-8/31/05 | 8,108 | 427 | 427 | | | | | | |
| 84.027A | PS-1530-04 | 9/1/03-8/31/04 | 8,108 | 427 | (427) | | | | | | |
| Total U.S. Department of Education | | | | | | | | | | | |
| Total | | | | | | | | | | | |
| Total U.S. Department of Education | | | | | | | | | | | |
| Total | | | | | | | | | | | |

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 Grantor/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 | |
| State Department of Education | | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | | |
| 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 | | | | | | | | |
| Transportation Aid | 04-495-035-5120-014 | 7/1/03-6/30/04 | 62,536 | (2,583) | | 2,583 | | | | (155) | | | 3,428 | | |
| Bilingual Education Aid | 05-495-034-5120-008 | 7/1/04-6/30/05 | 3,428 | | | 3,273 | 3,428 | | | | | | | | |
| Bilingual Education Aid | 04-495-034-5120-008 | 7/1/03-6/30/04 | 3,428 | (141) | | 141 | | | | | | | | | |
| Teacher Quality Mentoring | 04-495-034-5120-052 | 7/1/03-6/30/04 | 1,810 | | | 45,168 | 47,307 | | | (2,139) | | | 47,307 | | |
| Consolidated Aid | 05-495-034-5120-057 | 7/1/04-6/30/05 | 47,307 | | | 1,952 | | | | (1,005) | | | 22,233 | | |
| Consolidated Aid | 04-495-034-5120-057 | 7/1/03-6/30/04 | 47,307 | (1,952) | | 21,228 | 22,233 | | | (4,857) | | | 44,370 | | |
| Additional Formula Aid | 05-495-034-5120-038 | 7/1/04-6/30/05 | 22,233 | | | 44,370 | 44,370 | | | | | | 4,857 | | |
| Above Avg. Enrollment Growth Aid. | N/A | 7/1/04-6/30/05 | 44,370 | | | 3,816 | 126,620 | | | (126,620) | | | 126,620 | | |
| Additional Non-Pub Trans. Aid | N/A | 7/1/03-6/30/04 | 4,857 | | | 108,873 | 108,873 | | | (8,126) | | | 426,858 | | |
| Additional Non-Pub Trans. Aid | N/A | 7/1/03-6/30/04 | 3,816 | (3,816) | | 418,732 | 426,858 | | | | | | 475,666 | | |
| Extraordinary Special Education Costs Aid | 05-495-034-5120-044 | 7/1/04-6/30/05 | 126,620 | | | 24,916 | 475,666 | | | (174,116) | | | 1,841,720 | | |
| Extraordinary Special Education Costs Aid | 04-495-034-5120-044 | 7/1/03-6/30/04 | 108,873 | (108,873) | | 1,835,813 | 1,841,720 | | | | | | 1,841,720 | | |
| TPAF Social Security Contributions | 05-495-034-5095-051 | 7/1/03-6/30/04 | 427,383 | | | 7,706 | 4,966 | | \$ 5,991 | | | \$ 2,740 | 4,966 | | |
| TPAF Social Security Contributions | 04-495-034-5095-051 | 7/1/03-6/30/04 | 405,383 | (24,916) | | 6,656 | | | | | | | 12,741 | | |
| TPAF Pension Contribution | 05-495-034-5095-050 | 7/1/04-6/30/05 | 475,666 | | | 23,400 | 22,040 | | | | | 1,360 | 21,874 | | |
| TPAF Pension Contribution | 04-100-034-5120-066 | 7/1/03-6/30/04 | 16,129 | | | 7,930 | 7,764 | | 3,470 | | | 166 | 7,930 | | |
| Total General Fund | | | | (168,209) | | 1,835,813 | 1,841,720 | | | (174,116) | | | 1,841,720 | | |
| | | | | | | | | | | | | | | | |
| Special Revenue Funds: | | | | | | | | | | | | | | | |
| New Jersey Nonpublic Aid | 05-100-034-5120-067 | 7/1/04-6/30/05 | 7,706 | | | 7,706 | 4,966 | | | | | | 4,966 | | |
| Auxiliary Services | 04-100-034-5120-067 | 7/1/03-6/30/04 | 6,656 | | | 21,855 | 12,741 | | | | | 9,114 | 12,741 | | |
| Compensatory Education | 05-100-034-5120-066 | 7/1/03-6/30/05 | 16,129 | | | 23,400 | 22,040 | | | | | 1,360 | 21,874 | | |
| Compensatory Education | 04-100-034-5120-066 | 7/1/03-6/30/04 | 23,400 | | | 7,930 | 7,764 | | 3,470 | | | 166 | 7,930 | | |
| Handicapped Services | 05-100-034-5120-066 | 7/1/03-6/30/05 | 17,072 | | | 20,196 | 20,196 | | 2,828 | | | 118 | 20,196 | | |
| Corrective Speech | 04-100-034-5120-066 | 7/1/03-6/30/04 | 7,930 | 3,470 | | 17,068 | 16,950 | | | | | 78 | 16,950 | | |
| Examination and Classification | 05-100-034-5120-066 | 7/1/03-6/30/05 | 8,644 | | | 10,880 | 10,802 | | | | | | 10,802 | | |
| Examination and Classification | 04-100-034-5120-066 | 7/1/03-6/30/04 | 7,930 | | | 4,000 | 1,032 | | | | \$ 2,968 | | 1,032 | | |
| Supplemental Instruction | 05-100-034-5120-070 | 7/1/04-6/30/05 | 20,196 | | | 650 | 650 | | | | | | 650 | | |
| Supplemental Instruction | 04-100-034-5120-070 | 7/1/03-6/30/04 | 17,068 | | | 113,035 | 97,141 | | | | | | 97,141 | | |
| Nursing | 05-100-034-5120-064 | 7/1/03-6/30/05 | 12,744 | | | 291,330 | 58,391 | | | (2,607,404) | | | 58,391 | | |
| Textbooks | 04-100-034-5120-064 | 7/1/03-6/30/04 | 10,880 | | | 291,330 | 6,766 | | | (61,741) | | | 6,766 | | |
| Textbooks | 05-100-034-5120-373 | 7/1/04-6/30/05 | 8,560 | | | | | | | | | | | | |
| Technology Initiative Aid | 04-100-034-5120-373 | 7/1/03-6/30/04 | 4,000 | | | | | | | | | | | | |
| Technology Initiative Aid | 05-100-034-5120-418 | 7/1/04-6/30/05 | 4,000 | | | | | | | | | | | | |
| Character Education Aid | 03-100-034-5120-418 | 7/1/02-6/30/03 | 4,000 | | | | | | | | | | | | |
| Character Education Aid, Carryover | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| Total Special Revenue Fund | | | | 13,319 | | 113,035 | 97,141 | | 12,669 | | 2,968 | 13,576 | 97,141 | | |
| | | | | | | | | | | | | | | | |
| Economic Development Authority | | | | | | | | | | | | | | | |
| Capital Projects Fund: | | | | | | | | | | | | | | | |
| Educational Facilities Construction and Financing Act of 2000 | SP202276-77-78 | N/A | 2,913,301 | (2,840,343) | | 291,330 | 58,391 | | | (2,607,404) | | | 58,391 | | |
| 2002 School Impts. | SP1530-015-04-0AFS | N/A | 61,741 | | | | 6,766 | | | (61,741) | | | 6,766 | | |
| Brianwood M.P. Room | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| Total Economic Development Authority | | | | (2,840,343) | | 291,330 | 65,157 | | | (2,669,145) | | | 65,157 | | |
| Total | | | | \$ (2,995,233) | | \$ 2,240,178 | \$ 2,004,018 | | \$ 12,669 | \$ (2,843,261) | | \$ 57,943 | \$ 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) | Name of State Program |
|---------------------|-----------------------|
| 05-495-034-5120-011 | Special Education Aid |
| 05-495-034-5095-051 | 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.

