

**POHATCONG TOWNSHIP
SCHOOL DISTRICT**

**Pohatcong Township School District
Board of Education
Phillipsburg, Warren County
New Jersey**

**Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2008**

Comprehensive Annual

Financial Report

of the

Pohatcong Township School District

Board of Education

Phillipsburg, New Jersey

For the Fiscal Year Ending June 30, 2008

Prepared by

Pohatcong Township School District

Board of Education

Finance Department

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Introductory Section

Pohatcong Township Board of Education

240 Route 519
Phillipsburg, NJ 08864
(908) 859-8155 Tel.
(908) 859-8067 Fax

Honorable President and
Members of the Board of Education
Pohatcong Township School District
County of Warren, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Township of Pohatcong School District (District) for the fiscal year ended June 30, 2008, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non Profit Organizations", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES: The Pohatcong Township School District is an independent reporting entity within the criteria adopted by the GASB as established by

NCGA Statement No. 3. All funds and account groups of the District are included in this report.

The Pohatcong Township Board of Education and all its schools constitute the District's reporting entity.

The district provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped youngsters. The district completed the 2007-08 fiscal year with an enrollment of 370 students. The following details the changes in the student enrollment over the last five years.

Fiscal Year	<u>Average Daily Enrollment</u>	
	Student Enrollment	Percentage Change
2007-08	365	-2.4
2006-07	374	2.2
2005-06	366	-2.9
2004-05	377	1.9
2003-04	370	-4.8
2002-03	388	0.2
2001-02	387	0.5

TUITION PUPILS: Pohatcong Township School District sends our grade 9 to12 students to Phillipsburg High School on a tuition basis. Approximately 146 students attended Phillipsburg High School.

From the township, 22 children attended non-public schools including Saints Phillip and James, Phillipsburg Christian Academy, St. John the Baptist, Bethlehem Catholic, LeHigh Valley Christian Academy, Moravian Academy, Good Shepherd Christian Academy, Crossroads Christian Academy, and Plumstead Christian Schools. Currently the district sends approximately 12 children, ages three through twenty-one, for special educational instruction outside the Pohatcong Township School District as per the individual student's educational placement requirements.

PRESENT CONDITION AND OUTLOOK

The Pohatcong School will be entering its tenth year in 2008-09. The building is a modern, well equipped, facility with more than enough space to accommodate current enrollment. There are six classrooms that are not used on a daily basis. We have one room that is used for Occupational and Physical Therapy.

The Pohatcong School receives regular cleaning and maintenance of all building systems. Community groups and sports teams hold many activities and events on nights and weekends inside and outside of the building. Student activities and events at night cause heavy use of the

facilities.

Large sections of Pohatcong Township are in the hands of developers. There continues to be a great deal of discussion concerning pending housing projects. The township Land Use Board is working to ensure that development progresses in a planned and orderly manner.

MAJOR INITIATIVES/PLANNING:

In 2007-08, we incorporated interactive whiteboards into the daily instruction for our fourth through eighth grade students as well as the music program. Remote Answering Devices were implemented with our seventh and eighth grade social studies students. These interface nicely with our interactive white boards. English teachers in the sixth through eighth grade utilized a new textbook series for grammar and writing skills. English teachers also participated in language arts mapping with an emphasis on grammar instruction to see where there are deficiencies and overlaps within the district's language arts curriculum. The articulation meetings among the sending districts and the high school continued in the subjects of math, language arts, and social studies to ensure a more uniform transition from the middle school to the high school for students. Articulation meetings for world language teachers began as well. Teachers in the first through fourth grades focused on guided reading instruction and implemented the Developmental Reading Assessment (DRA). Our Response to Intervention Program was utilized in the second grade and expanded to include the first grade.

In order to maintain a through and efficient education throughout the district, the Pohatcong Township Board of Education developed district goals and objectives in accordance with Policy 6020 and as required by New Jersey Administrative Code. These goals and objectives focus on the educational delivery system. The Quality Assurance Annual Report (QAAR) verifies the implementation of these goals and objectives through school level plans incorporating measurable goals to ensure the achievement of improved performance.

Our major initiatives for 2008-09 year are to expand the use of interactive whiteboards in daily instruction to include the third grade classes. Teachers in the upper grades' science and math classes will join our upper grades' social studies teacher in utilizing the Remote Answering Devices. A wireless mobile lab will be integrated into the seventh and eighth grade social studies classes as well. English teachers will utilize a new grammar workbook to supplement their current language arts resources with writing as the major focus. Articulation meetings will continue to be held with the high school to focus on research skills, literature, and writing as well as math, social studies, and world languages in order to make the transition between middle school and high school a smooth one. In the primary grades, teachers will continue to focus on guided reading as a component of our balanced literacy approach to instruction and utilize the Developmental Reading Assessment. Response to Intervention (RTI) will continue as well. Professional development is a high priority. We focus on the individual needs of teachers, based on their Professional Improvement Plans and our school wide yearly objectives for improvement. Computer training for staff is also available through district membership in the county ETTC.

BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. The final budget amount 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, 2008.

ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups.

ECONOMIC CONDITION: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

BUDGET INFORMATION SHEET - OVERALL COMMENTS:

The Pohatcong Township School District's 2007-2008 School Budget encompassed the educational programs for students from grades kindergarten through twelfth grade in regular education, and preschool through age twenty-one in special education. In addition, the district's budget included the operational expenses for the township school.

The 2007-2008 budget was developed to stay within the "Maximum Permitted Net Budget" as defined by the State of New Jersey Department of Education. The 2007-08 budget needed to support the educational and operational costs of delivering a thorough and efficient education was developed using the allowable spending growth limitation adjustments in the area of non-remote transportation.

The district Long Range Facility Plan includes the development of athletic fields at the Pohatcong School. Grading and seeding are planned along with baseball and softball fields. To support this project, Pohatcong Township maintains an approved capital reserve account.

Revenues to support the 2007-08 budget were principally derived from local tax levy. State aid revenue remained the same for the third year running. The district used all the income from summer and fall classroom rentals at the Pohatcong School building to offset the local tax increase.

DEBT ADMINISTRATION: The district had debt service payments of interest and principal totaling \$1,008,095.02 for the 2007-2008 school year. State aid for debt service remained at 19% of total cost. The 2007-08 budget applied \$125,000 of the proceeds from the sales of the Warren Glen

Glen School and Shimer School buildings to the payment of debt. At June 30, 2008 there was \$398,513.02 in proceeds from the sale of both school buildings in escrow. This diminishing escrow amount will be used to offset debt service in future years.

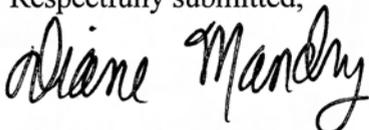
CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act. Cash, not immediately required for district payments, is invested in an NJ CLASS account with MBIA Municipal Investors Service.

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. During 2007-08, the district participated in the School Alliance Insurance Fund. This is a joint insurance fund specializing in insurance for public education entities.

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

ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Pohatcong Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and diligent auditing services of the firm of Ardito & Co.

Respectfully submitted,



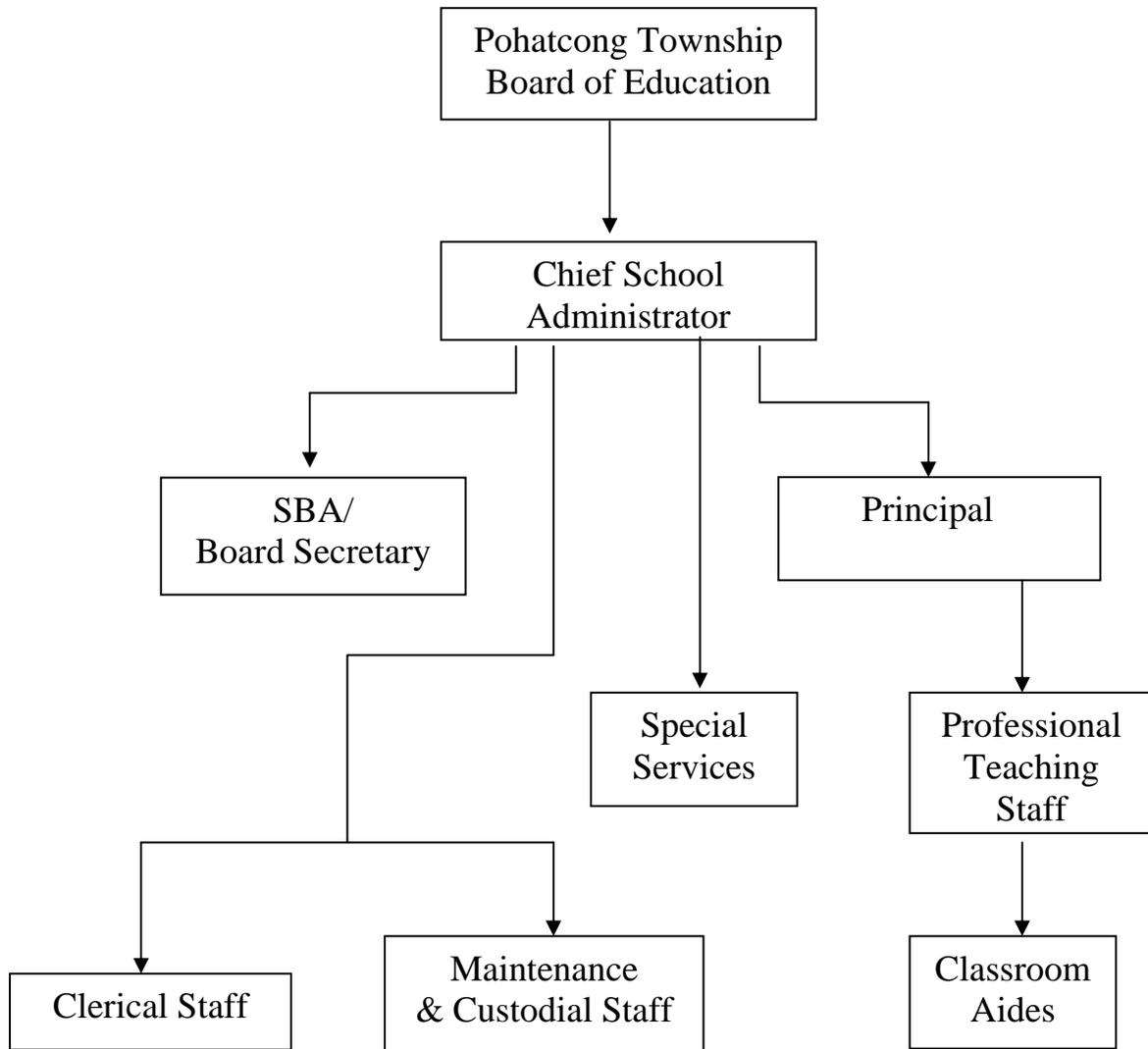
Diane Mandry
Chief School Administrator



Tim Mantz
Board Secretary/Business Administrator

Pohatcong Township Board of Education

Organization Chart 2007-08



**Pohatcong Township School District
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2008

Members of the Board of Education

Term Expires

Dean McBride, President	April 30, 2010
Thomas Wilson, Vice-President	April 30, 2011
Patricia Babcock	April 30, 2009
John Curtis	April 30, 2011
Regina Blair	April 30, 2010
Donna DeRoche	April 30, 2009
Dana Pagano	April 30, 2010
Gail Sulla	April 30, 2011
Glenn Ehrhardt	April 30, 2009

Other Officials

Diane Mandry, Chief School Administrator

Tim Mantz, Board Secretary/School Business Administrator

Cindy L. Hanics, Treasurer

Dan Patton, Principal

**Pohatcong Township School District
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ATTORNEY

Comegno Law Group P.C.
521 Pleasant Valley Avenue
Moorestown, New Jersey 08057

AUDIT FIRM

Ardito & Co., LLP
18 S. 9th Street, Suite 101
Stroudsburg, Pennsylvania 18360

BOND COUNSEL

Wilentz, Goldman & Spitzer
Anthony J. Pannella Jr.
90 Woodbridge Center Drive
Woodbridge, NJ 08525

ARCHITECT

Focus Architecture, LLC
3 Tree Farm Road, Suite 200
Pennington, NJ 08534

OFFICIAL DEPOSITORIES

MBIA Municipal Investors Service Corporation
113 King Street
Armonk, NY 10504

Bank of America
382 Memorial Parkway
Phillipsburg, NJ 08865

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

18 South Ninth Street, Suite 101
Stroudsburg, Pennsylvania 18360-1630
570-424-5192 Fax: 610-847-8242

Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA
Anthony F. Ardito, PA, RMA, PSA

**UNQUALIFIED OPINIONS ON BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY SCHEDULE OF STATE AWARDS
AND OTHER SUPPLEMENTARY INFORMATION-GOVERNMENTAL ENTITY**

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Pohatcong Township School District
County of Warren
Phillipsburg, New Jersey 08865

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Pohatcong Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pohatcong Township School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Pohatcong Township School District Board of Education in the County of Warren, State of New Jersey, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 10, 2008, on our consideration of the Pohatcong Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 40 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pohatcong Township School District Board of Education's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Licensed Public School Accountant No. 2369
ARDITO & CO., LLP

Date: August 10, 2008

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The discussion and analysis of Pohatcong Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- ◆ In total, net assets increased \$677,860, which represents a 19.2 percent increase from 2007.
- ◆ General revenues accounted for \$5,590,646 in revenue or 65.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,886,742 or 34.1 percent of total revenues of \$8,477,388.
- ◆ Total assets of governmental activities increased by \$171,786 as cash and cash equivalents increased by \$395,249, receivables increased by \$5,973 and capital assets decreased by \$227,638.
- ◆ The School District had \$7,799,528 in expenses; only \$2,886,742 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$5,590,646 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,160,178 in revenues and \$6,645,487 in expenditures. The General Fund's surplus balance increased \$514,692 over 2007. This increase is a result of budget efficiencies in the areas of tuition and instruction and the receipt of other non-budget revenue.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pohatcong Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Pohatcong Township School District, the General Fund is by far the most significant fund.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

POHATCONG TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Governmental Funds

The School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District’s net assets for 2008 compared to 2007.

	<u>2008</u>	<u>2007</u>
Table 1		
Net Assets		
Assets		
Current and Other Assets	\$ 1,888,173	\$ 1,488,749
Capital Assets	<u>7,800,152</u>	<u>8,027,790</u>
Total Assets	<u>9,688,325</u>	<u>9,516,539</u>
Liabilities		
Long-Term Liabilities	11,416,642	11,819,514
Other Liabilities	<u>1,123,829</u>	<u>1,227,031</u>
Total Liabilities	<u>12,540,471</u>	<u>13,046,545</u>
Net Assets		
Invested in Capital Assets, Net of Debt	(3,874,848)	(4,032,210)
Restricted	1,200,503	480,892
Unrestricted	<u>(177,801)</u>	<u>21,312</u>
Total Net Assets	<u>\$ (2,852,146)</u>	<u>\$ (3,530,006)</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Total assets increased \$171,786. Cash and cash equivalents increased by \$395,249, receivables increased by \$5,973 and capital assets decreased by \$227,638. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District increased by \$199,113 due to the transfer of \$600,000 of funds into a restricted capital reserve.

Table 2 shows the changes in net assets from fiscal year 2007.

Table 2
Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 126,957	\$ 83,556
Operating Grants and Contributions	2,759,785	2,664,776
General Revenues:		
Property Taxes	5,387,580	5,221,956
Capital Grants and Entitlements	-	
Other	203,066	130,352
Total Revenues	<u>8,477,388</u>	<u>8,100,640</u>
Program Expenses		
Instruction	3,512,091	3,405,376
Support Services:		
Pupils and Instructional Staff	1,838,364	1,980,613
General Administration, School Administration, Business	647,575	648,057
Operations and Maintenance of Facilities	669,612	616,170
Pupil Transportation	385,228	358,918
Business-Type Activities	133,814	90,560
Interest and Fiscal Charges	612,844	635,085
Total Expenses	<u>7,799,528</u>	<u>7,734,779</u>
Decrease in Net Assets	<u>\$ 677,860</u>	<u>\$ 365,861</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 63.6 percent of revenues for governmental activities for the Pohatcong Township School District for the fiscal year 2008.

Instruction comprises 45.0 percent of district expenses. Support services expenses make up 45.4 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>
Instruction	\$3,512,091	\$2,163,388	3,405,376	\$2,139,189
Support Services:				
Pupils and Instructional Staff	1,838,364	1,221,549	1,980,613	1,330,948
General Admin., School Admin., Business	647,575	431,678	648,057	436,331
Operation and Maintenance of Facilities	669,612	446,368	616,170	414,862
Pupil Transportation	385,228	225,860	358,918	210,789
Business-Type Activities	133,814	6,856	90,560	9,343
Interest and Fiscal Charges	<u>612,844</u>	<u>417,087</u>	<u>635,085</u>	<u>444,985</u>
Total Expenses	<u>\$7,799,528</u>	<u>\$4,912,786</u>	<u>\$7,734,779</u>	<u>\$4,986,447</u>

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

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

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

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

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service and child care.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District and unallocated depreciation.

The dependence upon tax revenues is apparent. Over 61.6 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 65.7 percent. The community, as a whole, is the primary support for the Pohatcong Township School District.

The School District's Funds

Information about the School District's major funds starts on page 10. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,349,986 and expenditures of \$7,835,295. The change in fund balance for the year was significant in the General Fund, a increase of \$514,691. This growth shows that the School District is able to meet current operating costs with no urgent need for additional funds.

General Fund Budgeting Highlights

The School District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2008 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

Salary costs proved to be slightly lower than anticipated in the original budget due to unanticipated staff resignations as well as staff members being moved within programs accounted for lower salary costs in several accounts.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$6,543,015, \$48,886 over original budgeted estimates of \$6,508,457. This difference was due primarily to increased interest income.

General fund budget basis expenditures, excluding TPAF on-behalf amount, was \$6,039,273, \$908,325 under adjusted budget estimate of \$6,947,598. This difference was due primarily to expense savings in the tuition, due to Phillipsburg 2004-2005 tuition credits, and capital outlay areas.

As such, the general fund revenues and other financing sources of the School District exceeded expenditures by approximately \$518,070, making the financial position of the School District strong.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

Capital Assets

At the end of the fiscal year 2008, the School District had \$7,775,989 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2008 balances compared to 2007.

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

	<u>2008</u>	<u>2007</u>
Land Improvements	\$ 275,257	\$ 301,472
Buildings and Improvements	7,392,212	7,570,338
Machinery and Equipment	<u>108,520</u>	<u>127,424</u>
Totals	<u>\$ 7,775,989</u>	<u>\$ 7,999,234</u>

Overall capital assets decreased \$223,245 from fiscal year 2007 to fiscal year 2008, due primarily to depreciation.

No major equipment was purchased during fiscal year 2008.

Debt Administration

At June 30, 2008, the School District had \$11,851,642 as outstanding debt. Of this amount \$176,642 is for compensated absences and other retirement/separation liabilities, and the balance of \$11,675,000 is for bonds for school construction.

At June 30, 2008, the School District's overall legal debt margin was \$13,565,363 and the unvoted debt margin was \$1,890,363.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

For the Future

The Pohatcong Township School District is in very good financial condition presently. A major concern is the continued enrollment growth of the District with the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and state funding is decreased.

Pohatcong Township School District did successfully pass the 2008-2008 school budget. The preceding school year had successfully passed. The steady decrease in state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. In the past, the District garnered local support of its budget for over 10 years. This problem seems to be statewide and is not exclusive to the Pohatcong Township School District. Pohatcong Township School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

During the budget process in the spring, it was a concern to the Administration and Board of Education how future budgets would be financed; therefore, for the next eight months, the Board and Administration will be conducting a program review of all costs centers in the District. These savings made throughout the school year are being made as a commitment by the Board and Administration to increase the unrestricted free balance available for emergencies.

In conclusion, the Pohatcong Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Tim Mantz, School Business Administrator/Board Secretary at Pohatcong Township School District, 240 Route 519, Phillipsburg, NJ 08865.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2008

	GOVERNMENTAL		BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES		
ASSETS				
Cash and Cash Equivalents	\$ 675,100	\$ 25,202		\$ 700,302
Receivables, Net	18,413	975		19,388
Inventory		1,754		1,754
Restricted Assets:				
Capital Reserve Account - Cash	768,216			768,216
Debt Service Reserve Account - Cash	398,513			398,513
Capital Assets, Net (Note 6):	7,775,989	24,163		7,800,152
Total Assets	9,636,231	52,094		9,688,325
LIABILITIES				
Accounts Payable	2,804	1,105		3,909
Other Reserves	398,513			398,513
Deferred Revenue	4,683	1,264		5,947
Accrued Interest	280,460			280,460
Noncurrent Liabilities (Note 7):				
Due Within One Year	435,000			435,000
Due Beyond One Year	11,416,642			11,416,642
Total Liabilities	12,538,102	2,369		12,540,471
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(3,899,011)	24,163		(3,874,848)
Restricted for:				
Capital Reserve Account	768,216			768,216
Other Purposes	432,287			432,287
Unrestricted	(203,363)	25,562		(177,801)
Total Net Assets	\$ (2,901,871)	\$ 49,725		\$ (2,852,146)

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Governmental Activities:							
Instruction:							
Regular	\$ 2,628,409		\$ 1,054,089		\$ (1,574,320)		\$ (1,574,320)
Special Education	497,823		165,971		(331,852)		(331,852)
Other Special Instruction	385,859		128,643		(257,216)		(257,216)
Support Services:							
Tuition	1,263,773		421,333		(842,440)		(842,440)
Student & Instruction Related Services	574,591		195,482		(379,109)		(379,109)
School Administrative Services	198,800		66,279		(132,521)		(132,521)
General and Business Admin. Services	448,775		149,618		(299,157)		(299,157)
Plant Operations and Maintenance	669,612		223,244		(446,368)		(446,368)
Pupil Transportation	385,228	30,936	128,432		(225,860)		(225,860)
Interest on Long-Term Debt	612,844		195,757		(417,087)		(417,087)
Unallocated Depreciation					-		-
Total Governmental Activities	7,665,714	30,936	2,728,848		(4,905,930)		(4,905,930)
Business-Type Activities:							
Food Service	85,064	\$ 47,271	30,937			\$ (6,856)	(6,856)
Shared Services	48,750	48,750				-	-
Total Business-Type Activities	133,814	96,021	30,937		-	(6,856)	(6,856)
Total Primary Government	\$ 7,799,528	\$ 126,957	\$ 2,759,785		\$ (4,905,930)	\$ (6,856)	\$ (4,912,786)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 4,700,242		\$ 4,700,242
Taxes Levied for Debt Service					687,338		687,338
Investment Earnings					53,829	444	54,273
Miscellaneous Income					148,793		148,793
Total General Revenues, Special Items, Extraordinary Items and Transfers					5,590,202	444	5,590,646
Change in Net Assets					684,272	(6,412)	677,860
Net Assets—Beginning (As Restated)					(3,586,143)	56,137	(3,530,006)
Net Assets—Ending					\$ (2,901,871)	\$ 49,725	\$ (2,852,146)

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

FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$1,443,316		\$398,513	\$1,841,829
Interfund Receivables	9,665	\$8,118		17,783
Receivables from Other Governments	12,489	5,924		18,413
TOTAL ASSETS	<u>\$1,465,470</u>	<u>14,042</u>		<u>\$1,878,025</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$2,704	\$100		\$2,804
Interfund Payable	8,118	9,665		17,783
Reserve for Payment of Debt Service			398,513	398,513
Deferred Revenue		4,683		4,683
Total Liabilities	<u>\$10,822</u>	<u>14,448</u>		<u>423,783</u>
Fund Balances:				
Reserved for:				
Capital Reserve Account	768,216			768,216
Encumbrances	82,453			82,453
Excess Surplus	113,515			113,515
Excess Surplus - Designated for Subseq. Year's Expenditures	318,772			318,772
Unreserved, Reported in:				
General Fund - Undesignated	171,692			171,692
Special Revenue Fund		(406)		(406)
Total Fund Balances	<u>1,454,648</u>	<u>(406)</u>	-	<u>1,454,242</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>1,465,470</u>	<u>\$14,042</u>		<u>1,878,025</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 \$9,648,225 and the accumulated depreciation is \$1,872,236.	\$7,775,989
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(280,460)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	<u>(11,851,642)</u>
Net assets of governmental activities	<u>(\$2,901,871)</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 4,700,242		\$ 687,338	\$ 5,387,580
Transportation	30,936			30,936
Interest on Capital Reserve	6,097			6,097
Miscellaneous	71,525		125,000	196,525
Total - Local Sources	4,808,800		812,338	5,621,138
State Sources	2,351,378	\$ 8,118	195,757	2,555,253
Federal Sources		173,595		173,595
Total Revenues	7,160,178	181,713	1,008,095	8,349,986
EXPENDITURES				
Current:				
Regular Instruction	1,930,257	177,796		2,108,053
Special Education Instruction	430,561			430,561
Other Special Instruction	333,725			333,725
Support services and undistributed costs:				
Tuition	1,263,773			1,263,773
Student and Instruction Related Services	472,948	3,917		476,865
School Administrative Services	165,243			165,243
Other Administrative Services	372,513			372,513
Plant Operations and Maintenance	550,118			550,118
Pupil Transportation	385,228			385,228
Unallocated Benefits	717,913			717,913
Transfer to Charter School	12,213			12,213
Debt Service:				
Principal			385,000	385,000
Interest and Other Charges			623,095	623,095
Capital Outlay	10,995			10,995
Total Expenditures	6,645,487	181,713	1,008,095	7,835,295
Excess (Deficiency) of Revenues Over Expenditures	514,691	-	-	514,691
Net Change in Fund Balances	514,691	-	-	514,691
Fund Balance—July 1	939,957	(406)	-	939,551
Fund Balance—June 30	\$ 1,454,648	\$ (406)	\$ -	\$ 1,454,242

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 514,691

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Depreciation Expense	\$ (223,245)	
Capital Outlays	<u> -</u>	(223,245)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 385,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which the prior year's amount of interest accrual exceeds the current year's amount. 10,251

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This amount is the amount by which the current year's compensated absence payments exceed the current year's amount earned. (2,425)

Change in Net Assets of Governmental Activities \$ 684,272

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

June 30, 2008

	Business-Type Activities - Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 25,202	\$ 25,202
Accounts Receivable	975	975
Inventories	1,754	1,754
Total Current Assets	<u>27,931</u>	<u>27,931</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	65,900	65,900
Less Accumulated Depreciation	(41,737)	(41,737)
Total Noncurrent Assets	<u>24,163</u>	<u>24,163</u>
Total Assets	<u>52,094</u>	<u>52,094</u>
LIABILITIES		
Current liabilities:		
Accounts Payable	1,105	1,105
Deferred Revenue	1,264	1,264
Total Current Liabilities	<u>2,369</u>	<u>2,369</u>
Total Liabilities	<u>2,369</u>	<u>2,369</u>
NET ASSETS		
Invested in Capital Assets Net of Related Debt	24,163	24,163
Unrestricted	25,562	25,562
Total Net Assets	<u>\$ 49,725</u>	<u>\$ 49,725</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Fund		
	Food Service	Shared Services	Total Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 31,912		\$ 31,912
Daily Sales - Non-Reimbursable Programs	15,359		15,359
Miscellaneous		48,750	48,750
Interest Income	444		444
Total Operating Revenues	47,715	48,750	96,465
Operating Expenses:			
Cost of Sales	41,758		41,758
Salaries	21,172	33,321	54,493
Employee Benefits	5,443	15,068	20,511
Other Purchased Professional Services	12,298	361	12,659
Depreciation	4,393		4,393
Total Operating Expenses	85,064	48,750	133,814
Operating Income (Loss)	(37,349)		(37,349)
Nonoperating Revenues (Expenses):			
Local Sources:			
Stepping Stone School	9,122		9,122
State Sources:			
State School Lunch Program	1,082		1,082
Federal Sources:			
National School Lunch Program	14,488		14,488
Food Distribution Program	6,245		6,245
Total Nonoperating Revenues (Expenses)	30,937		30,937
Income (Loss)	(6,412)		(6,412)
Change in Net Assets	(6,412)		(6,412)
Total Net Assets—Beginning (As Restated)	56,137		56,137
Total Net Assets—Ending	\$ 49,725	\$ -	\$ 49,725

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2008

Business-Type Activities -
Enterprise Funds

	<u>Food Service</u>	<u>Shared Services</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 47,715	\$ 48,750	\$ 96,465
Payments to Employees	(21,172)	(33,321)	(54,493)
Payments for Employee Benefits	(5,443)	(15,068)	(20,511)
Payments to Suppliers	(48,232)	(361)	(48,593)
Net Cash Provided by (used for) Operating Activities	<u>(27,132)</u>	<u>-</u>	<u>(27,132)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Local Sources	13,182		13,182
State Sources	1,081		1,081
Federal Sources	14,559		14,559
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>28,822</u>	<u>-</u>	<u>28,822</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,690	-	1,690
Balances—Beginning of Year	23,512	-	23,512
Balances—End of Year	<u>\$ 25,202</u>	<u>\$ -</u>	<u>\$ 25,202</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating Income (Loss)	\$ (37,349)	\$ -	\$ (37,349)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	4,393		4,393
Federal Commodities	6,245		6,245
(Increase) Decrease in Accounts Receivable, Net	(2,066)		(2,066)
(Increase) Decrease in Inventories	538		538
Increase (Decrease) in Accounts Payable	1,107		1,107
Total Adjustments	<u>10,217</u>		<u>10,217</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (27,132)</u>	<u>\$ -</u>	<u>\$ (27,132)</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

June 30, 2008

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 31,687
Total Assets	<u>31,687</u>
LIABILITIES	
Payroll Deductions and Withholding	5,330
Payable to Student Groups	26,357
Total Liabilities	<u>\$ 31,687</u>
NET ASSETS	

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

Notes to Financial Statements

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2007.

A. Reporting Entity:

The Pohatcong Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Pohatcong Township School District had an approximate enrollment at June 30, 2008, of 370 students.

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

- the organization is legally separate (can sue or be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

District-wide Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's

governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No.34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

General Fund The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

Enterprise (Food Service) Fund The Enterprise Fund accounts for all revenues and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

Additionally, the District reports the following fund type:

Fiduciary Funds The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund and Payroll Agency Fund.

Basis of Accounting

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

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

D. Encumbrance Accounting:

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

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Compensated Absences:

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

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

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues—Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest and tuition.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

The Board has no policy regarding custodial risk for deposits.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2008, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2008, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	\$700,302	\$31,687	\$731,989
Checking Accounts-Debt Service Reserve	398,513		398,513
Checking Accounts-Capital Reserve	768,216		768,216
	<u>\$1,867,031</u>	<u>\$31,687</u>	<u>\$1,898,718</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2008, was \$1,898,718 and the bank balance was \$2,192,463. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$200,000 was covered by federal depository insurances and \$1,992,463 was covered by collateral pool.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3: RECEIVABLES

Receivables at June 30, 2008, consisted of accounts (child care), and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$12,489	\$12,561
Federal Aid	5,924	6,827
Other		
Gross Receivable	18,413	19,388
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$18,413	\$19,388

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2008, consisted of the following:

Food	\$ <u>1,754</u>
------	-----------------

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 5: DEFERRED BOND ISSUANCE COSTS

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 524,300			\$ 524,300
Buildings and Building Improvements	8,906,280			8,906,280
Machinery and Equipment	217,645			217,645
Total at Historical Cost	9,648,225	-	-	9,648,225
Less Accumulated Depreciation for:				
Land Improvements	(222,828)	\$ (26,215)		(249,043)
Building and Improvements	(1,335,942)	(178,126)		(1,514,068)
Equipment	(90,221)	(18,904)		(109,125)
Total Accumulated Depreciation	(1,648,991)	(223,245)		(1,872,236)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	7,999,234	(223,245)	-	7,775,989
Government Activity Capital Assets, Net	\$ 7,999,234	\$ (223,245)	\$ -	\$ 7,775,989

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 151,807
Support - Students	20,092
General Administration	11,162
School Administration	6,697
Business Administration	4,465
Plant and Operations	29,022
Total	\$ 223,245

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2008, are as follows:

	Balance <u>7/1/07</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/08</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$12,060,000		\$ (385,000)	\$11,675,000	\$435,000
Other Liabilities:					
Separation Agreements Payable	118,812			118,812	
Retirement Obligations Payable	41,780	1,880		43,660	
Compensated Absences Payable	13,625	545		14,170	
Total	\$12,234,217	\$2,425	(\$385,000)	\$11,851,642	\$435,000

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

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

For the year ended June 30, 2008, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			
	Issue Dates	Interest Rates	Date of Maturity	Balance 6/30/08
Bonds Payable	7/16/96	5.95%	7/15/2012	\$ 2,380,000
	4/30/98	4.4%-5.25%	7/15/2026	9,295,000
Total Bonds				\$11,675,000

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2008, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 435,000	\$ 599,225	\$ 1,034,225
2010	490,000	572,230	1,062,230
2011	515,000	542,871	1,057,871
2012	565,000	511,261	1,076,261
2013	575,000	477,877	1,052,877
Thereafter	9,095,000	3,328,993	12,423,993
	\$11,675,000	\$ 6,032,457	\$17,707,457

As of June 30, 2008, the District had no authorized but not issued bonds.

Debt Service Reserve - This district maintains a reserve created from the proceeds of the sale of the Shimer and Warren Glen Schools. These proceeds will be used for the retirement of debt service, each year, through the 2013-2014 school year. This reserve was approved on March 30, 2000 by the Assistant Commissioner of the State Board of Education under N.J.S.A 18A:24-57. The balance of the reserve as of June 30, 2008 is \$398,513.

NOTE 8: OPERATING LEASES

The District has commitments to lease copying equipment under operating leases which expire on various dates. Total operating lease payments made during the year ended June 30, 2008, were \$13,062. Future minimum lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2009	\$ 13,062
June 30, 2010	3,266
Total Minimum Lease Payments	\$ 16,328

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9: PENSION PLANS

Description of Plans All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

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

Vesting and Benefit Provisions The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members may seek after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 9: PENSION PLANS (Continued)

Significant Legislation Legislation enacted during the year ended June 30, 1997, (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets.

Contribution Requirements The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2008	\$19,322	100%	-0-
6/30/2007	\$11,386	100%	-0-
6/30/2006	\$5,756	100%	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2008	\$438,907	100%	-0-
6/30/2007	\$452,183	100%	-0-
6/30/2006	\$299,886	100%	-0-

During the fiscal year ended June 30, 2008, the State of New Jersey did contribute \$438,907 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$167,307 during the year ended June 30, 2008, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10: POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2007, there were 75,860 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to 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 by one half of 1% of the active State payroll.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2007.

The State is also responsible for the cost attributable to P.L.1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education of county college with 25 years of service. The State paid \$110.3 million toward Chapter 126 benefits for 11,747 eligible retired members in Fiscal Year 2007.

NOTE 11: DEFERRED COMPENSATION

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

Siracusa - SBP Sun National
John Hancock Signature Services
Lincoln National Life

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12: COMPENSATED ABSENCES

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of retirement within the state pension plan, an employee is reimbursed for accumulated vacation and/or unused sick days. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial employment. The balance at June 30, 2008 is \$14,170.

The District approved separation agreements for various district personnel payable over five years from January 2005 through January 2009. The liability and the balance remaining at June 30, 2008, is \$118,812.

In addition, full time teachers are granted retirement compensation according to their contract of \$200 per year of full time service if they retire with more than 25 years of service. The liability and the balance remaining at June 30, 2008, is \$43,660.

In the district-wide *Statement of Assets*, the liabilities whose average maturities are greater than one year should be reported in two components--the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2008, no liability existed for compensated absences in the proprietary fund types.

NOTE 13: RISK MANAGEMENT

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

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

Joint Insurance Fund - The District participates in the School Alliance Insurance Fund (SAIF) comprised of state-wide boards of education. It was formed July 1, 1996 under the provisions of NJSA 18A:18B-1 et. seq. The group offers its member districts worker's compensation and employer's liability, automobile and equipment liability, general liability and property damage, school board legal liability, and boiler and machinery coverage.

The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies. No contingency or provision has been made in these financial statements, as no deficiencies occurred as of June 30, 2008 for the joint insurance pool. The coverage in this program is shown on exhibit J-20.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

ARBITRAGE REBATE

As part of a major school building program, bonded debt was issued in excess of limits that could require payment of arbitrage rebates as required under applicable provisions of the Internal Revenue Code. Arbitrage reporting and tracking is maintained by the District and estimated future value of such liability, if any, will be determined at completion of the capital project.

LITIGATION

The Board is not involved in claims and lawsuits incidental to its operations.

NOTE 15: FUND BALANCE APPROPRIATED

General Fund - Of the \$1,454,648 General Fund fund balance at June 30, 2008, \$82,453 is reserved for encumbrances; \$432,287 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$318,772 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2009); \$768,216 has been reserved in the Capital Reserve Account; and, \$171,692 is unreserved and undesignated.

NOTE 16: CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A.18A:7F-7, as amended by P.L.2004, c.73 (S1701) the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2008, is \$113,515.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 17: DEFICIT FUND BALANCES

The District has a deficit fund balance of \$406 in the Special Revenue Fund as of June 30, 2008, as reported in the fund statements (modified accrual basis). P.L.2003, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No.33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district can not recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

NOTE 18: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Pohatcong Township School District Board of Education by inclusion of \$1. on October 16, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2007 to June 30, 2008 fiscal year is as follows:

Beginning Balance, July 1, 2008	\$ 162,120
Interest Earnings	6,096
Deposits	600,000
Total Withdrawals (Budgeted)	-
Ending Balance, June 30, 2008	<u>\$ 768,216</u>

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 19: RETROACTIVE RESTATEMENT OF NET ASSETS

Restatement of Prior Period:

As an ongoing process of maintaining records in accordance with GASB#34, the district conducted a physical appraisal of capital assets as of June 30, 2008. The appraisal revealed asset activity that that should be recorded as of June 30, 2007. Accordingly, a restatement of net assets as of June 30, 2007 was necessary.

Governmental Activities Net Assets:

Net Assets (per A-1), June 30, 2007	\$ (2,796,289)
Restatement of Capital Assets	<u>(789,854)</u>
Fund balance (per A-1), June 30, 2007, as Restated	<u>\$ (3,586,143)</u>

Business-Type Activities Net Assets:

Net Assets (per A-1), June 30, 2007	\$ 89,271
Restatement of Capital Assets	<u>(33,134)</u>
Fund balance (per A-1), June 30, 2007, as Restated	<u>\$ 56,137</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,700,242		\$ 4,700,242	\$ 4,700,242	
Transportation	31,000		31,000	30,936	\$ (64)
Interest on Capital Reserve	1,000		1,000	6,097	5,097
Miscellaneous	42,000		42,000	71,525	29,525
Total - Local Sources	<u>4,774,242</u>		<u>4,774,242</u>	<u>4,808,800</u>	<u>34,558</u>
State Sources:					
Core Curriculum Standards Aid	881,330		881,330	881,330	
Transportation Aid	195,239		195,239	195,239	
Special Education Aid	245,024		245,024	245,024	
Stabilization Aid	252,698		252,698	252,698	
Consolidated Aid	59,907		59,907	59,907	
Additional Formula Aid	100,017		100,017	100,017	
Other State Aid				14,328	14,328
TPAF Pension (On-Behalf - Non-Budgeted)				438,907	438,907
TPAF Social Security (Reimbursed - Non-Budgeted)				167,307	167,307
Total State Sources	<u>1,734,215</u>		<u>1,734,215</u>	<u>2,354,757</u>	<u>620,542</u>
TOTAL REVENUES	<u>6,508,457</u>		<u>6,508,457</u>	<u>7,163,557</u>	<u>655,100</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	83,979	500	84,479	84,383	96
Grades 1-5 - Salaries of Teachers	759,767	8,500	768,267	766,950	1,317
Grades 6-8 - Salaries of Teachers	448,775	(9,000)	439,775	435,607	4,168
Regular Programs - Home Instruction:					
Salaries of Teachers	2,380		2,380	102	2,278
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	47,960	(2,114)	45,846	45,846	
Purchased Professional-Educational Services	42,000	(1,194)	40,806	40,805	1
Other Purchased Services (400-500 series)	22,196	9,707	31,903	29,239	2,664
General Supplies	100,000	9,804	109,804	95,948	13,856
Textbooks	15,000	7,307	22,307	18,368	3,939
Other Objects	9,000	8,333	17,333	15,779	1,554
Employee Benefits	445,763		445,763	397,230	48,533
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,976,820	31,843	2,008,663	1,930,257	78,406
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	300,544	(3,806)	296,738	296,738	
Other Salaries for Instruction	14,847		14,847	14,387	460
General Supplies	6,206	989	7,195	6,837	358
Textbooks	1,000	(827)	173	150	23
Other Objects	376	450	826	758	68
Employee Benefits	101,646	10,045	111,691	111,691	
Total Resource Room/Resource Center	424,619	6,851	431,470	430,561	909
TOTAL SPECIAL EDUCATION - INSTRUCTION	424,619	6,851	431,470	430,561	909

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction					
Salaries of Teachers	146,946	4,975	151,921	151,921	
Other Salaries for Instruction	55,204	758	55,962	55,962	
General Supplies	3,654	(951)	2,703	2,703	
Other Objects		11	11	11	
Employee Benefits	117,128		117,128	117,128	
Total Basic Skills/Remedial - Instruction	322,932	4,793	327,725	327,725	
School Sponsored Co/Extra Curricular Activities-Instruction:					
Salaries	9,950		9,950	6,000	3,950
Total School Sponsored Co/Extra Curricular Activities-Instr.	9,950		9,950	6,000	3,950
TOTAL INSTRUCTION	2,734,321	43,487	2,777,808	2,694,543	83,265
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	885,183	(21,090)	864,093	841,947	22,146
Tuition to Other LEAs Within the State-Special	162,126	2,148	164,274	139,058	25,216
Tuition to County Voc. School Dist. - Regular	23,925		23,925	23,925	
Tuition to County Voc. School Dist. - Special	13,000		13,000	9,750	3,250
Tuition to CSSD & Regional Day Schools	283,999	(12,500)	271,499	90,053	181,446
Tuition to Private Schools for the Disabled-Within State	296,574		296,574	159,040	137,534
Tuition to Private Schools for the Disabled-Out of State	29,011		29,011		29,011
Total Instruction	1,693,818	(31,442)	1,662,376	1,263,773	398,603

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	73,203	638	73,841	73,841	
Employee Benefits	20,091		20,091	20,091	
Purchased Professional and Technical Services	3,500		3,500	3,500	
Supplies and Materials	800	2,319	3,119	2,839	280
Other Objects	300	(160)	140	140	
Total Health Services	97,894	2,797	100,691	100,411	280
Other Supp. Services Students-Related Services:					
Salaries	43,094		43,094	43,094	
Purchased Professional - Educational Services	56,050	(1,142)	54,908	46,296	8,612
Supplies and Materials	1,340	618	1,958	1,958	
Total Other Supp. Services Students-Related Services	100,484	(524)	99,960	91,348	8,612
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	135,486	(13,482)	122,004	122,004	
Salaries of Secretarial and Clerical Assistants	23,880		23,880	23,880	
Employee Benefits	41,374		41,374	41,374	
Purchased Professional - Educational Services	2,500	(138)	2,362		2,362
Supplies and Materials	1,550	975	2,525	2,463	62
Other Objects	1,000	(15)	985	219	766
Total Other Supp. Services Students-Special	205,790	(12,660)	193,130	189,940	3,190

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services:					
Purchased Professional - Educational Services	2,000	(3)	1,997		1,997
Supplies and Materials	5,000		5,000	94	4,906
Total Improvement of Instruction Services	7,000	(3)	6,997	94	6,903
Educational Media Services/School Library:					
Salaries	54,001	552	54,553	54,553	
Employee Benefits	20,091		20,091	20,091	
Purchased Professional and Technical Services	2,850	289	3,139	3,139	
Supplies and Materials	4,748	3,069	7,817	4,774	3,043
Total Educational Media Services/School Library	81,690	3,910	85,600	82,557	3,043
Instructional Staff Training Services:					
Salaries of Other Professional Staff	4,000		4,000	(1,000)	5,000
Other Purchased Services (400-500 series)	12,000		12,000	9,352	2,648
Supplies and Materials	850		850	246	604
Total Instructional Staff Training Services	16,850		16,850	8,598	8,252
Supp. Services - General Administration:					
Salaries	162,139	(1,269)	160,870	160,870	
Employee Benefits	40,182		40,182	40,182	
Legal Services	20,000	(6,737)	13,263	10,616	2,647
Audit Fees	11,414	(3,414)	8,000	8,000	
Other Purchased Professional Services	10,000	(2,005)	7,995	4,582	3,413
Communications/Telephone	12,000	(885)	11,115	11,115	
BOE Other Purchased Services	6,200	(142)	6,058	5,691	367
Other Purchased Services (400-500)	25,000	2,513	27,513	26,999	514
General Supplies	2,600		2,600	2,456	144
BOE General Supplies	600	(440)	160	160	
BOE Membership Dues and Fees	8,550	(135)	8,415	8,415	
Total Supp. Services - General Administration	298,685	(12,514)	286,171	279,086	7,085

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	83,600	7,757	91,357	91,357	
Salaries of Secretarial and Clerical Assistants	26,125		26,125	26,125	
Employee Benefits	40,182		40,182	40,182	
Other Purchased Services (400-500 series)	1,000	(587)	413	413	
Supplies and Materials	2,500	178	2,678	2,678	
Other Objects	2,400	2,088	4,488	4,488	
Total Support Services - School Administration	155,807	9,436	165,243	165,243	
Central Services:					
Salaries	80,000	(446)	79,554	79,554	
Employee Benefits	20,091	(11,158)	8,933	8,271	662
Purchased Technical Services	5,000	(1,745)	3,255	3,255	
Supplies and Materials	1,000	(148)	852	852	
Other Objects	2,310	(815)	1,495	1,495	
Total Central Services	108,401	(14,312)	94,089	93,427	662
Required Maintenance for School Facilities:					
Salaries	48,258	1,799	50,057	50,057	
Cleaning, Repair and Maintenance Services	56,400	2,316	58,716	56,636	2,080
General Supplies	10,500	(9,700)	800	800	
Total Required Maintenance for School Facilities	115,158	(5,585)	109,573	107,493	2,080
Other Operations and Maintenance of Plant:					
Salaries	98,027	5,211	103,238	103,238	
Employee Benefits	60,272	(3,200)	57,072	57,024	48
Cleaning, Repair and Maintenance Services	24,450	10,045	34,495	23,455	11,040
Other Purchased Property Services	5,500	(1,400)	4,100	4,100	
Insurance	12,626	(104)	12,522	12,522	
Miscellaneous Purchased Services	1,500	(775)	725	725	
General Supplies	23,388	4,142	27,530	19,987	7,543
Energy (Energy and Electricity)	175,000	46,228	221,228	221,228	
Other Objects	1,000	(654)	346	346	
Total Other Operations and Maintenance of Plant	401,763	59,493	461,256	442,625	18,631

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	16,520	(2,446)	14,074	10,308	3,766
Contracted Services (Between Home and School)-Vendors	250,993	1,768	252,761	252,174	587
Contracted Services (Other than Bet.Home & School)-Vendors	7,000	5,928	12,928	9,124	3,804
Contracted Services (Between Home and School)-Joint Agrmts.	5,250	(5,250)			
Contracted Services (Special Education Students)-Vendors	145,000	(18,000)	127,000	113,622	13,378
Total Student Transportation Services	424,763	(18,000)	406,763	385,228	21,535
UNALLOCATED BENEFITS					
Social Security Contributions	72,000		72,000	70,264	1,736
Unemployment Compensation	10,000	691	10,691	7,684	3,007
Workmen's Compensation	37,000	(1,662)	35,338	28,378	6,960
Tuition Reimbursement	21,063	(13,529)	7,534	5,373	2,161
TOTAL UNALLOCATED BENEFITS	140,063	(14,500)	125,563	111,699	13,864

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension Contrib. (non-budgeted)				438,907	(438,907)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				167,307	(167,307)
TOTAL ON-BEHALF CONTRIBUTIONS				606,214	(606,214)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	140,063	(14,500)	125,563	717,913	(592,350)
TOTAL UNDISTRIBUTED EXPENDITURES	3,848,166	(33,904)	3,814,262	3,927,736	(113,474)
TOTAL GENERAL CURRENT EXPENSE	6,582,487	9,583	6,592,070	6,622,279	(30,209)
CAPITAL OUTLAY					
Administration:					
Undistributed Expenditures-General Admin.		18,800	18,800	4,600	14,200
Total Administration Equipment		18,800	18,800	4,600	14,200
Equipment:					
Undistributed Expenditures-Instructional Equipment-Grade 1-5					
Undistributed Expenditures-Instructional Equipment-Grade 6-8		24,515	24,515	6,395	18,120
Total Equipment		24,515	24,515	6,395	18,120
Facilities Acquisition and Construction:					
Other Purchased Prof. and Tech. Services	75,000		75,000		75,000
Construction Services	225,000		225,000		225,000
Total Facilities Acquisition and Construction	300,000		300,000		300,000
TOTAL CAPITAL OUTLAY	300,000	43,315	343,315	10,995	332,320
Transfer to Charter School	8,953	3,260	12,213	12,213	
TOTAL EXPENDITURES	6,891,440	56,158	6,947,598	6,645,487	302,111

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(382,983)	56,158	(439,141)	518,070	957,211
Fund Balance, July 1	1,019,076		1,019,076	1,019,076	
Fund Balance, June 30	<u>\$ 636,093</u>	<u>\$ 56,158</u>	<u>\$ 579,935</u>	<u>\$ 1,537,146</u>	<u>\$ 957,211</u>
Recapitulation:					
Capital Reserve				\$768,216	
Encumbrances				82,453	
Excess Surplus				113,515	
Excess Surplus - Designated for Subseq. Year's Expenditures				318,772	
Unrestricted Fund Balance				<u>254,190</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				1,537,146	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Current Year Last State Aid Payment not recognized on GAAP basis until received				(82,498)	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$1,454,648</u>	

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2008

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
State Sources	\$ 8,118	-	\$ 8,118	\$ 8,118	\$ -
Federal Sources	127,154	\$ 47,196	174,350	174,350	-
Total Revenues	135,272	47,196	182,468	182,468	-
EXPENDITURES:					
Instruction					
Salaries of Teachers	43,716	6,313	50,029	50,029	
Purchased Professional and Technical Services		14,906	14,906	14,906	
Tuition	91,556	19,513	111,069	111,069	
General Supplies		1,792	1,792	1,792	
Other Objects		3,783	3,783	3,783	
Total Instruction	135,272	46,307	181,579	181,579	
Support Services					
Purchased Professional Services		889	889	889	
Total Support Services		889	889	889	
Total Expenditures	135,272	47,196	182,468	182,468	
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)					
				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2008

**Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,163,557	\$ 182,468
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	3,028
Current Year	N/A	(3,783)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	79,119	406
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(82,498)</u>	<u>(406)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 7,160,178</u>	<u>\$ 181,713</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 6,645,487	\$ 182,468
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 <i>financial reporting</i> purposes.		
Prior Year	N/A	3,028
Current Year	N/A	(3,783)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>N/A</u>	<u>N/A</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 6,645,487</u>	<u>\$ 181,713</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2008

	Title I	Title II Part A	Title II Part D	Title I V	Title V	IDEA Basic	IDEA Preschool	REAP	Instructional Supp. Aid	Totals
REVENUES										
State Sources									\$ 8,118	\$ 8,118
Federal Sources	\$ 15,497	\$ 16,345	\$ 114	\$ 1,044	\$ 445	\$ 107,904	\$ 3,165	\$ 29,836		174,350
TOTAL REVENUES	15,497	16,345	114	1,044	445	107,904	3,165	29,836	8,118	182,468
EXPENDITURES:										
Instruction:										
Salaries of Teachers	14,722	16,345						10,844	8,118	50,029
Purchased Profess. & Tech. Serv.								14,906		14,906
Tuition						107,904	3,165			111,069
General Supplies				1,044	445			303		1,792
Other Objects								3,783		3,783
Total Instruction	14,722	16,345	-	1,044	445	107,904	3,165	29,836	8,118	181,579
Support Services:										
Purchased Profess. Serv.	775		114							889
Total Support Services	775	-	114	-	-	-	-	-	-	889
TOTAL EXPENDITURES	\$ 15,497	\$ 16,345	\$ 114	\$ 1,044	\$ 445	\$ 107,904	\$ 3,165	\$ 29,836	\$ 8,118	\$ 182,468
Total Outflows	\$ 15,497	\$ 16,345	\$ 114	\$ 1,044	\$ 445	\$ 107,904	\$ 3,165	\$ 29,836	\$ 8,118	\$ 182,468
Excess (Deficiency) of Revenues Over (Under) Expenditures										

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit E-5

**SPECIAL REVENUE FUND
INSTRUCTIONAL SUPPLEMENTAL AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2008

	<u>Total</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 8,118	\$ 8,118	\$ -
Total Instruction	<u>8,118</u>	<u>8,118</u>	<u>-</u>
Support Services:			
Purchased Professional - Educational Services	-	-	-
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>8,118</u>	<u>8,118</u>	

CALCULATION OF BUDGET AND CARRYOVER

Total Revised 2007-2008 Instructional Supplemental Aid Allocation	\$8,118
Actual Instructional Supplemental Aid Carryover (June 30, 2007)	
Total Instructional Supplemental Aid Available for 2007-2008 Budget	<u>8,118</u>
Less: 2007-2008 Budgeted Instructional Supplemental Aid (Including prior year budgeted carryover)	<u>8,118</u>
Available and Unbudgeted ISA Funds as of June 30, 2008	NONE
Add: 2007-2008 Unexpended ISA	<u>NONE</u>
2007-2008 Actual Carryover - ISA	<u>NONE</u>
2007-2008 ISA Carryover Budgeted in 2008-2009	<u>NONE</u>

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

THE DISTRICT HAS NO ACTIVE CAPITAL PROJECTS AS OF JUNE 30, 2007

<p style="text-align: center;">PROPRIETARY FUND DETAIL STATEMENTS</p>
--

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

Food Services Fund - This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>
--

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

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund - This agency fund is used to account for student funds held at the schools.

Payroll Fund - This agency fund is used to account for the payroll transactions of the school district.

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
ASSETS:			
Cash and Cash Equivalents	<u>\$26,357</u>	<u>\$5,330</u>	<u>\$31,687</u>
TOTAL ASSETS	<u>\$26,357</u>	<u>\$5,330</u>	<u>\$31,687</u>
LIABILITIES:			
Liabilities:			
Payroll Deductions & Withholdings		\$5,330	\$5,330
Payable to Student Groups	<u>\$26,357</u>		<u>26,357</u>
Total Liabilities	<u>\$26,357</u>	<u>\$5,330</u>	<u>\$31,687</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$26,357</u>	<u>\$5,330</u>	<u>\$31,687</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<u>ACTIVITY</u>	<u>BALANCE</u> <u>July 1, 2007</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
Pohatcong Elementary School	\$ 24,414	40,930	38,987	26,357
TOTALS	\$ 24,414	\$ 40,930	\$ 38,987	\$ 26,357

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>BALANCE</u> July 1, 2007	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> JUNE 30, 2008
ASSETS:				
Cash and Cash Equivalents	\$ 86	\$ 3,038,820	\$ 3,033,576	\$ 5,330
Total Assets	<u>\$ 86</u>	<u>\$ 3,038,820</u>	<u>\$ 3,033,576</u>	<u>\$ 5,330</u>
LIABILITIES:				
Payroll Deductions & Withholdings		\$ 3,038,292	\$ 3,033,576	\$ 4,716
Imprest Balance	\$ 86	528		614
Total Liabilities	<u>\$ 86</u>	<u>\$ 3,038,820</u>	<u>\$ 3,033,576</u>	<u>\$ 5,330</u>

LONG-TERM DEBT SCHEDULES

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2008**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2007</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2008</u>
Construction of School	7/16/96	\$12,900,000	7/15/2008	\$ 400,000	5.95%	\$ 2,730,000	\$ 350,000	\$ 2,380,000
			7/15/2009	\$ 450,000	5.95%			
			7/15/2010	\$ 475,000	5.95%			
			7/15/2011	\$ 525,000	5.95%			
			7/15/2012	\$ 530,000	5.95%			
Construction of School	4/30/98	9,690,000	7/15/2008	35,000	4.500%	9,330,000	35,000	9,295,000
			7/15/2009	40,000	4.600%			
			7/15/2010	40,000	4.600%			
			7/15/2011	40,000	4.700%			
			7/15/2012	45,000	4.700%			
			7/15/2013	610,000	4.850%			
			7/15/2014	635,000	4.850%			
			7/15/2015	640,000	4.875%			
			7/15/2016	635,000	4.875%			
			7/15/2017	655,000	4.875%			
			7/15/2018	650,000	5.000%			
			7/15/2019	645,000	5.000%			
			7/15/2020	640,000	5.200%			
			7/15/2021	660,000	5.200%			
			7/15/2022	660,000	5.200%			
			7/15/2023	655,000	5.250%			
			7/15/2024	650,000	5.250%			
7/15/2025	670,000	5.250%						
7/15/2026	690,000	5.250%						
Total						<u>\$ 12,060,000</u>	<u>\$ 385,000</u>	<u>\$ 11,675,000</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 687,338		\$ 687,338	\$ 687,338	
Miscellaneous	125,000	-	125,000	125,000	
	<u>812,338</u>	<u>-</u>	<u>812,338</u>	<u>812,338</u>	
State Sources:					
Debt Service Aid Type II	195,757		195,757	195,757	
Total - State Sources	<u>195,757</u>		<u>195,757</u>	<u>195,757</u>	
TOTAL REVENUES	<u>1,008,095</u>		<u>1,008,095</u>	<u>1,008,095</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	623,095		623,095	623,095	
Redemption of Principal	385,000		385,000	385,000	
Total Regular Debt Service	<u>1,008,095</u>		<u>1,008,095</u>	<u>1,008,095</u>	
TOTAL EXPENDITURES	<u>1,008,095</u>		<u>1,008,095</u>	<u>1,008,095</u>	
Fund Balance, July 1					
Fund Balance, June 30					
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

Pohatcong Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	59-64
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	65-68
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	69-72
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	73-74
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	75-79

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.

Pohatcong Township School District
Net Assets by Component,
Last Ten Fiscal Years *
(accrual basis of accounting)

Exhibit J-1

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities					
Invested in capital assets, net of related debt	\$(3,635,136)	\$(3,581,369)	\$(3,506,892)	\$(3,270,912)	\$(3,899,011)
Restricted	531,451	823,422	598,600	480,892	1,200,503
Unrestricted	64,996	203,013	36,966	(6,269)	(203,363)
Total governmental activities net assets	<u><u>\$(3,038,689)</u></u>	<u><u>\$(2,554,934)</u></u>	<u><u>\$(2,871,326)</u></u>	<u><u>\$(2,796,289)</u></u>	<u><u>\$(2,901,871)</u></u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 130,270	\$ 89,410	\$ 75,550	\$ 61,690	\$ 24,163
Restricted	-	-	-	-	-
Unrestricted	14,055	16,518	22,488	27,581	25,562
Total business-type activities net assets	<u><u>\$ 144,325</u></u>	<u><u>\$ 105,928</u></u>	<u><u>\$ 98,038</u></u>	<u><u>\$ 89,271</u></u>	<u><u>\$ 49,725</u></u>
District-wide					
Invested in capital assets, net of related debt	\$(3,504,866)	\$(3,491,959)	\$(3,431,342)	\$(3,209,222)	\$(3,874,848)
Restricted	531,451	823,422	598,600	480,892	1,200,503
Unrestricted	79,051	219,531	59,454	21,312	(177,801)
Total district net assets	<u><u>\$(2,894,364)</u></u>	<u><u>\$(2,449,006)</u></u>	<u><u>\$(2,773,288)</u></u>	<u><u>\$(2,707,018)</u></u>	<u><u>\$(2,852,146)</u></u>

Source: CAFR Schedule A-1

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

Pohatcong Township School District
Changes in Net Assets, Last Ten Fiscal Years *
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities					
Instruction					
Regular	\$ 2,073,576	\$ 2,101,641	\$ 2,112,985	\$ 2,541,060	\$ 2,628,409
Special education	686,747	668,273	654,520	512,242	497,823
Other special education	190,309	245,682	255,524	352,074	385,859
Support Services:					
Tuition	1,621,149	1,754,973	1,692,464	1,444,815	1,263,773
Student & instruction related services	516,716	543,550	515,965	535,798	574,591
General administrative services	351,956	272,030	470,070	475,095	448,775
School administrative services	163,064	367,599	156,918	172,962	198,800
Plant operations and maintenance	527,130	489,139	487,639	616,170	669,612
Pupil transportation	314,902	373,295	349,295	358,918	385,228
Other Support Services	114,275				
Interest on long-term debt	691,748	678,555	662,469	635,085	612,844
Total governmental activities expenses	<u>7,251,572</u>	<u>7,494,737</u>	<u>7,357,849</u>	<u>7,644,219</u>	<u>7,665,714</u>
Business-type activities:					
Food service	106,511	109,181	99,245	90,560	85,064
Total business-type activities expense	<u>106,511</u>	<u>109,181</u>	<u>99,245</u>	<u>90,560</u>	<u>85,064</u>
Total district expenses	<u>\$ 7,358,083</u>	<u>\$ 7,603,918</u>	<u>\$ 7,457,094</u>	<u>\$ 7,734,779</u>	<u>\$ 7,750,778</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Transportation			30,911	30,867	30,936
Operating grants and contributions	440,263	440,263	442,766	2,636,248	2,728,848
Capital grants and contributions					
Total governmental activities program revenues	<u>440,263</u>	<u>440,263</u>	<u>473,677</u>	<u>2,667,115</u>	<u>2,759,784</u>

Pohatcong Township School District
Changes in Net Assets, Last Ten Fiscal Years *
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,				
	2004	2005	2006	2007	2008
Business-type activities:					
Charges for services					
Food service	69,574	70,856	60,681	52,689	47,271
Operating grants and contributions	24,716	26,558	30,309	28,528	30,937
Capital grants and contributions	-	-	-	-	-
Total business type activities program revenues	<u>94,290</u>	<u>97,414</u>	<u>90,990</u>	<u>81,217</u>	<u>78,208</u>
Total district program revenues	<u>\$ 534,553</u>	<u>\$ 537,677</u>	<u>\$ 564,667</u>	<u>\$ 2,748,332</u>	<u>\$ 2,837,992</u>
Net (Expense)/Revenue					
Governmental activities	\$ (6,811,309)	\$ (7,054,474)	\$ (6,884,172)	\$ (4,977,104)	\$ (4,905,930)
Business-type activities	(12,221)	(11,767)	(8,255)	(9,343)	(6,856)
Total district-wide net expense	<u>\$ (6,823,530)</u>	<u>\$ (7,066,241)</u>	<u>\$ (6,892,427)</u>	<u>\$ (4,986,447)</u>	<u>\$ (4,912,786)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 3,899,664	\$ 3,913,278	\$ 4,269,582	\$ 4,489,308	\$ 4,700,242
Taxes levied for debt service	687,641	717,379	744,081	732,648	687,338
Unrestricted grants and contributions	1,917,619	1,990,047	2,026,932	-	-
Investment earnings	12,148	28,466	42,542	66,801	53,829
Miscellaneous income	109,988	76,458	62,800	62,975	148,793
Transfers	-	-	(8,305)	-	-
Total governmental activities	<u>6,627,060</u>	<u>6,725,628</u>	<u>7,137,632</u>	<u>5,351,732</u>	<u>5,590,202</u>
Business-type activities:					
Investment earnings	153	370	365	576	444
Total business-type activities	<u>153</u>	<u>370</u>	<u>365</u>	<u>576</u>	<u>444</u>
Total district-wide	<u>\$ 6,627,213</u>	<u>\$ 6,725,998</u>	<u>\$ 7,137,997</u>	<u>\$ 5,352,308</u>	<u>\$ 5,590,646</u>
Change in Net Assets					
Governmental activities	\$ (184,249)	\$ (328,846)	\$ 253,460	\$ 374,628	\$ 684,272
Business-type activities	(12,068)	(11,397)	(7,890)	(8,767)	(6,412)
Total district	<u>\$ (196,317)</u>	<u>\$ (340,243)</u>	<u>\$ 245,570</u>	<u>\$ 365,861</u>	<u>\$ 677,860</u>

Source: CAFR Schedule A-2

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years ***
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund					
Reserved	\$ 511,538	\$ 192,515	\$ 578,112	\$ 766,033	\$ 1,282,956
Unreserved	274,745	443,329	184,413	173,924	171,692
Total general fund	<u>\$ 786,283</u>	<u>\$ 635,844</u>	<u>\$ 762,525</u>	<u>\$ 939,957</u>	<u>\$ 1,454,648</u>
All Other Governmental Funds					
Reserved					-
Unreserved, reported in:					
Special revenue fund	(406)	(406)	(406)	(406)	(406)
Capital projects fund	92,076	-	-	-	-
Debt service fund	5,414	1,736	1,216	-	-
Permanent fund	-	-	-	-	-
Total all other governmental funds	<u>97,084</u>	<u>1,330</u>	<u>810</u>	<u>(406)</u>	<u>(406)</u>

Source: CAFR Schedule B-1

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years ***

Exhibit J-4

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues					
Tax levy	\$ 4,587,305	\$ 4,630,657	\$ 5,013,663	\$ 5,221,956	\$ 5,387,580
Transportation Charges		-	30,910	30,867	30,936
Interest on Investments	12,148	28,465	42,542	-	
Miscellaneous	109,988	633,732	62,800	129,776	202,622
State sources	2,226,762	2,287,223	2,331,293	2,488,164	2,555,253
Federal sources	131,121	143,087	138,405	148,083	173,595
Total revenue	7,067,324	7,723,164	7,619,613	8,018,846	8,349,986
Expenditures					
Instruction					
Regular Instruction	1,254,432	1,286,914	1,697,342	1,971,428	2,108,053
Special education instruction	483,106	471,668	585,128	442,553	430,561
Other special instruction	122,617	165,055	220,603	304,175	333,725
Other instruction					-
Support Services:					
Tuition	1,621,149	1,754,973	1,692,464	1,444,815	1,263,773
Student & instruction related services	352,609	361,588	426,399	439,414	476,865
School Administrative services	90,982	97,155	139,240	141,601	165,243
General administrative services	246,752	246,668	296,982	392,190	372,513
Plant operations and maintenance	361,051	363,495	537,765	498,412	550,118
Pupil transportation	314,902	373,295	349,295	358,918	385,228
Unallocated employee benefits	1,102,901	1,197,462	530,868	695,539	717,913
Other Support Services	80,081	84,269			
Charter Schools			8,305	12,640	12,213
Capital outlay	80,878	72,988	41,592	161,981	10,995
Debt service:					
Principal	210,000	255,000	305,000	335,000	385,000
Interest and other charges	691,747	678,555	662,469	643,964	623,095
Total expenditures	7,013,207	7,409,085	7,493,452	7,842,630	7,835,295
Excess (Deficiency) of revenues over (under) expenditures	54,117	314,079	126,161	176,216	514,691
Other Financing Sources (uses)					
Capital Leases					
Proceeds of Refunding Bonds					
Payment to Refunded Bond Escrow					
Transfers in	71,728	93,292	-	-	-
Transfers out	(71,728)	(93,292)	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	\$ 54,117	\$ 314,079	\$ 126,161	\$ 176,216	\$ 514,691
Debt service as a percentage of noncapital expenditures	13.0%	12.7%	13.0%	12.7%	12.9%

Source: CAFR Schedule B-2

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

POHATCONG TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Escrow</u> <u>Transfer</u>	<u>Classroom</u> <u>Rental</u>	<u>Miscellaneous</u>	<u>Total</u>
2004	\$ 69,055	\$ 39,000		\$ 1,933	\$ 109,988
2005	\$ 19,300	\$ 30,000		\$ 27,158	\$ 76,458
2006	\$ 27,800	\$ 35,000			\$ 62,800
2007	\$ 59,079		\$ 7,650	\$ 325	\$ 67,054
2008					\$ -

SOURCE: District Records

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years ***

Exhibit J-6

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2005	\$5,522,800	\$200,387,200	\$27,243,600	\$2,660,725	\$95,431,300	\$5,636,800	\$563,600	\$365,835,240	\$27,506,400	\$882,815	\$338,328,840	\$1.380	\$335,224,736
2006	5,290,800	202,748,700	26,929,200	2,571,800	95,142,800	5,636,800	399,300	367,256,800	27,750,100	787,300	339,506,700	1.480	379,482,983
2007	4,758,600	203,488,900	26,503,100	2,604,170	95,385,400	5,636,800	399,300	367,616,162	28,195,800	644,092	339,420,362	1.540	409,464,529
2008	6,702,800	203,357,900	27,282,400	2,566,920	91,385,400	5,636,800	399,300	366,515,167	28,535,500	648,147	337,979,667	1.596	460,802,224

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years ***

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Pohatcong Township School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Township	Warren County	
2005	\$1.170	\$0.210	\$1.380	\$0.690	\$0.660	\$2.730
2006	\$1.260	\$0.220	\$1.480	\$0.760	\$0.720	\$2.960
2007	\$1.270	\$0.270	\$1.540	\$0.810	\$0.760	\$3.110
2008	\$1.393	\$0.203	\$1.596	\$0.859	\$0.835	\$3.290

Source: District Records and Municipal Tax Collector

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5%, whichever is greater, plus any spending growth adjustments.

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

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

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Principal Property Tax Payers
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Crown America	\$ 39,860,400	1	11.79%	\$ 32,447,000	1	14.53%
National Realty Dev. Co. (Pohatcong Plaza)	31,984,300	2	9.46%			2.57%
Pohatcong Associates	4,318,850	3	1.28%	4,084,700	3	1.83%
Baer Associates	3,255,800	4	0.96%	3,361,300	4	1.51%
Columbia Gas Transmission Corp.	2,262,100	5	0.67%	1,838,100	5	0.82%
R & F Phillipsburg, LLC	1,641,300	6	0.49%	1,138,500	6	0.51%
Peter Kassis	1,468,500	7	0.43%			
Durling Realty, LLC	1,266,200	8	0.37%	554,200	7	0.25%
Peter P. Dennis Inc.	847,200	9	0.25%	754,700	8	0.34%
Quagmeyer Two LLC	705,000	10	0.21%			
Rodman & Vince Ryan				590,440	9	0.26%
Alba Vino Vineyards				440,400	10	0.20%
Total	\$ 87,609,650		25.91%	\$ 45,209,340		22.82%

Source: District CAFR & Municipal Tax Assessor

**Pohatcong Township School District
Property Tax Levies and Collections,
Last Ten Fiscal Years ***

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	\$ 4,630,657	\$ 4,630,657	100.00%	-
2006	\$ 5,013,663	\$ 5,013,663	100.00%	-
2007	\$ 5,221,956	\$ 5,221,956	100.00%	-
2008	\$ 5,387,580	\$ 5,387,580	100.00%	-

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

Note:

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

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years ***

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2004	\$ 13,955,000	-0-	-0-	-0-	-0-	\$ 13,955,000	11.63%	\$3,779.00	
2005	\$ 12,700,000	-0-	-0-	-0-	-0-	\$ 12,700,000	10.30%	\$3,713.45	
2006	\$ 12,395,000	-0-	-0-	-0-	-0-	\$ 12,395,000	9.78%	\$3,633.83	
2007	\$ 12,060,000	-0-	-0-	-0-	-0-	\$ 12,060,000	9.30%	\$3,607.54	
2008	\$ 11,675,000	-0-	-0-	-0-	-0-	\$ 11,675,000	9.00%	\$3,492.37	

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

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years ***

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2004	\$ 13,955,000	-0-	\$ 13,955,000	3.83%	\$ 3,779
2005	\$ 12,700,000	-0-	\$ 12,700,000	3.75%	\$ 3,713
2006	\$ 12,395,000	-0-	\$ 12,395,000	3.65%	\$ 3,634
2007	\$ 12,060,000	-0-	\$ 12,060,000	3.55%	\$ 3,608
2008	\$ 11,675,000	-0-	\$ 11,675,000	3.45%	\$ 3,492

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

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

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

* Current data unavailable

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2008**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Pohatcong Township	\$4,658,284	100.000%	\$4,658,284
Other debt Warren County	\$12,210,000	3.604%	<u>440,072</u>
Subtotal, overlapping debt			5,098,356
Pohatcong Township School District Direct Debt			<u>11,675,000</u>
Total direct and overlapping debt			<u><u>\$ 16,773,356</u></u>

Sources: Constituent Townships Finance Officers, Warren County Finance Office and Utility Authorities

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

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

**Pohatcong Township School District
 Legal Debt Margin Information,
 Last Ten Fiscal Years ***

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2008

	Equalized valuation basis	
	2005	\$ 406,674,751
	2006	459,981,358
	2007	489,880,221
	[A]	<u>\$ 1,356,536,330</u>
Average equalized valuation of taxable property	[A/3]	\$ 452,178,777
Debt limit (3 % of average equalization value)	[B]	13,565,363
Net bonded school debt	[C]	<u>11,675,000</u>
Legal debt margin	[B-C]	<u>\$ 1,890,363</u>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$9,067,747	\$10,022,154	\$12,982,449	\$12,419,715	\$13,565,363
Total net debt applicable to limit	<u>12,955,000</u>	<u>12,700,000</u>	<u>12,395,000</u>	<u>12,060,000</u>	<u>11,675,000</u>
Legal debt margin	<u>(\$3,887,253)</u>	<u>(\$2,677,846)</u>	<u>\$587,449</u>	<u>\$359,715</u>	<u>\$1,890,363</u>
Total net debt applicable to the limit as a percentage of debt limit	142.87%	126.72%	95.48%	97.10%	86.06%

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

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

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years ****

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2004	3,387	\$120,034,848	\$33,761 R	8.0%
2005	3,372	\$123,345,720	\$34,951 R	5.9%
2006	3,364	\$126,711,828	\$36,466 R	5.8%
2007	3,343	\$129,681,656	\$38,792 R	3.4%
2008	3,343	* \$129,681,656	\$38,792 *	3.4%

Source:

^a Combined Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by NJ Dept of Labor

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

R =Revised

* Current figure unavailable

** - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Principal Employers,
Current Year and Nine Years Ago**

Exhibit J-15

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
		N/A			N/A	
	<u>-</u>		<u>0.00%</u>	<u>-</u>		<u>0.00%</u>

Source:
Information not available at municipal or county level

**Pohatcong Township School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years ***

Exhibit J-16

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Instruction					
Regular	21	21	20	20	21
Special education	5	5	6	6	7
Support Services:					
Student & instruction related services	11	14	13	13	13
General administrative services	2	2	2	2	2
School administrative services	2	2	2	2	2
Central services	1	1	1	1	1
Plant operations and maintenance	3	3	3	3	3
Total	<u>45</u>	<u>48</u>	<u>47</u>	<u>47</u>	<u>49</u>

Source: District Personnel Records

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

Pohatcong Township School District
 Operating Statistics
 Last Ten Fiscal Years **

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2004	379	5,887,263	15,533	6.30%	45.00	13.5:1		353	353	-1.87%	96.00%
2005	377	6,244,600	16,564	6.20%	48.00	13.2:1		356	356	-3.50%	96.00%
2006	371	6,417,052	17,297	4.20%	47.00	12.5:1		351	351	-1.40%	100.00%
2007	378	6,701,685	17,729	2.50%	47.00	12.5:1		374	374	6.55%	100.00%
2008	370	6,816,205	18,422	3.91%	49.00	12.5:1		365	365	-2.41%	100.00%

Sources: District records, ASSA and Schedules J-4.

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

* Addition of new middle school

** - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
School Building Information
Last Five Fiscal Years**

Exhibit J-18

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>District Building</u>					
<u>Elementary</u>					
Pohatcong Elementary (1999)					
Square Feet	89,074	89,074	89,074	89,074	89,074
Capacity (students)	731	731	731	731	731
Enrollment	379	377	371	380	370

Number of Schools at June 30, 2008
Elementary = 1

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of renovations and/or additions. Enrollment is based on the annual October district count.

Pohatcong Township School District

GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Five Fiscal Years Ending June 30, 2008

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
Pohatcong Township School	040	\$ 86,177	\$ 80,729	\$ 84,957	\$ 96,759	\$ 107,493	\$ 456,115
Grand Total		\$ 86,177	\$ 80,729	\$ 84,957	\$ 96,759	\$ 107,493	\$ 456,115

POHATCONG TOWNSHIP SCHOOL DISTRICT

**INSURANCE SCHEDULE
JUNE 30, 2008
UNAUDITED**

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMMERCIAL PACKAGE POLICY - School Alliance Insurance fund		
Property-Blanket Building and Contents (fund limit)	\$ 6,800,000	\$ 500
Accounts Receivable	300,000	1,000
Automobile Physical Damage	In Blanket Limit	500
Builder's Risk	5,000,000	1,000
Fine Arts	300,000	1,000
LIABILITY - School Alliance Insurance Fund		
Comprehensive General Liability	5,000,000	None
Automobile Liability	5,000,000	None
Employee Benefit Liability	5,000,000	1,000
SCHOOL BOARD LEGAL LIABILITY - School Alliance Insurance Fund		
(ACE) - Limit of Liability	5,000,000	None
CRIME - School Alliance Insurance Fund		
Blanket Employee Dishonesty	100,000	1,000
Forgery	50,000	1,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET POSITION BOND-Selective Insurance Company		
Treasurer	170,000	
ENVIRONMENTAL SERVICE - School Alliance Insurance Fund		
Pollution Liability	1,000,000	10,000

SOURCE: District Records

Single Audit Section



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

18 South Ninth Street, Suite 101
 Stroudsburg, Pennsylvania 18360-1630
 570-424-5192 Fax: 610-847-8242

Anthony Ardito, CPA, RMA, CMFO, PSA
 Douglas R. Williams, CPA, RMA, PSA
 Anthony F. Ardito, PA, RMA, 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 Education
 Pohatcong Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

We have audited the financial statements of the Board of Education of the Pohatcong Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated August 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; 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 the Pohatcong Township School Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pohatcong Township School Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pohatcong Township School Board of Education's internal control over financial reporting.

-Continued-

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pohatcong Township School District 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 the Division of Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Pohatcong Township School District Board of Education, 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.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: August 10, 2008



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

Honorable President and
 Members of the Board of Education
 Pohatcong Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

Compliance

We have audited the compliance of the Pohatcong Township School District in the County of Warren, State of New Jersey, with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that are applicable to each of its major state programs for the fiscal year ended June 30, 2008. The Pohatcong Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Pohatcong Township School District Board of Education's management. Our responsibility is to express an opinion on the Pohatcong Township School District Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the Pohatcong Township School District Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Pohatcong Township School District Board of Education's compliance with those requirements.

-Continued-

In our opinion the Board of Education of the Pohatcong Township School District, in the County of Warren, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended June 30, 2008.

Internal Control Over Financial Reporting

The management of the Board of Education of the Pohatcong Township School District 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 the Pohatcong Township School Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pohatcong Township School Board of Education's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. The Pohatcong Township School Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Pohatcong Township School District Board of Education, 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.



Licensed Public School Accountant No.2369
ARDITO & CO., LLP

Date: August 10, 2008

Pohatcong Township School District

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ended June 30, 2008

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2007	WALKOVER/ CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	REPAY. OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2008			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
STATE DEPARTMENT OF EDUCATION															
General Fund:															
Core Curriculum Standards Aid	08-495-034-5120-022	7/1/07-6/30/08	\$ 881,330			\$ 881,330	\$ (881,330)							* \$ 41,926	\$ 881,330
Transportation Aid	08-495-034-5120-014	7/1/07-6/30/08	195,239			195,239	(195,239)							* 9,288	195,239
Special Education Aid	08-495-034-5120-011	7/1/07-6/30/08	245,024			245,024	(245,024)							* 11,656	245,024
Stabilization Aid	08-495-034-5120-038	7/1/07-6/30/08	252,698			252,698	(252,698)							* 12,021	252,698
Consolidated Aid	08-495-034-5120-057	7/1/07-6/30/08	59,907			59,907	(59,907)							* 2,849	59,907
Additional Formula Aid	08-495-034-5120-058	7/1/07-6/30/08	100,017			100,017	(100,017)							* 4,758	100,017
Extra-ordinary Aid	07-495-034-5095-057	7/1/06-6/30/07	6,692			6,692	(6,692)								6,692
Extra-ordinary Aid	08-495-034-5095-057	7/1/07-6/30/08	4,190				(4,190)			\$ (4,190)					
Non-Public Transportation Aid	07-100-034-5120-068	7/1/06-6/30/07		\$ (3,043)		3,043									
Reimbursed TPAF Pension Contrib.	08-495-034-5095-001	7/1/07-6/30/08	438,907			438,907	(438,907)								438,907
Reimbursed TPAF Soc. Secur. Contrib.	08-495-034-5095-002	7/1/07-6/30/08	167,307			166,338	(167,307)				(8,299)				167,307
Total General Fund				<u>(10,373)</u>		<u>2,349,195</u>	<u>(2,351,311)</u>				<u>(12,489)</u>			* <u>82,498</u>	<u>2,347,121</u>
Special Revenue Fund:															
Instructional Supplement Aid	08-495-034-5120-029	7/1/07-6/30/08	8,118			8,118	(8,118)							* 406	8,118
Total Special Revenue Fund				<u>-</u>	<u>-</u>	<u>8,118</u>	<u>(8,118)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	* <u>406</u>	<u>8,118</u>
Debt Service Fund:															
Debt Service Aid Type 2	08-100-034-5120-125	7/1/07-6/30/08	195,757			195,757	(195,757)								195,757
Enterprise Fund:															
Nat. School Lunch Prog. (State Share)	07-100-010-3350-023	7/1/06-6/30/07		(72)		72									
Nat. School Lunch Prog. (State Share)	08-100-010-3350-023	7/1/07-6/30/08	1,082			1,010	(1,082)				(72)				1,082
Total Enterprise Fund				<u>(72)</u>		<u>1,082</u>	<u>(1,082)</u>				<u>(72)</u>			* <u>1,082</u>	<u>1,082</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>\$ (10,445)</u>	<u>\$ -</u>	<u>\$ 2,554,152</u>	<u>\$ (2,556,268)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,561)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	* <u>\$ 82,904</u>	<u>\$ 2,552,078</u>

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2008

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Board of Education, Pohatcong Township School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditure of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$3,379) for the general fund and 0- for the special revenue fund. See Exhibit C-3 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:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2008

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,351,378	\$ 2,351,378
Special Revenue Fund	\$ 173,595	8,118	181,713
Debt Service Fund		195,757	195,757
Food Service Fund	<u>20,733</u>	<u>1,082</u>	<u>21,815</u>
Total Financial Assistance	<u>\$ 194,328</u>	<u>\$ 2,556,335</u>	<u>\$ 2,750,663</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2008. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2008.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Part I - Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Unqualified

- B) Internal control over financial reporting:
 - 1) Material weakness(es) identified? ___ Yes x No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes
x None
Reported

- C) Noncompliance material to financial statements noted? ___ Yes x No

Federal Awards Section

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000

- E) Auditee qualified as low-risk auditee? ___ Yes ___ No

- F) Type of auditor's report on compliance for major programs: Unqualified

- G) Internal Control over compliance:
 - 1) Material weakness(es) identified? ___ Yes ___ No
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ No

- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? ___ Yes ___ No

- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Section II-Financial Statement Findings

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with Government Auditing Standards.

Section III - State Financial Assistance Findings and Questioned Costs

STATE FINANCIAL ASSISTANCE-There were no state financial assistance findings or questioned costs noted, that are required to be reported in accordance with NJOMB Circular 04-04.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. There were no prior year findings.

