

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**Borough of Netcong Board of Education
Netcong, New Jersey**

For the Fiscal Year Ended June 30, 2011

Prepared by

**Borough of Netcong Board of Education
Finance Department**

BOARD OF EDUCATION
BOROUGH OF NETCONG

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INTRODUCTORY SECTION



Our Children
Our School
Our Future

Netcong Elementary School

26 College Road • Netcong • New Jersey 07857

Telephone (973) 347-0020 • Fax (973) 347-3676

Mrs. Melissa Flach-Bammer
Acting Superintendent
mbammer@netcongschool.org

Mrs. Christine M. Werner
Business Administrator/Board Secretary/Consultant
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March 16, 2012

The Honorable President and Members
Of the Board of Education
Netcong Borough School District
County of Morris, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Netcong Borough School District (the "District") for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation including all disclosures, rest with management of the Board of Education (the "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, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Netcong Borough School District as of June 30, 2011, 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. 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 the transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditors' 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 Letter A133, "Audits of State and Local Governments" and the state Treasury Circular letter 04-04 OMB. Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

Netcong Borough School District is an independent reporting entity within the criteria adopted by GASB as established by GASB, Statement No. 14. All funds and account groups of the District are included in this report. The Netcong Borough Board of Education and its school constitute the District's reporting entity.

OVERVIEW OF THE BOROUGH

The Borough of Netcong is located along the western boundary of Morris County. It is bounded on the north by the Borough of Stanhope in Sussex County, on the west by the Township of Mt. Olive, and on the south and east by Roxbury Township.

Existing land in Netcong has been almost completely developed. This land includes a business district, industrial zone, an apartment complex and established housing developments (Borough Master Plan, 1978, pg. 1). A commercial/residential development on the western board of the town has been approved as well.

SIZE:

The Borough of Netcong is approximately one square mile. Three major highways, namely Routes 206, 46, and 80, intersect it. This makes it readily accessible for commercial and industrial purposes.

LAND USE:

A major portion of Netcong's land usage is for residential purposes. Single family homes account for 40.2 percent of the Borough's total land. Apartments and multi-family housing account for approximately 48.9 percent of the Borough's land, and business and industry account for the remaining 10.9 percent land use.

POPULATION:

Population trends conducted by the U.S. Census Bureau record Netcong's population at 3,557 for 1980; 3,460 for 1986; 3,311 for 1990; 3,367 for 1999 and 3,292 for 2006. The April 2006 census continues to show a decrease in population. While the population statistics reflect 25.5 percent growth from 1970 to 1980; this growth factor has been largely attributed to the opening of the Netcong Heights apartment complex in the mid 1970's. The most recent population data figures reveal a decrease in population from 1980 to 2006 of 265. By percent, this population decrease from 1980 to 2006 represents 7.45 percent. Most importantly, based on the census, there were 1,008 households in Netcong out of which 30.5% had children under 18 living with them. Further analysis of the statistics reveals that the average household size was 2.56 and the average family size was 3.10.

The population shifts from the U.S. Census Department are insignificant in terms of future impact on the District.

THE DISTRICT

SIZE: ORGANIZATION AND CHARACTERISTICS:

Netcong is a small Pre-K to grade eight, one building, elementary school district. The District sponsors a comprehensive educational program which includes both regular and special education programs.

The basic grade level organization incorporates a self-contained class approach from Pre-K through grade four. At the grade 5 through grade 8 levels, the District functions on a departmentalized basis.

Most of the District's students walk to school or are driven to school by parents/neighbors. Out-of-district placed special education student/s is/are transported by private bus companies.

The food service program is provided by Maschio's Food Service, an outside vending agency. A breakfast program and Class A & B, cold/hot lunches are provided to the students on a daily basis.

The average class size for the District during the 2011-2012 school year was 14 students per class.

ENROLLMENT CHARACTERISTICS:

The District completed the 2010-2011 school year with an enrollment of 293 students. This represented a decrease of eleven students from the previous school year. District records indicated small fluctuations in student enrollment over the past few years with the exception of 2008-2009 which reflected the largest increase in student enrollment in one year in comparison with fluctuations from one year to the next over the last 10 years.

The chart below records the details of changes in terms of "Average Daily Enrollment and Average Daily Attendance" on the final day of the school year over the past ten years.

<u>Year</u>	<u>ADE</u>	<u>ATTENDANCE DATA PAST TEN YEARS</u>			
		<u>% Change</u> <u>ADE</u>	<u>ADA</u>	<u>% Change</u> <u>ADA</u>	<u>% Attendance</u>
2010-11	285	.003	270	.011	94.5
2009-10	284	(4.38)	267	(4.30)	94.3
2008-09	297	6.07	279	6.49	93.9
2007-08	280	(0.71)	262	(1.87)	93.6
2006-07	282	1.07	267	.75	94.7
2005-06	279	.36	265	.76	95.0
2004-05	278	(3.47)	263	(3.66)	94.4
2003-04	288	1.05	273	.73	94.7
2002-03	285	(3.86)	271	(3.90)	95.2
2001-02	296	(5.13)	282	(4.73)	95.3

ADE – Average Daily Enrollment
ADA – Average Daily Attendance
% Attendance – ADA divided by ADE

CURRICULUM:

In grades Pre-K through 4, the approach is more self-contained and traditional for the subject disciplines: language arts literacy, math, social studies, and science. Students at this level also receive art, music, computers, Spanish, and health and physical education.

In grades 5 through 8, students are provided instruction in math, language arts, reading, science, social studies, physical education, health, computers, art, and music.

The school district also sponsors programs to fit the personal needs of students. Such activities as student assistance programs, family life, Title I, English language services, and speech services are provided.

On a co-curricular basis, students are afforded the opportunity to participate in basketball, newspaper/computer club, S.A.D.D. group, band, and chorus. Basketball is the only interscholastic activity sponsored by the district.

Field trips are provided for students. These include field trips for all grades, with the eighth graders participating in a two-day trip to Washington D.C., and the seventh graders participating in a three-day outdoor education program at the nearby Stokes State Park.

CERTIFICATED STAFF:

The Netcong School District provides the necessary certificated staff to implement a “thorough and efficient” education for the students of the district. A small administrative staff supplies solid leadership to an instructional staff of 31.5 full time teachers. The District has an Interlocal Agreement with the Stanhope School District for shared services pertaining to its Child Study Team needs.

Mrs. Melissa Flach-Bammer served as the Acting Superintendent/Principal/Child Study Team Coordinator and Ms. Beth Barnhill served as the Vice-Principal (.6) and Curriculum Coordinator/NCLB Title I Coordinator (.4) for the 2010-2011 school year.

During the 2010-2011 school year, Mrs. Christine M. Werner served as the School Business Administrator Consultant.

NON-CERTIFICATED STAFF:

The District employs two full-time secretaries, two full-time custodians and two part-time custodians, and ten part-time classroom/lunchroom/playground aides.

TEACHING-LEARNING PROCESS:

The typical classroom depicts the teacher in the role as the leader of all classroom activities with considerable emphasis being placed on individual achievement. While the overall structure in our district is typical there is also much group oriented, differentiated and individualized instruction provided so as to provide for the total educational needs of the student.

Instructional activities are conducted using a multi-sensory approach. This requires students to function utilizing a variety of learning modes. As in the past few years, the district continues to initiate efforts to include more special needs children in the regular classroom. Our focus has been to write new curriculum (as applicable) and to update existing curriculum which correlates with the New Jersey Core Content Standards in a five year “plan-review-revise-implement” cycle.

ARTICULATION BETWEEN GRADES AND SCHOOLS:

Due to its size, articulation is generally not a problem. The professional staff has sufficient opportunity to communicate with one another in an effort to increase articulation.

Inter-district articulation between the three elementary districts sending to the regional high school and the high school is done on an intermittent basis.

PUPIL PERSONNEL SERVICES:

At Netcong, a guidance department does not exist in the traditional format. Guidance and counseling services are conducted by the administration and staff through a student assistance program as needed.

The Board of Education staffs the District’s Child Study Team through an Interlocal agreement with the Stanhope School District pertaining to the services of the school psychologist. The Board employs a part-time Learning Disabilities Teacher-Consultant (LDTC). This group handles student evaluations and special education classifications. The Acting Superintendent/Principal also serves as the CST Coordinator.

The district employs a full-time certificated nurse and part-time school physician to provide health inspection and health record maintenance services. The nurse is also a certificated health teacher and provides health instruction to the 5th-8th grade students.

MAJOR INITIATIVES:

Student achievement in the District is measured and assessed through standardized tests. Children in grades one and two are tested utilizing the TerraNova, a commercial achievement test, and children in grades three through eight are tested utilizing the NJASK, the New Jersey State Department of Education’s assessment tests.

The results of these tests indicate that Netcong students score at or above national levels on these commercial tests. Grades three to eight proficiency results also reflect acceptable levels of achievement. In fact, the NJASK tests that were administered in April and May 2010, resulted in scores that met both state and federal requirements.

Upon graduation, Netcong students attend Lenape Valley Regional High School. Most Netcong students appear to achieve suitable levels of success at Lenape. In addition, a fair representation of former Netcong students proceed on to higher education after graduation.

FACILITIES PROJECTS:

During the 2010-2011 school year, the Netcong Public School Administration and Board of Education solicited the Netcong Borough residents' approval via a Referendum election held on September 28, 2011, to address some very critical facility needs listed in the district's LRFP. Upon approval of said referendum, the Netcong Elementary School District began the architectural design phase to renovate and upgrade the Netcong Elementary School including a roof replacement project, building envelope improvements and internal renovations and upgrades, including unit ventilator replacements; barrier-free improvements; fire door replacement; various efficiency controls for the new boiler; wall, ceiling and floor upgrades; lighting improvements; locker replacements and locker room upgrades, etc. The district then began the construction phase during the Spring 2011. The Referendum projects' construction phase was ongoing at June 30, 2011 and is expected to be completed on or about September 15, 2011.

These projects represent the achievement of an all important Board of Education goal, that which was attainable through securing NJ Department of Education ROD grant funding and referendum monies obtained through the sale of school bonds which was approved by the Netcong Borough residents on September 28, 2011.

The District also facilitated the implementation and completion of some much needed smaller projects through monies which were budgeted in the district's General Fund in conjunction with the district's M-1 Annual Maintenance Report per N.J.A.C. 6A:26A and correlating Comprehensive Maintenance Plan Report which has been approved by the Netcong Board of Education and submitted to the Morris County Executive Superintendent.

2) INTERNAL ACCOUNTING CONTROLS:

Management of the District is the responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft of misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principals (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District Management.

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

3) BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the 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 (when applicable). Project-length budgets are approved for the capital improvements accounted for in the capital project fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2011.

4) ACCOUNTING SYSTEM AND REPORTS:

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

5) DEBT ADMINISTRATION: The District recently sold bonds in the amount of \$2,027,000.00 pertaining to the Referendum projects approved by the residents of Netcong on September 28, 2011. The School Bonds, Series 2011 were sold on May 12, 2011 and delivered on May 26, 2011, were settled with a 4.17% interest rate and have a 30 year term to maturity, beginning November 15, 2011 and ending May 15, 2031. The School Bonds, Series 2011 interest, calculated over this 30 year term, totals \$989,716.01. Said School Bonds, Series 2011 principal and interest to be paid by the Netcong Borough community, over the 30 year term (11/15/11 – 05/15/31), will be \$3,016,716.01.

6) CASH MANAGEMENT:

The investment policy of the District is guided in large part by the state statute as detailed in the "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, which the funds are secured in accordance with the act.

7) RISK MANAGEMENT:

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

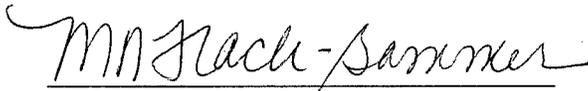
8) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of VM Associates, Inc. was selected by the Board. In addition to meeting the requirements set forth in the state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1999 and related OMB Circular A-133 and State Treasury Circular Letter 04-04-OMB. The auditors’ 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.

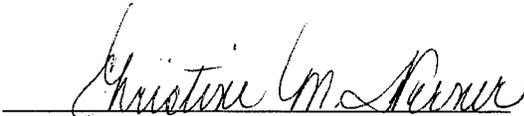
9) ACKNOWLEDGEMENTS:

An expression of appreciation is extended to the members of the Netcong Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the Borough of Netcong. Through such leadership and guidance, the development and maintenance of the District’s financial operations were maintained and implemented. In addition, the preparation of this report could not have been accomplished without the efficient and dedicated services of the District’s financial and business staff.

Respectfully Submitted,

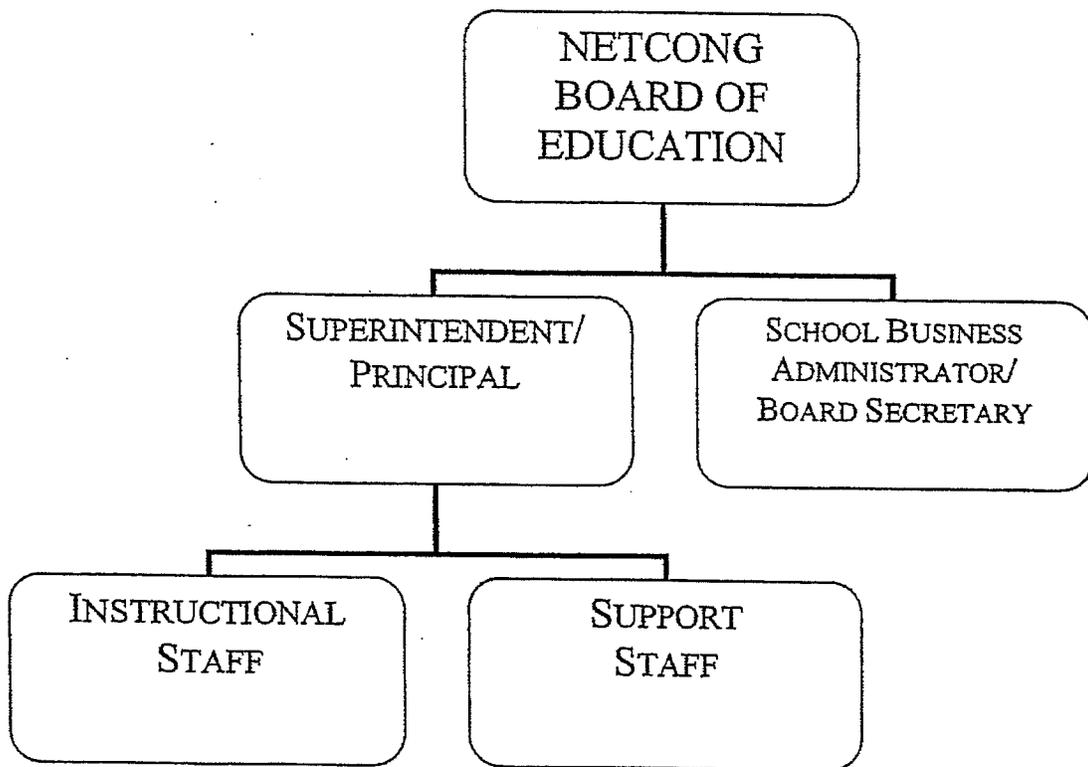


Melissa N. Flach-Bammer
Acting Superintendent



Christine M. Werner
School Business Administrator Consultant

NETCONG PUBLIC SCHOOLS
ORGANIZATIONAL CHART



BOROUGH OF NETCONG BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2011

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Lynn Popelka	President	2012
Todd Morton	Vice-President	2013
John Arbolino	Member	2013
Marianne Callahan	Member	2013
Bernadette Dalesandro	Member	2011
Robert Olivo	Member	2012
James Still	Member	2011
Colleen Suflay	Member	2011
Frank Tranor IV	Member	2012

Other Officials

Melissa Flach-Bammer	Acting Superintendent
Christine M. Werner	Business Administrator/Board Secretary
Jason Gabloff	Treasurer of School Monies

BOROUGH OF NETCONG BOARD OF EDUCATION
CONSULTANTS AND ADVISORS

ARCHITECT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

INDEPENDENT AUDITORS' REPORT

The Honorable President and
Members of the Board of Education
Borough of Netcong School District
County of Morris, New Jersey

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Netcong School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough of Netcong School District's management. Our responsibility is to express opinions on these basic 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 in compliance with 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Netcong School District as of June 30, 2011, 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.

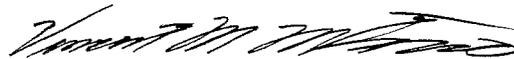
In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2012 on our consideration of the Borough of Netcong School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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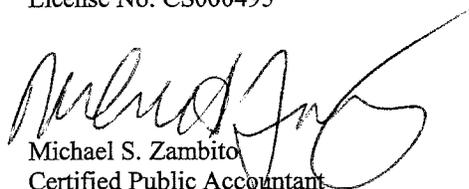
The Management's Discussion and Analysis on page 17 through 23 and budgetary comparison information on schedules C-1 and C-2 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Netcong School District'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 Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. 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.



Vincent M. Montanino
Public School Accountant
License No. CS000495



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April 24, 2012

**REQUIRED SUPPLEMENTARY INFORMATION -
PART I**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Borough of Netcong School District financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter on page 1 and the District's financial statements, which begin on page 26.

FINANCIAL HIGHLIGHTS

- The District's net assets decreased \$299,268.90 as a result of this year's operations. Net assets of our business-type activities increased by \$3,246.84, or 30.54 percent, and net assets of our governmental activities increased by \$296,022.06 or 18.33 percent.
- Total cost of all of the District's programs was \$4,318,834.35 in 2010-2011 compared to \$4,787,461.56 in 2009-2010.
- During the year, the District had expenses for governmental activities that were \$296,022.06 less than the \$4,536,034.09 generated in tax and other program revenues.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 26 and 27) provide information about the activities of the District as a whole and present a longer-term view on the District's finances. Fund financial statements start on page 30. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the District as a whole begins on page 19. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or *financial position*. Over time, *increases* or *decreases* in the District's net assets are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities: most of the District's basic services are reported here, including general administration. Local taxes, tuition and state and federal aid finance most of these activities.
- Business-type-activities: the District has one proprietary fund as shown on pages 34 to 36.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 21. The fund financial statements begin on page 30 and provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation on page 32.

Proprietary funds: when the District charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for the Agency Funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on page 38. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

The District's *combined* net assets changed from a year ago, *increasing* from \$1,625,213.35 to \$1,924,482.25. Looking at the net assets and net expenses of governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental and business-type activities as of June 30.

Table 1
Net Assets

	Governmental		Business-Type		Total	
	Activities		Activites		Primary Government	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 2,115,711.83	\$ 326,882.31	\$ 8,909.83	\$ 12,804.71	\$ 2,124,621.66	\$ 339,687.02
Capital Assets	2,127,804.00	1,690,309.39	5,119.29	2,538.92	2,132,923.29	1,692,848.31
Total Assets	4,243,515.83	2,017,191.70	14,029.12	15,343.63	4,257,544.95	2,032,535.33
Long-Term Debt Outstanding	2,226,328.54	220,935.00			2,226,328.54	220,935.00
Other Liabilities	106,581.63	181,673.10	152.53	4,713.88	106,734.16	186,386.98
Total Liabilities	2,332,910.17	402,608.10	152.53	4,713.88	2,333,062.70	407,321.98
Net Assets:						
Invested in Capital Assets, Net of Debt	(1,347.04)	1,565,309.39	5,119.29	2,538.92	3,772.25	1,567,848.31
Restricted	1,814,213.89	12,625.66			1,814,213.89	12,625.66
Unrestricted (Deficit)	97,738.81	36,648.55	8,757.30	8,090.83	106,496.11	44,739.38
Total Net Assets	\$ 1,910,605.66	\$ 1,614,583.60	\$ 13,876.59	\$ 10,629.75	\$ 1,924,482.25	\$ 1,625,213.35

Net assets of the District's governmental activities increased 18.33 percent. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$61,090.26. Restricted net assets, those restricted mainly for capital projects increased by \$1,801,588.23. The investment in capital assets, net of debt category decreased \$1,566,656.43.

Table 2
Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services	\$ -	\$ -	\$ 40,901.62	\$ 43,187.54	\$ 40,901.62	\$ 43,187.54
Operating Grants and Contributions	934,484.28	941,538.28	41,135.51	39,270.95	975,619.79	980,809.23
General Revenues:						
Property Taxes	2,718,432.00	2,635,485.00			2,718,432.00	2,635,485.00
Federal and State Aid Not Restricted	761,649.93	932,374.38			761,649.93	932,374.38
Tuition	20,154.00	6,000.13			20,154.00	6,000.13
Interest and Investment Earnings	1,804.16	2,741.84	32.03	80.01	1,836.19	2,821.85
Other General Revenues	99,509.72	3,203.58	-	-	99,509.72	3,203.58
Total Revenues:	4,536,034.09	4,521,343.21	82,069.16	82,538.50	4,618,103.25	4,603,881.71
Program Expenses Including Indirect Expenses						
Instruction:						
Regular	2,108,315.85	2,180,515.98			2,108,315.85	2,180,515.98
Special	833,345.77	723,124.44			833,345.77	723,124.44
Other	51,099.23	142,052.47			51,099.23	142,052.47
Support Services:						
Tuition	61,628.75	11,576.25			61,628.75	11,576.25
Student and Instruction Related Services	430,902.25	499,572.05			430,902.25	499,572.05
School Administrative Services	129,508.89	122,260.98			129,508.89	122,260.98
General and Business Administrative Services	285,702.83	302,516.28			285,702.83	302,516.28
Plant Operations and Maintenance	275,379.96	409,875.28			275,379.96	409,875.28
Pupil Transportation	55,139.81	54,437.33			55,139.81	54,437.33
Interest on long-term debt	8,988.69				8,988.69	-
Transfers	-	250,229.48	4.17	3,392.75	4.17	253,622.23
Business-Type Activities:						
Food Services	-	-	78,818.15	87,908.27	78,818.15	87,908.27
Total Expenses	4,240,012.03	4,696,160.54	78,822.32	91,301.02	4,318,834.35	4,787,461.56
Increase (Decrease) in Net Assets	\$ 296,022.06	\$ (174,817.33)	\$ 3,246.84	\$ (8,762.52)	\$ 299,268.90	\$ (183,579.85)

THE DISTRICT'S FUNDS

Governmental Activities

Table 3

Information below compares revenues and expenditures for all governmental fund types for 2010-2011 and 2009-2010.

	<u>2010-2011</u>	<u>2009-2010</u>	<u>% Change</u>
Revenues by Source:			
Local Tax Levy	\$ 2,718,432.00	\$ 2,635,485.00	3.15%
Tuition Charges	20,154.00	6,000.13	235.89%
Interest Earned to Investments	1,804.16	2,741.84	-34.20%
Miscellaneous	99,509.72	3,203.58	3006.20%
Total - Local Sources	2,839,899.88	2,647,430.55	7.27%
State Sources	1,425,652.79	1,518,905.92	-6.14%
Federal Sources	270,481.42	355,006.74	-23.81%
Total Revenues	\$ 4,536,034.09	\$ 4,521,343.21	0.32%

	<u>2010-2011</u>	<u>2009-2010</u>	<u>% Change</u>
Expenditures by Function:			
Current:			
Regular Instruction	\$ 1,570,834.25	\$ 1,632,884.38	-3.80%
Special Education	677,182.67	586,264.10	15.51%
Other Instruction	46,046.30	122,984.17	-62.56%
Support Services and Undistributed Costs:			
Tuition	61,628.75	11,576.25	432.37%
Student and Instruction Related Services	340,212.18	393,294.19	-13.50%
School Administrative Services	86,971.12	90,031.80	-3.40%
General and Business Administrative Services	218,662.50	234,904.38	-6.91%
Plant Operations and Maintenance	236,223.76	355,927.67	-33.63%
Pupil Transportation	55,139.81	54,437.33	1.29%
Employee Benefits	916,584.32	910,673.90	0.65%
Capital Outlay	480,638.75	363,695.65	32.15%
Total Expenditures	\$ 4,690,124.41	\$ 4,756,673.82	-1.40%

DEBT

At year – end the District had total debt of \$ 2,226,328.54 outstanding versus \$220,935.00 last year – an increase of 907.68 percent – as shown in Table 6.

**Outstanding Debt, at year –end
Table 6**

			Governmental	
			Activities	
			2011	2010
Serial Bonds			\$ 2,027,000.00	\$ -
Lease Purchase Agreement			102,151.04	125,000.00
Compensated Absences			97,177.50	95,935.00
			<u>\$ 2,226,328.54</u>	<u>\$ 220,935.00</u>

An analysis of District Debt is presented in Note III:B. to the basic financial statements.

BUDGETS

The significant variances between the originally adopted budget for the 2010-2011 school year and the final budget were caused by the treatment of encumbrances that are added to the original budget and Board approved transfers.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator, Borough of Netcong School District, 26 College Road, Netcong, New Jersey 07857-1621. Phone (973) 347-0045.

BASIC FINANCIAL STATEMENTS

SECTION A
DISTRICT – WIDE FINANCIAL STATEMENTS

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Statement of Net Assets
June 30, 2011**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ (37,652.94)	\$ 6,264.82	\$ (31,388.12)
Interfund Receivable	152.53	-	152.53
Receivables, Net	637,195.90	2,202.75	639,398.65
Inventory		442.26	442.26
Restricted Assets:			
Cash and Cash Equivalents	1,511,306.25		1,511,306.25
Capital Reserve Account - Cash	4,710.09		4,710.09
Capital Assets, Net	<u>2,127,804.00</u>	<u>5,119.29</u>	<u>2,132,923.29</u>
Total Assets	<u>4,243,515.83</u>	<u>14,029.12</u>	<u>4,257,544.95</u>
LIABILITIES			
Accounts Payable	-	-	-
Interfund Payable	17,927.26	152.53	18,079.79
Payable to State Government	15,888.96		15,888.96
Bond Interest Payable	8,988.69		8,988.69
Deferred Revenue	63,776.72		63,776.72
Noncurrent Liabilities			
Due Within One Year	23,877.16		23,877.16
Due Beyond One Year	<u>2,202,451.38</u>	<u>-</u>	<u>2,202,451.38</u>
Total liabilities	<u>2,332,910.17</u>	<u>152.53</u>	<u>2,333,062.70</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(1,347.04)	5,119.29	3,772.25
Restricted For:			
Capital Projects	1,587,656.67		1,587,656.67
Other Purposes	226,557.22		226,557.22
Unrestricted	<u>97,738.81</u>	<u>8,757.30</u>	<u>106,496.11</u>
Total Net Assets	<u>\$ 1,910,605.66</u>	<u>\$13,876.59</u>	<u>\$ 1,924,482.25</u>

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

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Statement of Activities
For the Year Ended June 30, 2011**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:		\$ -	\$ 274,542.42	\$ -	\$ (1,833,773.43)	\$ -	\$ (1,833,773.43)
Regular	\$ 2,108,315.85		543,165.34		(290,180.43)		(290,180.43)
Special Education	833,345.77		966.32		(50,132.91)		(50,132.91)
Other	51,099.23						
Support Services:							
Tuition	61,628.75				(61,628.75)		(61,628.75)
Student and Instruction Related Services	430,902.25		81,851.11		(349,051.14)		(349,051.14)
School Administrative Services	129,508.89		13,873.96		(115,634.93)		(115,634.93)
General and Business Administrative Services	285,702.83		21,140.31		(264,562.52)		(264,562.52)
Plant Operations and Maintenance	275,379.96				(275,379.96)		(275,379.96)
Pupil Transportation	55,139.81				(55,139.81)		(55,139.81)
Interest on long-term debt	8,988.69				(8,988.69)		(8,988.69)
Total Governmental Activities	<u>4,240,012.03</u>		<u>935,539.46</u>		<u>(3,304,472.57)</u>		<u>(3,304,472.57)</u>
Business-Type Activities:							
After Care Program						3,218.98	3,218.98
Food Service						3,218.98	3,218.98
Total Business-Type Activities						<u>3,218.98</u>	<u>3,218.98</u>
Total Primary Government							<u>\$ (3,301,253.59)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					\$ 2,718,432.00	\$ -	\$ 2,718,432.00
Federal and State Aid Not Restricted					760,594.75		760,594.75
Tuition					20,154.00		20,154.00
Investment Earnings					1,804.16	32.03	1,836.19
Miscellaneous Income					99,509.72		99,509.72
Transfers and Adjustments						(4.17)	(4.17)
Total General Revenues, Special Items, Extraordinary Items and Transfers					<u>3,600,494.63</u>	<u>27.86</u>	<u>3,600,522.49</u>
Change in Net Assets					296,022.06	3,246.84	299,268.90
Net Assets—Beginning					<u>1,614,583.60</u>	<u>10,629.75</u>	<u>1,625,213.35</u>
Net Assets—Ending					<u>\$ 1,910,605.66</u>	<u>\$ 13,876.59</u>	<u>\$ 1,924,482.25</u>

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

SECTION B
FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Balance Sheet
Governmental Funds
June 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 135,498.08	\$(173,151.02)	\$ 1,511,306.25	\$ 1,473,653.31
Interfunds Receivable	94,238.49			94,238.49
Receivables From Other Governments	218,441.02	248,318.50	154,508.38	621,267.90
Other			15,928.00	15,928.00
Restricted Cash and Cash Equivalents	<u>4,710.09</u>	<u>-</u>	<u>-</u>	<u>4,710.09</u>
Total Assets	<u>\$ 452,887.68</u>	<u>\$ 75,167.48</u>	<u>\$ 1,681,742.63</u>	<u>\$ 2,209,797.79</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfunds Payable	\$ 17,927.26	\$ -	\$ 94,085.96	\$ 112,013.22
Payable to State Government		15,888.96		15,888.96
Deferred Revenue	<u>4,498.20</u>	<u>59,278.52</u>	<u>-</u>	<u>63,776.72</u>
Total Liabilities	<u>22,425.46</u>	<u>75,167.48</u>	<u>94,085.96</u>	<u>191,678.90</u>
Fund Balances:				
Restricted For:				
Capital Reserve Account	4,710.09			4,710.09
Excess Surplus	126,827.05			126,827.05
Capital Projects Fund			1,587,656.67	1,587,656.67
Assigned To:				
Year End Encumbrances	1,020.08			1,020.08
Designated for Subsequent Year's Expenditures	94,000.00			94,000.00
Unassigned, Reported In:				
General Fund	<u>203,905.00</u>		<u>-</u>	<u>203,905.00</u>
Total Fund Balances	<u>430,462.22</u>	<u>-</u>	<u>1,587,656.67</u>	<u>2,018,118.89</u>
Total Liabilities and Fund Balances	<u>\$ 452,887.68</u>	<u>\$ 75,167.48</u>	<u>\$ 1,681,742.63</u>	

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

The District has financed capital assets through the issuance of serial bonds. The adjustment to net assets for the accrual of interest expense is:

\$ (8,988.69)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,488,868.33 and the accumulated depreciation is \$1,361,064.33.

2,127,804.00

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

(2,226,328.54)

Net assets of governmental activities

\$ 1,910,605.66

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

**BOARD OF EDUCATION
BOROUGH OF NETCONG**
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources:				
Local Tax Levy	\$ 2,718,432.00	\$ -	\$ -	\$ 2,718,432.00
Tuition Charges	20,154.00			20,154.00
Interest Earned on Investments	1,787.48			1,787.48
Interest Earned on Capital Reserve Funds	16.68			16.68
Miscellaneous	91,166.06	8,343.66	-	99,509.72
Total - Local Sources	2,831,556.22	8,343.66	-	2,839,899.88
State Sources	1,348,480.75	77,172.04	-	1,425,652.79
Federal Sources	8,996.40	261,485.02	-	270,481.42
Total Revenues	<u>4,189,033.37</u>	<u>347,000.72</u>	<u>-</u>	<u>4,536,034.09</u>
EXPENDITURES				
Current:				
Regular Instruction	1,493,662.21	77,172.04		1,570,834.25
Special Education Instruction	441,387.15	235,795.52		677,182.67
Other Instruction	46,046.30			46,046.30
Support Services and Undistributed Costs:				
Tuition	61,628.75			61,628.75
Student and Instruction Related Services	332,203.68	8,008.50		340,212.18
School Administrative Services	86,971.12			86,971.12
General and Business Administrative Services	218,662.50			218,662.50
Plant Operations and Maintenance	236,223.76			236,223.76
Pupil Transportation	55,139.81			55,139.81
Unallocated Benefits	912,399.66	4,184.66		916,584.32
Capital Outlay	11,523.17	21,840.00	447,275.58	480,638.75
Total Expenditures	<u>3,895,848.11</u>	<u>347,000.72</u>	<u>447,275.58</u>	<u>4,690,124.41</u>
Excess (Deficiency) of Revenues				
Over/(Under) Expenditures	<u>293,185.26</u>	<u>-</u>	<u>(447,275.58)</u>	<u>(154,090.32)</u>
OTHER FINANCING SOURCES AND (USES)				
Bond Proceeds			2,027,000.00	2,027,000.00
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>2,027,000.00</u>	<u>2,027,000.00</u>
Net Change in Fund Balances				
Fund Balance—July 1	137,276.96	-	7,932.25	145,209.21
Fund Balance—June 30	<u>\$ 430,462.22</u>	<u>\$ -</u>	<u>\$ 1,587,656.67</u>	<u>\$ 2,018,118.89</u>

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

**BOARD OF EDUCATION
BOROUGH OF NETCONG
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, 2011**

Total net change in fund balances - governmental funds (from B-2) **\$ 1,872,909.68**

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

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. The difference in accrued interest is an addition in the reconciliation. (+)

	Interest paid	\$ -	
	Interest accrued	<u>(8,988.69)</u>	(8,988.69)

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	(43,144.14)	
	Capital outlays	<u>480,638.75</u>	437,494.61

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+). (1,242.50)

Payment of long-term liability 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.

	Debt principal	-	
	Capital lease principal	22,848.96	

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets. Proceeds of long-term debt (2,027,000.00)

Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)

Change in net assets of governmental activities **\$ 296,022.06**

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

PROPRIETARY FUNDS

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Statement of Net Assets
Proprietary Funds
June 30, 2011**

	Business-Type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>After Care Program</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,264.82	\$ -	\$ 6,264.82
Accounts Receivable	2,202.75	-	2,202.75
Interfund Accounts Receivables	-	-	-
Inventories	442.26	-	442.26
Total Current Assets	<u>8,909.83</u>	<u>-</u>	<u>8,909.83</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment	7,385.69	-	7,385.69
Less Accumulated Depreciation	<u>(2,266.40)</u>	<u>-</u>	<u>(2,266.40)</u>
Total Noncurrent Assets	<u>5,119.29</u>	<u>-</u>	<u>5,119.29</u>
Total Assets	<u>14,029.12</u>	<u>-</u>	<u>14,029.12</u>
LIABILITIES			
Current Liabilities:			
Interfund Payable	<u>152.53</u>	<u>-</u>	<u>152.53</u>
Total Current Liabilities	<u>152.53</u>	<u>-</u>	<u>152.53</u>
Total Liabilities	<u>152.53</u>	<u>-</u>	<u>152.53</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,119.29	-	5,119.29
Unrestricted	<u>8,757.30</u>	<u>-</u>	<u>8,757.30</u>
Total Net Assets	<u>\$ 13,876.59</u>	<u>\$ -</u>	<u>\$ 13,876.59</u>

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

**BOARD OF EDUCATION
BOROUGH OF NETCONG**
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>After Care Program</u>	<u>Totals</u>
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 25,837.70	\$ -	\$ 25,837.70
Daily Sales - Non-Reimbursable Programs	10,005.79		10,005.79
Local Grant (NY Jets)	5,000.00		5,000.00
Miscellaneous	58.13	-	58.13
Total Operating Revenues	<u>40,901.62</u>	<u>-</u>	<u>40,901.62</u>
Operating Expenses:			
Cost of Sales	38,294.67		38,294.67
Salaries	25,005.89		25,005.89
Employee Benefits	6,068.20		6,068.20
Miscellaneous	1,668.36		1,668.36
Other Purchased Services	7,197.00		7,197.00
General Supplies	214.40		214.40
Depreciation	369.63	-	369.63
Total Operating Expenses	<u>78,818.15</u>	<u>-</u>	<u>78,818.15</u>
Operating (Loss)	<u>(37,916.53)</u>	<u>-</u>	<u>(37,916.53)</u>
Nonoperating Revenues :			
State Sources:			
State School Lunch Program	1,069.00		1,069.00
Federal Sources:			
National School Lunch Program	36,736.82		36,736.82
School Breakfast Program	1,001.40		1,001.40
Food Distribution Program	2,328.29		2,328.29
Interest and Investment Revenue	32.03	-	32.03
Total Nonoperating Revenues	<u>41,167.54</u>	<u>-</u>	<u>41,167.54</u>
Income Before Transfers	3,251.01	-	3,251.01
Transfers Out	-	(4.17)	(4.17)
Change in Net Assets	3,251.01	(4.17)	3,246.84
Total Net Assets—Beginning	<u>10,625.58</u>	<u>4.17</u>	<u>10,629.75</u>
Total Net Assets—Ending	<u>\$ 13,876.59</u>	<u>\$ -</u>	<u>\$ 13,876.59</u>

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

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011**

	Business-Type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>After Care Program</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 40,901.62	\$ -	\$ 40,901.62
Payments to Employees	(25,005.89)	-	(25,005.89)
Payments for Employee Benefits	(6,068.20)	-	(6,068.20)
Payments to Suppliers	<u>(51,523.65)</u>	<u>-</u>	<u>(51,523.65)</u>
Net Cash (Used For) Operating Activities	<u>(41,696.12)</u>	<u>-</u>	<u>(41,696.12)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	-	-	-
Federal Sources	-	-	-
Operating Subsidies and Transfers From Other Funds	<u>43,932.76</u>	<u>(4.17)</u>	<u>43,928.59</u>
Net Cash Provided By Non-Capital Financing Activities	<u>43,932.76</u>	<u>(4.17)</u>	<u>43,928.59</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	<u>(2,950.00)</u>	<u>-</u>	<u>(2,950.00)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(2,950.00)</u>	<u>-</u>	<u>(2,950.00)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	<u>32.03</u>	<u>-</u>	<u>32.03</u>
Net Cash Provided By Investing Activities	<u>32.03</u>	<u>-</u>	<u>32.03</u>
Net (Decrease) in Cash and Cash Equivalents	(681.33)	(4.17)	(685.50)
Balances—Beginning of Year	<u>6,946.15</u>	<u>4.17</u>	<u>6,950.32</u>
Balances—End of Year	<u>\$ 6,264.82</u>	<u>\$ -</u>	<u>\$ 6,264.82</u>
Reconciliation of Operating (Loss) to Net Cash (Used For) Operating Activities:			
Operating (Loss)	\$ (37,916.53)	\$ -	\$ (37,916.53)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used For) Operating Activities:			
Depreciation	369.63	-	369.63
(Increase)/Decrease in Inventories	564.66	-	564.66
Increase/(Decrease) in Accounts Payable	<u>(4,713.88)</u>	<u>-</u>	<u>(4,713.88)</u>
Total Adjustments	<u>(3,779.59)</u>	<u>-</u>	<u>(3,779.59)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (41,696.12)</u>	<u>\$ -</u>	<u>\$ (41,696.12)</u>

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

FIDUCIARY FUNDS

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011**

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$(10,909.39)
Interfund Receivable	<u>17,927.26</u>
Total Assets	<u>\$ 7,017.87</u>
LIABILITIES	
Net Salaries and Wages	\$ 1.94
Payable to District	-
Payable to Student Groups	12,205.02
Payroll Deductions and Withholdings	<u>(5,189.09)</u>
Total Liabilities	<u>\$ 7,017.87</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Borough of Netcong 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 District is required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Reporting Entity

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

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

C. Basic Financial Statements- Government-Wide Statements

The statement of net assets and the statement of activities display information about the District. These statements include the financial activities of the 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. 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 charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities 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) 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.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund – The general fund is the general operating fund of the District. It is used to account for all 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.

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 and, excluding equipment, with County Superintendent approval.

Special Revenue Fund – The Special 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.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specially authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Proprietary Fund Type

The focus of Proprietary Fund measurement is upon determination of net income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District is that the costs (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; or, where the District has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Funds are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants entitlements and donations.

Government 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. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State 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 moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Appropriation of Federal Aid in the amount of \$13,494.60 was made during the year ended June 30, 2011. There were no prior year encumbrances appropriated during the fiscal year. The significant budget transfers and amendments approved in the school year are presented on Exhibit C-1.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of 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.

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 reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Exhibit C-3.

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BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and Agency Obligations and Certificates of Deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

2. Short – term Interfund Receivables/Payables

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

3. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

5. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

6. Deferred Revenue

Deferred revenue in the special revenue fund represents cash which has been received but not yet earned.

7. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

8. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note I: Summary of Significant Accounting Policies (Continued)

H. Recent Accounting Pronouncements

The District elected to implement GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable-includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted- includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed- includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned- includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned- includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

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BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA). Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At June 30, 2011 the Borough of Netcong's School District cash and cash equivalent's amounted to \$1,702,818.67. Of this amount, \$250,000.00 was covered by federal depository insurance (F.D.I.C.) and \$1,419,408.34 by a collateral pool maintained by the banks as required by GUDPA. In addition, the amount of \$19,746.31 was on deposit with MBIA. The portfolio of the investments company is limited to bonds, certain repurchase agreements or other obligation of, or guaranteed by the United States of America.

At June 30, 2011 the Borough of Netcong School District did not participate in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Borough of Netcong School District will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of June 30, 2011, \$19,746.31 of the Borough of Netcong School District's cash and cash equivalents of \$87,066.32 was exposed to custodial credit risk as follows:

Uninsured and collateral held by public depository or by its' trust department not in the Borough of Netcong School District's name	<u>\$ 19,746.31</u>
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The District does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Borough of Netcong School District to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any school district may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the school district;

(1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

(2) Government money market mutual funds;

(3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

(4) Bonds or other obligations of the school district or bonds or other obligations of local unit or units within which the school district is located;

(5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by school district;

(6) Local government investment pools;

(7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4) or

(8) Agreements for the repurchase of fully collateralized securities, if:

(a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a;

(b) the custody of collateral is transferred to a third party;

(c) the maturity of the agreement is not more than 30 days;

(d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41) and for which a master repurchase agreement providing for the custody and security of collateral is executed.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The District did not have any investments at June 30, 2011.

Interest Rate Risk: The District does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District did not have any investments at June 30, 2011.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. The District did not have any investments at June 30, 2011.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

B. Interfund Receivables and Payables

As of June 30, 2011, interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
General Fund	\$ 94,238.49	\$ 17,927.26
Enterprise Fund		152.53
Trust and Agency Fund	17,927.26	
Capital Projects Fund		<u>94,085.96</u>
	<u>\$112,165.75</u>	<u>\$112,165.75</u>

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BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note II: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 892.00	\$ -	\$ -	\$ 892.00
Construction in Progress	<u>373,218.61</u>	<u>480,638.75</u>	<u>-</u>	<u>853,857.36</u>
Total Capital Assets Not Being Depreciated	<u>374,110.61</u>	<u>480,638.75</u>	<u>-</u>	<u>854,749.36</u>
Buildings and Improvements	2,182,768.97			2,182,768.97
Machinery and Equipment	<u>451,350.00</u>	<u>-</u>	<u>-</u>	<u>451,350.00</u>
Totals at Historical Cost	<u>2,634,118.97</u>	<u>-</u>	<u>-</u>	<u>2,634,118.97</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(941,280.30)	(29,020.32)		(970,300.62)
Machinery and Equipment	<u>(376,639.89)</u>	<u>(14,123.82)</u>		<u>(390,763.71)</u>
Total Accumulated Depreciation	<u>(1,317,920.19)</u>	<u>(43,144.14)</u> (1)	<u>-</u>	<u>(1,361,064.33)</u>
Net Capital Assets Being Depreciated	<u>1,316,198.78</u>	<u>(43,144.14)</u>	<u>-</u>	<u>1,273,054.64</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,690,309.39</u>	<u>\$ 437,494.61</u>	<u>\$ -</u>	<u>\$ 2,127,804.00</u>
Business - Type Activities:				
Equipment	\$ 4,435.69	\$ 2,950.00	\$ -	\$ 7,385.69
Less Accumulated Depreciation	<u>(1,896.77)</u>	<u>(369.63)</u>	<u>-</u>	<u>(2,266.40)</u>
Business - Type Activities Capital Assets, Net	<u>\$ 2,538.92</u>	<u>\$ 2,580.37</u>	<u>\$ -</u>	<u>\$ 5,119.29</u>

(1) Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 33,640.40
Special Education	2,214.27
Other Instruction	442.85
Student and Instruction Related Services	885.71
School Administrative Services	1,328.56
General and Business Administrative Services	3,985.68
Plant Operations and Maintenance	<u>646.67</u>
	<u>\$ 43,144.14</u>

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note III: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has no outstanding operating Leases for the year ended June 30, 2011.

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>		<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Long - Term Debt:						
Serial Bonds	\$ -	\$2,027,000.00	\$ -	(1)	\$2,027,000.00	\$65,000.00
Lease Purchase Agreements	<u>125,000.00</u>	<u>-</u>	<u>(22,848.96)</u>	(2)	<u>102,151.04</u>	<u>23,877.16</u>
Total Debt Payable	<u>125,000.00</u>	<u>2,027,000.00</u>	<u>(22,848.96)</u>		<u>2,129,151.04</u>	<u>88,877.16</u>
Other Liabilities:						
Compensated Absences	<u>95,935.00</u>	<u>6,422.50</u>	<u>(5,180.00)</u>		<u>97,177.50</u>	<u>-</u>
Total Other Liabilities	<u>95,935.00</u>	<u>6,422.50</u>	<u>(5,180.00)</u>	(2)	<u>97,177.50</u>	<u>-</u>
Governmental Activities						
Long - Term Liabilities	<u>\$ 220,935.00</u>	<u>\$2,033,422.50</u>	<u>\$ (28,028.96)</u>		<u>\$2,226,328.54</u>	<u>\$88,877.16</u>

(1) Paid by Debt Service Fund

(2) Paid by General Fund

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures

B. Long – Term Liabilities (Continued)

1. Bonds Payable

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

Serial Bonds outstanding as of June 30, 2011 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Additions and Renovations to Elementary School	Various	5/15	5/15/31	\$ 2,027,000.00	\$2,027,000.00
				<u>\$ 2,027,000.00</u>	<u>\$2,027,000.00</u>

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 65,000.00	\$ 74,249.75	\$ 139,249.75
2013	70,000.00	75,127.50	145,127.50
2014	70,000.00	73,552.50	143,552.50
2015	75,000.00	71,977.50	146,977.50
2016	80,000.00	70,290.00	150,290.00
2017	85,000.00	68,390.00	153,390.00
2018	85,000.00	66,052.50	151,052.50
2019	95,000.00	63,052.50	158,502.50
2020	95,000.00	60,533.76	155,533.76
2021	100,000.00	57,565.00	157,565.00
2022	105,000.00	54,315.00	159,315.00
2023	110,000.00	49,590.00	159,590.00
2024	115,000.00	44,640.00	159,640.00
2025	120,000.00	39,465.00	159,465.00
2026	120,000.00	34,065.00	154,065.00
2027	125,000.00	28,665.00	153,665.00
2028	125,000.00	23,040.00	148,040.00
2029	130,000.00	17,415.00	147,415.00
2030	130,000.00	11,565.00	141,565.00
2031	<u>127,000.00</u>	<u>5,715.00</u>	<u>132,715.00</u>
	<u>\$2,027,000.00</u>	<u>\$989,716.01</u>	<u>\$3,016,716.01</u>

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note III: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures

B. Long – Term Liabilities (Continued)

2. Bonds Authorized But Not Issued

As of June 30, 2011 the Board had ^{\$162.50 of} ~~no~~ authorized but not issued bonds.

3. Capital Leases Payable

The District is leasing boilers totaling \$125,000.00 under a capital lease. The capital lease is for a term of five years. The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2010.

<u>Year</u>	<u>Amount</u>
2012	\$ 28,473.95
2013	28,473.95
2014	28,473.95
2015	<u>28,473.95</u>
Total Minimum Lease Payments	113,895.80
Less: Amount Representing Interest	<u>(11,744.76)</u>
Present Value of Net Minimum Lease Payments	<u>\$102,151.04</u>

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BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note IV: Detailed Disclosure Regarding Fund Equity

A. 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 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 restricted fund balance-excess surplus at June 30, 2011 is \$126,827.05. This amount will be appropriated in the fiscal year 2012-2013.

B. Capital Reserve Account

A capital reserve account was established by the Borough of Netcong School District Board of Education by inclusion of \$1.00 on October 1, 2001 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. 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, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2007	\$32,763.34
Budgeted Increases	56,000.00
Budgeted Withdrawals	(85,000.00)
Interest Earnings	930.07
Interest Earnings	<u>16.68</u>
Ending Balance June 30, 2011	<u>\$ 4,710.09</u>

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects is \$2,556,600.00. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note V: Pension Plans

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

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

The Teachers' Pension and Annuity Fund (TPAF) was established in January 1955, under the provisions of N.J.S.A. 18:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post – retirement health care coverage.

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

Retirement Benefits

For PERS and TPAF employees, the benefits will be 1/55 of the average of the three highest years compensation for each year of service. However, for PERS and TPAF who are veterans of the U.S. armed forces, the benefits will be 1/55 of final compensation for each year of service.

Significant Legislation

Chapter 89, P.L. 2008, effective November 1, 2008, increased TPAF and PERS retirement age. If a person becomes a member on or after November 1, 2008 that person must be at least 62 years of age in order to retire without reduction in their retirement allowance.

Chapter 99, P.L. 2009, effective March 17, 2009 gives local PERS employers the option to defer 50% of their contributions in fiscal year 2009 the normal and accrued liability and pay 50 percent of the certified amount as determined by the actuary or pay the full 100% certified amount.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note V: Pension Plans (Continued)

Contribution Requirements – Requirements

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contribution employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.50 percent for TPAF and PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of living adjustments and noncontributory death benefits in the TPAF and PERS. In the PERS and TPAF, the employer contribution includes funding for post-retirement medical premiums.

During the year ended June 30, 2010, for TPAF, annual pension cost equals annual required contribution. For PERS, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

Contributions – Actual

The District's total payroll for the year ended June 30, 2011 was \$2,613,671.88 and covered payroll was \$2,088,321.00 for TPAF and \$213,640.00 for PERS. Contributions to the TPAF and the PERS for the last three years ended June 30, 2011 made by the employees, the Board, and the State of New Jersey on behalf of the Board were as follows:

		<u>TPAF</u>	Percent of Covered <u>Payroll</u>	<u>PERS</u>	Percent of Covered <u>Payroll</u>
Employees	6/30/09	116,242.67	5.59%	16,822.31	5.86%
	6/30/10	122,076.91	5.50%	15,959.46	5.63%
	6/30/11	117,648.25	5.63%	11,750.31	5.50%
Board of Education	6/30/09			24,021.00	8.36%
	6/30/10			26,776.00	9.44%
	6/30/11			33,815.00	15.82%
State of New Jersey	6/30/09	141,531.00	6.80%		
	6/30/10	143,766.00	6.48%		
	6/30/11	146,906.00	7.03%		

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$160,272.75 during the year ended June 30, 2011 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note VI: Post-Retirement Medical Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010 there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The Reporting and Disclosure Requirements Promulgated by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans* are not applicable for the District.

The District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions/gasb43-sept2008.pdf.

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BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note VII: Risk Management

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

Health Benefits and Property and Liability Insurance – The Borough of Netcong School District is a member of the School Alliance Insurance Fund (the “Fund”). This public entity risk management pool provides general liability, property and automobile coverage for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. This fund is a risk-sharing public entity risk pools that is an insured and self-administered group of school boards established for the purpose of providing low-cost health benefits for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective school district for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of the Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective share of the Fund’s liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessments related to the total assessment of the membership body.

Financial statements for the Fund are available at the Fund’s Executive Director’s office:

Public Entity Group Administrative Services
51 Everett Drive, Suite 105B
Lawrenceville, New Jersey 08648
(609) 275-1155

New Jersey Unemployment Compensation Insurance – The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

Note VIII: 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 termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after 10 years of service.

In the district-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year are 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, 2011, no liability existed for compensated absences in the Food Service Fund.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011
(CONTINUED)

Note IX: Contingent Liabilities

The Borough of Netcong School District is a defendant in a few lawsuits, none of which is unusual for a Board of Education of its size. Additional liabilities, if not covered by insurance, should not be material in amount.

Note X: Subsequent Events

The Borough of Netcong School District's management has informed us that the District has been experiencing numerous technical difficulties with their annex building's connectivity to the District's server due to construction and weather conditions. These technical issues affected the business office's accounting and operating systems requiring data to be re-entered numerous times. The District has also had turn over in the business office leaving it under staffed. These issues have caused the District's Comprehensive Annual Financial Report to be more than four months late.

**REQUIRED SUPPLEMENTARY INFORMATION -
PART II**

SECTION C
BUDGETARY COMPARISON SCHEDULES

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>	
REVENUES:						
Local Sources:						
Local Tax Levy	\$ 2,718,432.00	\$ -	\$ 2,718,432.00	\$ 2,718,432.00	\$ -	
Tuition	-	-	-	20,154.00	20,154.00	
Interest Earned on Investments	1,000.00	-	1,000.00	1,787.48	787.48	
Interest Earned on Capital Reserve Funds	25.00	-	25.00	16.68	(8.32)	
Miscellaneous	51,000.00	-	51,000.00	91,166.06	40,166.06	
Total - Local Sources	<u>2,770,457.00</u>	<u>-</u>	<u>2,770,457.00</u>	<u>2,831,556.22</u>	<u>61,099.22</u>	
State Sources:						
Equalization Aid	754,949.00	-	754,949.00	754,949.00	-	
Special Education Aid	155,673.00	-	155,673.00	155,673.00	-	
Extraordinary Aid	95,000.00	-	95,000.00	125,687.00	30,687.00	
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	146,906.00	146,906.00	
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	160,272.75	160,272.75	
Total State Sources	<u>1,005,622.00</u>	<u>-</u>	<u>1,005,622.00</u>	<u>1,343,487.75</u>	<u>337,865.75</u>	
Federal Sources:						
Education Jobs Fund	-	8,996.40	8,996.40	8,996.40	-	
Total - Federal Sources	<u>-</u>	<u>8,996.40</u>	<u>8,996.40</u>	<u>8,996.40</u>	<u>-</u>	
Total Revenues	<u>\$ 3,776,079.00</u>	<u>\$ 8,996.40</u>	<u>\$ 3,785,075.40</u>	<u>\$ 4,184,040.37</u>	<u>\$ 398,964.97</u>	
EXPENDITURES:						
Current Expense:						
Regular Programs - Instruction						
Preschool/Kindergarten - Salaries of Teachers	110-100-101	\$ 84,329.00	\$ 24,791.10	\$ 109,120.10	\$ 107,740.10	\$ 1,380.00
Grades 1-5 - Salaries of Teachers	120-100-101	709,136.00	21,153.99	730,289.99	726,549.39	3,740.60
Grades 1-5 - Salary- Tech Coord.	120-100-104	14,197.00	-	14,197.00	14,197.00	-
Grades 6-8 - Salaries of Teachers	130-100-101	553,525.00	(52,545.09)	500,979.91	477,882.67	23,097.24
Grades 6-8 - Salary- Tech Coord.	130-100-104	13,345.00	-	13,345.00	13,345.00	-
Regular Programs - Home Instruction:						
Salaries of Teachers	150-100-101	2,500.00	-	2,500.00	-	2,500.00
Regular Programs - Undistributed Instruction						
Other Salaries for Instruction	190-100-106	70,000.00	-	70,000.00	68,383.23	1,616.77
Purchased Professional-Educational Services	190-100-320	250.00	-	250.00	204.00	46.00
Other Purchased Services (400-500 series)	190-100-500	3,130.00	915.00	4,045.00	3,624.94	420.06
General Supplies	190-100-610	65,000.00	(2,504.67)	62,495.33	60,631.21	1,864.12
Textbooks	190-100-640	5,900.00	2,504.67	8,404.67	8,404.67	-
Other Objects	190-100-800	100.00	12,600.00	12,700.00	12,700.00	-
TOTAL REGULAR PROGRAMS - INSTRUCTION		<u>1,521,412.00</u>	<u>6,915.00</u>	<u>1,528,327.00</u>	<u>1,493,662.21</u>	<u>34,664.79</u>
SPECIAL EDUCATION - INSTRUCTION						
Learning and/or Language Disabilities:						
Salaries of Teachers	204-100-101	218,455.00	4,498.20	222,953.20	218,414.78	4,538.42
General Supplies	204-100-610	800.00	-	800.00	577.44	222.56
Total Learning and/or Language Disabilities		<u>219,255.00</u>	<u>4,498.20</u>	<u>223,753.20</u>	<u>218,992.22</u>	<u>4,760.98</u>
Resource Room/Resource Center:						
Salaries of Teachers	213-100-101	218,455.00	4,498.20	222,953.20	220,430.53	2,522.67
General Supplies	213-100-610	800.00	-	800.00	697.40	102.60
Total Resource Room/Resource Center		<u>219,255.00</u>	<u>4,498.20</u>	<u>223,753.20</u>	<u>221,127.93</u>	<u>2,625.27</u>
Home Instruction:						
Salaries of Teachers	219-100-101	2,500.00	(1,000.00)	1,500.00	875.00	625.00
Purchased Professional-Educational Services	219-100-320	-	1,000.00	1,000.00	392.00	608.00
Total Home Instruction		<u>2,500.00</u>	<u>-</u>	<u>2,500.00</u>	<u>1,267.00</u>	<u>1,233.00</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION		<u>441,010.00</u>	<u>8,996.40</u>	<u>450,006.40</u>	<u>441,387.15</u>	<u>8,619.25</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Continued)**

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Bilingual Education - Instruction						
Salaries of Teachers	240-100-101	\$ 24,000.00	\$ -	\$ 24,000.00	\$ 23,645.02	\$ 354.98
Total Bilingual Education - Instruction		<u>24,000.00</u>	<u>-</u>	<u>24,000.00</u>	<u>23,645.02</u>	<u>354.98</u>
School-Spon. Cocurricular Actvts. - Inst.						
Salaries	401-100-100	20,000.00	-	20,000.00	19,101.28	898.72
Purchased Services (300-500 series)	401-100-500	4,000.00	-	4,000.00	3,300.00	700.00
Total School-Spon. Cocurricular Actvts. - Inst.		<u>24,000.00</u>	<u>-</u>	<u>24,000.00</u>	<u>22,401.28</u>	<u>1,598.72</u>
Community Services Programs/Operations						
Supplies and Materials	800-330-600	250.00	-	250.00	-	250.00
Total Community Services Programs/Operations		<u>250.00</u>	<u>-</u>	<u>250.00</u>	<u>-</u>	<u>250.00</u>
Total Instruction		<u>2,010,672.00</u>	<u>15,911.40</u>	<u>2,026,583.40</u>	<u>1,981,095.66</u>	<u>45,487.74</u>
Undistributed Expenditures - Instruction:						
Tuition to Other LEAs Within the State - Special	000-100-562	-	41,275.00	41,275.00	41,269.75	5.25
Tuition to Private Schools for the Disabled - Within State	000-100-566	15,000.00	5,500.00	20,500.00	20,359.00	141.00
Total Undistributed Expenditures - Instruction:		<u>15,000.00</u>	<u>46,775.00</u>	<u>61,775.00</u>	<u>61,628.75</u>	<u>146.25</u>
Undistributed Expend. - Attend. & Social Work						
Other Objects	000-211-800	100.00	-	100.00	-	100.00
Total Undistributed Expend. - Attend. & Social Work		<u>100.00</u>	<u>-</u>	<u>100.00</u>	<u>-</u>	<u>100.00</u>
Undist. Expend. - Health Services						
Salaries	000-213-100	62,781.00	2,100.00	64,881.00	63,448.00	1,433.00
Purchased Professional and Technical Services	000-213-300	2,500.00	-	2,500.00	2,500.00	-
Supplies and Materials	000-213-600	2,000.00	-	2,000.00	779.52	1,220.48
Other Objects	000-213-800	200.00	-	200.00	165.00	35.00
Total Undistributed Expenditures - Health Services		<u>67,481.00</u>	<u>2,100.00</u>	<u>69,581.00</u>	<u>66,892.52</u>	<u>2,688.48</u>
Undist. Expend. - Other Supp. Serv. Students - Related Serv.						
Salaries of Other Professional Staff	000-216-100	42,000.00	-	42,000.00	38,590.08	3,409.92
Purchased Professional - Educational Services	000-216-320	3,500.00	16,000.00	19,500.00	16,508.00	2,992.00
Supplies and Materials	000-216-600	750.00	-	750.00	129.89	620.11
Total Undist. Expend. - Other Supp. Serv. Students - Related Serv.		<u>46,250.00</u>	<u>16,000.00</u>	<u>62,250.00</u>	<u>55,227.97</u>	<u>7,022.03</u>
Undist. Expend. - Other Supp. Serv. Students - Extra Serv.						
Purchased Professional - Educational Services	000-217-320	60,000.00	30,690.00	90,690.00	90,674.39	15.61
Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.		<u>60,000.00</u>	<u>30,690.00</u>	<u>90,690.00</u>	<u>90,674.39</u>	<u>15.61</u>
Undist. Expend. - Other Supp. Serv. Students-Reg.						
Salaries of Other Professional Staff	000-218-104	35,000.00	-	35,000.00	35,000.00	-
Salaries of Secretarial and Clerical Assistants	000-218-105	15,701.00	-	15,701.00	15,700.56	0.44
Other Purchased Services (400-500 series)	000-218-500	3,000.00	-	3,000.00	2,570.74	429.26
Supplies and Materials	000-218-600	2,000.00	-	2,000.00	577.72	1,422.28
Total Undist. Expend. - Other Supp. Serv. Students-Reg.		<u>55,701.00</u>	<u>-</u>	<u>55,701.00</u>	<u>53,849.02</u>	<u>1,851.98</u>
Undist. Expend. - Other Supp. Serv. Students-Special						
Salaries of Other Professional Staff	000-219-104	63,250.00	-	63,250.00	61,405.98	1,844.02
Purchased Professional - Educational Services	000-219-320	5,000.00	(2,902.00)	2,098.00	1,195.00	903.00
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	000-219-592	500.00	-	500.00	75.35	424.65
Supplies and Materials	000-219-600	1,500.00	-	1,500.00	1,445.87	54.13
Total Undist. Expend. - Other Supp. Serv. Students-Spl.		<u>70,250.00</u>	<u>(2,902.00)</u>	<u>67,348.00</u>	<u>64,122.20</u>	<u>3,225.80</u>
Undist. Expend. - Edu. Media Serv./Sch. Library						
Purchased Professional and Technical Services	000-222-300	1,500.00	-	1,500.00	1,339.45	160.55
Supplies and Materials	000-222-600	1,000.00	-	1,000.00	98.13	901.87
Total Undist. Expend. - Edu. Media Serv./Sch. Library		<u>2,500.00</u>	<u>-</u>	<u>2,500.00</u>	<u>1,437.58</u>	<u>1,062.42</u>
Undist. Expend. - Instructional Staff Training Serv.						
Purchased Professional - Educational Service	000-223-320	1,000.00	-	1,000.00	-	1,000.00
Other Purchased Services (400-500 series)	000-223-500	250.00	-	250.00	-	250.00
Total Undist. Expend. - Instructional Staff Training Serv.		<u>1,250.00</u>	<u>-</u>	<u>1,250.00</u>	<u>-</u>	<u>1,250.00</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Continued)**

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Supp. Serv. - General Admin.						
Salaries	000-230-100	\$ 96,821.00	\$ -	\$ 96,821.00	\$ 63,299.33	\$ 33,521.67
Other Purch Prof. Services	000-230-330	3,000.00	1,050.00	4,050.00	4,050.00	-
Legal Services	000-230-331	10,000.00	5,000.00	15,000.00	14,870.09	129.91
Audit Fees	000-230-332	12,500.00	1,050.00	13,550.00	13,550.00	-
Communications/Telephone	000-230-530	12,000.00	-	12,000.00	11,678.19	321.81
Other Purchased Services (400-500 series)	000-230-590	9,700.00	(600.00)	9,100.00	6,264.31	2,835.69
Supplies and Materials	000-230-600	4,000.00	-	4,000.00	2,315.63	1,684.37
Miscellaneous Expenditures	000-230-890	2,650.00	(1,500.00)	1,150.00	550.00	600.00
BOE Membership Dues and Fees	000-230-895	3,500.00	-	3,500.00	2,780.65	719.35
Total Undist. Expend. - Supp. Serv. - General Admin.		<u>154,171.00</u>	<u>5,000.00</u>	<u>159,171.00</u>	<u>119,358.20</u>	<u>39,812.80</u>
Undist. Expend. - Support Serv. - School Admin.						
Salaries of Principals/Assistant Principals	000-240-103	47,471.00	-	47,471.00	46,961.23	509.77
Salaries of Secretarial and Clerical Assistants	000-240-105	36,640.00	-	36,640.00	35,873.79	766.21
Supplies and Materials	000-240-600	4,000.00	-	4,000.00	2,477.10	1,522.90
Other Objects	000-240-800	2,000.00	-	2,000.00	1,659.00	341.00
Total Undist. Expend. - Support Serv. - School Admin.		<u>90,111.00</u>	<u>-</u>	<u>90,111.00</u>	<u>86,971.12</u>	<u>3,139.88</u>
Undist. Expend - Central Services						
Salaries	000-251-100	68,801.00	(5,000.00)	63,801.00	63,132.95	668.05
Purchased Professional Services	000-251-330	200.00	-	200.00	200.00	-
Other Purchased Services (400-500 series)	000-251-592	325.00	-	325.00	148.97	176.03
Sale/Lease-back Payments	000-251-594	22,849.00	-	22,849.00	22,848.96	0.04
Supplies and Materials	000-251-600	2,500.00	-	2,500.00	2,179.43	320.57
Interest on Lease Purchase Agreements	000-251-832	5,625.00	-	5,625.00	5,624.99	0.01
Miscellaneous Expenditures	000-251-890	350.00	-	350.00	325.00	25.00
Total Undist. Expend. - Central Services		<u>100,650.00</u>	<u>(5,000.00)</u>	<u>95,650.00</u>	<u>94,460.30</u>	<u>1,189.70</u>
Undist. Expend. - Admin. Info. Technology						
Purchased Professional Services	000-252-330	6,500.00	-	6,500.00	4,844.00	1,656.00
Supplies and Materials	000-252-600	500.00	-	500.00	-	500.00
Total Undist. Expend. - Admin. Info. Technology		<u>7,000.00</u>	<u>-</u>	<u>7,000.00</u>	<u>4,844.00</u>	<u>2,156.00</u>
Undist. Expend. - Allowable Maint. For School Facilities						
Salaries	000-261-100	15,000.00	-	15,000.00	15,000.00	-
Cleaning, Repair and Maintenance Services	000-261-420	30,400.00	(2,725.00)	27,675.00	20,933.83	6,741.17
General Supplies	000-261-610	3,371.00	-	3,371.00	3,345.88	25.12
Total Undist. Expend. - Allowable Maint. For School Facilities		<u>48,771.00</u>	<u>(2,725.00)</u>	<u>46,046.00</u>	<u>39,279.71</u>	<u>6,766.29</u>
Undist. Expend. - Oth. Oper. & Maint. of Plant						
Salaries	000-262-100	112,381.00	-	112,381.00	105,688.59	6,692.41
Cleaning, Repair and Maintenance Services	000-262-420	13,200.00	-	13,200.00	8,551.39	4,648.61
Other Purchased Property Services	000-262-490	-	2,888.00	2,888.00	2,887.95	0.05
Insurance	000-262-520	30,056.00	(2,888.00)	27,168.00	23,405.00	3,763.00
General Supplies	000-262-610	21,000.00	-	21,000.00	13,538.31	7,461.69
Energy (Energy and Electricity)	000-262-620	122,000.00	(76,190.00)	45,810.00	42,692.81	3,117.19
Other Objects	000-262-800	500.00	-	500.00	180.00	320.00
Total Undist. Expend. - Other Oper. & Maint. Of Plant		<u>299,137.00</u>	<u>(76,190.00)</u>	<u>222,947.00</u>	<u>196,944.05</u>	<u>26,002.95</u>
Undist. Expend. - Student Transportation Serv.						
Contracted Services (Other than Between Home and School) - Vendors	000-270-512	7,500.00	(1,775.00)	5,725.00	4,085.25	1,639.75
Contracted Services (Special Education Students) - ESCs	000-270-518	35,000.00	14,500.00	49,500.00	49,286.56	213.44
Contracted Services - Aid in Lieu of Payments	000-270-519	-	1,775.00	1,775.00	1,768.00	7.00
Auto Insurance	000-270-520	100.00	-	100.00	-	100.00
Total Undist. Expend. - Student Transportation Serv.		<u>42,600.00</u>	<u>14,500.00</u>	<u>57,100.00</u>	<u>55,139.81</u>	<u>1,960.19</u>

BOARD OF EDUCATION
BOROUGH OF NETCONG
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Continued)

		Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
ALLOCATED BENEFITS						
Regular Instruction - Social Security	190-100-220	\$ 12,500.00	\$ -	\$ 12,500.00	\$ 11,222.96	\$ 1,277.04
Regular Instruction - Pension	190-100-240	7,545.00	-	7,545.00	7,545.00	-
Regular Instruction - Health Benefits	190-100-270	328,712.00	(54,790.00)	273,922.00	267,267.03	6,654.97
Learning/Language Disabilities - Health Benefits	204-100-270	59,901.00	-	59,901.00	47,252.71	12,648.29
Resource Room - Health Benefits	213-100-270	59,901.00	-	59,901.00	47,253.73	12,647.27
Co Curricular - Social Security	401-100-220	2,624.00	-	2,624.00	1,750.67	873.33
Health Services - Health Benefits	000-213-270	22,795.00	(2,100.00)	20,695.00	20,284.63	410.37
Guidance - Social Security	000-218-220	1,280.00	-	1,280.00	1,210.89	69.11
Guidance - Health Benefits	000-218-270	16,081.00	(3,542.51)	12,538.49	12,538.49	-
Child Study Team - Health Benefits	000-219-270	13,883.00	6,444.51	20,327.51	20,327.42	0.09
General Administration - Social Security	000-230-220	7,899.00	(5,794.00)	2,105.00	2,033.41	71.59
General Administration - Pension	000-230-240	4,154.00	5,794.00	9,948.00	9,834.48	113.52
School Administration - Social Security	000-240-220	2,982.00	-	2,982.00	2,885.44	96.56
School Administration - Pension	000-240-241	4,245.00	-	4,245.00	4,245.00	-
School Administration - Health Benefits	000-240-270	20,079.00	-	20,079.00	18,004.65	2,074.35
Central Services - Social Security	000-251-220	2,992.00	-	2,992.00	1,139.09	1,852.91
Central Services - Pension	000-251-241	3,277.00	-	3,277.00	3,277.00	-
Central Services - Health Benefits	000-251-270	12,710.00	9,500.00	22,210.00	22,015.38	194.62
Maintenance - Social Security	000-260-220	11,050.00	-	11,050.00	9,914.18	1,135.82
Maintenance - Pension	000-260-240	8,800.00	-	8,800.00	8,800.00	-
Maintenance - Health Benefits	000-260-270	35,000.00	2,725.00	37,725.00	37,705.68	19.32
Total Allocated Benefits		<u>638,410.00</u>	<u>(41,763.00)</u>	<u>596,647.00</u>	<u>558,507.84</u>	<u>40,139.16</u>
UNALLOCATED BENEFITS						
Social Security Contributions	000-291-220	5,000.00	-	5,000.00	2,700.06	2,299.94
Unemployment Compensation	000-291-250	8,000.00	-	8,000.00	7,960.18	39.82
Workmen's Compensation	000-291-260	26,000.00	-	26,000.00	24,227.30	1,772.70
Tuition Reimbursement	000-291-280	21,500.00	-	21,500.00	13,708.53	7,791.47
Other Employee Benefits	000-291-290	500.00	-	500.00	117.00	383.00
TOTAL UNALLOCATED BENEFITS		<u>61,000.00</u>	<u>-</u>	<u>61,000.00</u>	<u>48,713.07</u>	<u>12,286.93</u>
On-behalf TPAF pension Contributions (non-budgeted)					146,906.00	(146,906.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)					160,272.75	(160,272.75)
TOTAL ON-BEHALF CONTRIBUTIONS		<u>-</u>	<u>-</u>	<u>-</u>	<u>307,178.75</u>	<u>(307,178.75)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS		<u>699,410.00</u>	<u>(41,763.00)</u>	<u>657,647.00</u>	<u>912,399.66</u>	<u>(254,752.66)</u>
TOTAL UNDISTRIBUTED EXPENDITURES		<u>1,760,382.00</u>	<u>(13,515.00)</u>	<u>1,746,867.00</u>	<u>1,903,229.28</u>	<u>(156,362.28)</u>
TOTAL GENERAL CURRENT EXPENSE		<u>3,771,054.00</u>	<u>2,396.40</u>	<u>3,773,450.40</u>	<u>3,884,324.94</u>	<u>(110,874.54)</u>

BOARD OF EDUCATION
BOROUGH OF NETCONG
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2011
(Concluded)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	000-400-334 5,000.00	6,600.00	11,600.00	11,523.17	76.83
Total Facilities Acquisition and Construction Services	<u>5,000.00</u>	<u>6,600.00</u>	<u>11,600.00</u>	<u>11,523.17</u>	<u>76.83</u>
TOTAL CAPITAL OUTLAY	<u>5,000.00</u>	<u>6,600.00</u>	<u>11,600.00</u>	<u>11,523.17</u>	<u>76.83</u>
TOTAL EXPENDITURES	<u>3,776,054.00</u>	<u>8,996.40</u>	<u>3,785,050.40</u>	<u>3,895,848.11</u>	<u>(110,797.71)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>25.00</u>	<u>-</u>	<u>25.00</u>	<u>288,192.26</u>	<u>288,167.26</u>
Fund Balance, July 1	<u>219,051.96</u>	<u>-</u>	<u>219,051.96</u>	<u>219,051.96</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 219,076.96</u>	<u>\$ -</u>	<u>\$ 219,076.96</u>	<u>\$ 507,244.22</u>	<u>\$ 288,167.26</u>
Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Financing Sources (Uses):					
Increase in Capital Reserve	\$ 25.00	\$ -	\$ 25.00	\$ 16.68	\$ (8.32)
Budgeted Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,175.58</u>	<u>288,175.58</u>
Total	<u>\$ 25.00</u>	<u>\$ -</u>	<u>\$ 25.00</u>	<u>\$ 288,192.26</u>	<u>\$ 288,167.26</u>
Analysis of Fund Balance June 30, 2011:					
Reserved:					
Encumbrances				\$ 1,020.08	
Excess Surplus (2%)				126,827.05	
Capital Reserve Account				4,710.09	
Unreserved:					
Designated for Subsequent Year's Expenditures				94,000.00	
Undesignated				<u>280,687.00</u>	
				<u>\$ 507,244.22</u>	
Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:					
Fund Balance June 30, 2011				\$ 507,244.22	
Last Current Year State Aid Payments Not Realized on GAAP Basis				<u>(76,782.00)</u>	
				<u>\$ 430,462.22</u>	

BOARD OF EDUCATION
BOROUGH OF NETCONG
Budgetary Comparison Schedule
General Fund - Education Jobs Fund (Fund 18)
Fiscal Year Ended June 30, 2011

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final to</u> <u>Actual</u>
REVENUES:					
Federal Sources:					
Education Jobs Fund	\$ -	\$ 8,996.40	\$ 8,996.40	\$ 8,996.40	\$ -
Total Revenues	<u>\$ -</u>	<u>\$ 8,996.40</u>	<u>\$ 8,996.40</u>	<u>\$ 8,996.40</u>	<u>\$ -</u>
EXPENDITURES:					
Current Expense:					
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	-	4,498.20	4,498.20	4,498.20	-
Total Learning and/or Language Disabilities	<u>-</u>	<u>4,498.20</u>	<u>4,498.20</u>	<u>4,498.20</u>	<u>-</u>
Resource Room/Resource Center:					
Salaries of Teachers	-	4,498.20	4,498.20	4,498.20	-
Total Resource Room/Resource Center	<u>-</u>	<u>4,498.20</u>	<u>4,498.20</u>	<u>4,498.20</u>	<u>-</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>-</u>	<u>8,996.40</u>	<u>8,996.40</u>	<u>8,996.40</u>	<u>-</u>
Total Instruction	<u>-</u>	<u>8,996.40</u>	<u>8,996.40</u>	<u>8,996.40</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 8,996.40</u>	<u>\$ 8,996.40</u>	<u>\$ 8,996.40</u>	<u>\$ -</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2011**

	Original <u>Budget</u>	Budget <u>Transfers</u>	Final <u>Budget</u>	<u>Actual</u>	Variance <u>Final to Actual</u>
REVENUES:					
State Sources	\$150,000.00	\$ (58,263.00)	\$ 91,737.00	\$ 77,172.04	\$ 14,564.96
Federal Sources	113,000.00	171,250.99	284,250.99	236,039.33	48,211.66
Local Sources	-	8,343.66	8,343.66	8,343.66	-
Total Revenues	<u>263,000.00</u>	<u>121,331.65</u>	<u>384,331.65</u>	<u>321,555.03</u>	<u>62,776.62</u>
EXPENDITURES:					
Instruction					
Personal Services - Salaries	33,000.00	65,820.00	98,820.00	89,896.00	8,924.00
Purchased Professional and Technical Services	115,000.00	(37,738.28)	77,261.72	62,713.65	14,548.07
Other Purchased Services (400-500 series)	65,000.00	(3,039.00)	61,961.00	61,961.00	-
General Supplies	20,000.00	1,625.36	21,625.36	19,901.02	1,724.34
Textbooks	-	10,402.00	10,402.00	10,385.11	16.89
Total Instruction	<u>233,000.00</u>	<u>37,070.08</u>	<u>270,070.08</u>	<u>244,856.78</u>	<u>25,213.30</u>
Support Services					
Personal Services - Salaries	-	4,328.50	4,328.50	4,328.50	-
Personal Services - Employee Benefits	5,000.00	(815.34)	4,184.66	4,184.66	-
Purchased Professional and Technical Services	15,000.00	(2,675.00)	12,325.00	12,325.00	-
Purchased Professional - Educational Services	-	-	-	-	-
Other Purchased Services (400-500 series)	10,000.00	42,280.91	52,280.91	22,140.90	30,140.01
Supplies & Materials	-	6,761.00	6,761.00	6,761.00	-
Other Objects	-	12,541.50	12,541.50	5,118.19	7,423.31
Total Support Services	<u>30,000.00</u>	<u>62,421.57</u>	<u>92,421.57</u>	<u>54,858.25</u>	<u>37,563.32</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	-	21,840.00	21,840.00	21,840.00	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>21,840.00</u>	<u>21,840.00</u>	<u>21,840.00</u>	<u>-</u>
Total Expenditures	<u>263,000.00</u>	<u>121,331.65</u>	<u>384,331.65</u>	<u>321,555.03</u>	<u>62,776.62</u>
Total Outflows	<u>\$263,000.00</u>	<u>\$121,331.65</u>	<u>\$384,331.65</u>	<u>\$321,555.03</u>	<u>\$ 62,776.62</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

BOARD OF EDUCATION
BOROUGH OF NETCONG
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2011

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

	<u>Exhibit</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule	[C-1&C-2]	\$ 4,184,040.37	\$ 321,555.03
Difference - budget to GAAP:			
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.		4,993.00	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	<u>25,445.69</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	<u>\$ 4,189,033.37</u>	<u>\$ 347,000.72</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]		\$ 321,555.03
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.			<u>25,445.69</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]		<u>\$ 347,000.72</u>

OTHER SUPPLEMENTARY INFORMATION

SECTION D
SCHOOL LEVEL SCHEDULES

SECTION E
SPECIAL REVENUE FUND

BOARD OF EDUCATION
BOROUGH OF NETCONG
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

		<u>Total</u>	<u>State Aid</u>	<u>Federal Aid</u>	<u>Local Aid</u>
REVENUES					
State Sources		\$ 77,172.04	\$ 77,172.04	\$ -	\$ -
Federal Sources		236,039.33	-	236,039.33	-
Local Sources		<u>8,343.66</u>	<u>-</u>	<u>-</u>	<u>8,343.66</u>
Total Revenues		<u>321,555.03</u>	<u>77,172.04</u>	<u>236,039.33</u>	<u>8,343.66</u>
EXPENDITURES:					
Instruction:					
Personal Services - Salaries	100-100	89,896.00	-	89,896.00	-
Purchased Professional and Technical Services	100-300	62,713.65	54,461.93	8,251.72	-
Other Purchased Services (400-500 series)	100-500	61,961.00	-	61,961.00	-
General Supplies	100-610	19,901.02	-	19,901.02	-
Textbooks	100-640	<u>10,385.11</u>	<u>10,385.11</u>	<u>-</u>	<u>-</u>
Total Instruction		<u>244,856.78</u>	<u>64,847.04</u>	<u>180,009.74</u>	<u>-</u>
Support Services:					
Personal Services - Salaries	200-100	4,328.50	-	-	4,328.50
Personal Services - Employee Benefits	200-200	4,184.66	-	3,849.50	335.16
Purchased Professional and Technical Services	200-300	12,325.00	12,325.00	-	-
Purchased Professional - Educational Services	200-320	-	-	-	-
Other Purchased Services (400-500 series)	200-500	22,140.90	-	21,260.90	880.00
Supplies and Materials	200-600	6,761.00	-	3,961.00	2,800.00
Other Objects	200-800	<u>5,118.19</u>	<u>-</u>	<u>5,118.19</u>	<u>-</u>
Total Support Services		<u>54,858.25</u>	<u>12,325.00</u>	<u>34,189.59</u>	<u>8,343.66</u>
Facilities Acquisition and Const. Serv.:					
Instructional Equipment	400-731	<u>21,840.00</u>	<u>-</u>	<u>21,840.00</u>	<u>-</u>
Total Facilities Acquisition and Const. Serv.		<u>21,840.00</u>	<u>-</u>	<u>21,840.00</u>	<u>-</u>
Total Expenditures		<u>\$ 321,555.03</u>	<u>\$ 77,172.04</u>	<u>\$ 236,039.33</u>	<u>\$ 8,343.66</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Special Revenue Fund**

**Combining Schedule of State Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011**

		N.J. Nonpublic Textbook Aid	N.J. Nonpublic Auxiliary Services	N.J. Nonpublic Handicapped Services	N.J. Nonpublic Nursing Services
REVENUES					
State Sources		\$ 77,172.04	\$ 10,385.11	\$ 17,986.53	\$ 12,325.00
Total State Revenues		<u>77,172.04</u>	<u>10,385.11</u>	<u>17,986.53</u>	<u>12,325.00</u>
EXPENDITURES:					
Instruction:					
Purchased Professional and Technical Services	100-300	54,461.93	17,986.53	36,475.40	
Textbooks	100-640	10,385.11	-	-	
Total Instruction		<u>64,847.04</u>	<u>10,385.11</u>	<u>17,986.53</u>	<u>36,475.40</u>
Support Services:					
Purchased Professional and Technical Services	200-300	12,325.00			12,325.00
Total Support Services		<u>12,325.00</u>			<u>12,325.00</u>
Total Expenditures		<u>\$ 77,172.04</u>	<u>\$ 10,385.11</u>	<u>\$ 17,986.53</u>	<u>\$ 12,325.00</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Special Revenue Fund**
Combining Schedule of Federal Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011

	Total	N.C.L.B.				I.D.E.A. Part B				
		Title I	Title I-ARRA	Title I/A	Title III	Title IV	Basic	Basic-ARRA	PS-ARRA	Preschool
REVENUES										
Federal Sources	\$ 236,039.33	\$ 47,108.00	\$ 4,292.72	\$ 30,529.68	\$ 19,250.02	\$ 590.91	\$ 76,781.00	\$ 48,243.00	\$ 3,718.00	\$ 5,526.00
Total Federal Revenues	<u>236,039.33</u>	<u>47,108.00</u>	<u>4,292.72</u>	<u>30,529.68</u>	<u>19,250.02</u>	<u>590.91</u>	<u>76,781.00</u>	<u>48,243.00</u>	<u>3,718.00</u>	<u>5,526.00</u>
EXPENDITURES:										
Instruction:										
Personal Services - Salaries	89,896.00	42,772.00		17,567.00	2,303.00			22,121.00		5,133.00
Purchased Professional and Technical Services	8,251.72		251.72					8,000.00		
Other Purchased Services (400-500 series)	61,961.00						61,961.00			
General Supplies	19,901.02	1,046.00	1,043.00	1,055.00	16,757.02					
Total Instruction	<u>180,009.74</u>	<u>43,818.00</u>	<u>1,294.72</u>	<u>18,622.00</u>	<u>19,060.02</u>		<u>61,961.00</u>	<u>30,121.00</u>		<u>5,133.00</u>
Support Services:										
Personal Services - Salaries	-									
Personal Services - Employee Benefits	3,849.50	1,377.00		2,079.50						393.00
Purchased Professional and Technical Services	-									
Purchased Professional - Educational Services	-									
Other Purchased Services (400-500 series)	21,260.90		2,998.00	2,661.99	190.00	590.91	14,820.00			
Supplies and Materials	3,961.00	1,913.00		2,048.00						
Other Objects	5,118.19			5,118.19						
Total Support Services	<u>34,189.59</u>	<u>3,290.00</u>	<u>2,998.00</u>	<u>11,907.68</u>	<u>190.00</u>	<u>590.91</u>	<u>14,820.00</u>			<u>393.00</u>
Facilities Acquisition and Const. Serv.:										
Instructional Equipment	21,840.00							18,122.00	3,718.00	
Total Facilities Acquisition and Const. Serv.	<u>21,840.00</u>							<u>18,122.00</u>	<u>3,718.00</u>	
Total Expenditures	<u>\$ 236,039.33</u>	<u>\$ 47,108.00</u>	<u>\$ 4,292.72</u>	<u>\$ 30,529.68</u>	<u>\$ 19,250.02</u>	<u>\$ 590.91</u>	<u>\$ 76,781.00</u>	<u>\$ 48,243.00</u>	<u>\$ 3,718.00</u>	<u>\$ 5,526.00</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Special Revenue Fund
Combining Schedule of Local Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2011**

		Netcong Education		
		<u>Total</u>	<u>Foundation</u>	<u>NJSBAIG</u>
REVENUES				
Local Sources		\$ 8,343.66	\$ 5,543.66	\$2,800.00
Total Local Revenues		<u>8,343.66</u>	<u>5,543.66</u>	<u>2,800.00</u>
EXPENDITURES:				
Support Services:				
Personal Services - Salaries	200-100	4,328.50	4,328.50	-
Personal Services - Employee Benefits	200-200	335.16	335.16	-
Other Purchased Services (400-500 series)	200-500	880.00	880.00	-
Supplies & Materials	200-600	<u>2,800.00</u>	<u>-</u>	2,800.00
Total Support Services		<u>8,343.66</u>	<u>5,543.66</u>	<u>2,800.00</u>
Total Expenditures		<u>\$ 8,343.66</u>	<u>\$ 5,543.66</u>	<u>\$2,800.00</u>

SECTION F
CAPITAL PROJECTS FUND

**BOARD OF EDUCATION
BOROUGH OF NETCONG**
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Year Ended June 30, 2011

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2011
			Prior Years	Current Year	
Boiler Replacement Project	1/15/2009	\$ 380,436.38	\$ 372,504.13	\$ 950.00	\$ 6,982.25
Roof Replacement	7/23/2010	918,966.00	-	163,789.34	755,176.66
Various Elementary School Building Improvements-Level 1	7/23/2010	1,505,032.00	-	183,236.84	1,321,795.16
Various Elementary School Building Improvements-Level 2	7/23/2010	1,120,004.00	-	99,299.40	1,020,704.60
Totals		<u>\$ 3,924,438.38</u>	<u>\$ 372,504.13</u>	<u>\$ 447,275.58</u>	<u>\$ 3,104,658.67</u>
			Authorized but not Issued	Fund Balance	\$ 3,104,496.67
					<u>162.00</u>
					<u>\$ 3,104,658.67</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
For the Year Ended June 30, 2011**

REVENUES AND OTHER FINANCING SOURCES

State Sources - SCC Grant	\$ 1,516,840.00
Bond Proceeds	2,027,000.00
Transfer from Capital Reserve	<u>-</u>
Total Revenues	<u>3,543,840.00</u>

EXPENDITURES AND OTHER FINANCING USES

Other Purchased Professional and Technical Services (390)	288,600.58
Construction Services (450)	<u>158,675.00</u>
Total Expenditures	<u>447,275.58</u>

Excess (deficiency) of revenues over (under) expenditures	3,096,564.42
Fund Balance - July 1	<u>7,932.25</u>
Fund Balance - June 30	<u>3,104,496.67</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Boiler Replacement Project
From Inception and for the Year Ended June 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ 154,508.38	\$ -	\$ 154,508.38	\$ 154,508.38
Lease Purchase Proceeds	140,928.00	-	140,928.00	140,928.00
Transfer from Capital Reserve	85,000.00	-	85,000.00	85,000.00
Total Revenues	<u>380,436.38</u>	<u>-</u>	<u>380,436.38</u>	<u>380,436.38</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	57,400.13	950.00	58,350.13	60,000.00
Construction Services (450)	315,104.00	-	315,104.00	320,436.38
Total Expenditures	<u>372,504.13</u>	<u>950.00</u>	<u>373,454.13</u>	<u>380,436.38</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,932.25</u>	<u>\$(950.00)</u>	<u>\$ 6,982.25</u>	<u>\$ -</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	3520-060-09-1001			
Grant Date	1/15/09			
Original Authorized Cost	\$ 386,058.00			
Additional Authorized Cost	\$ (5,621.62)			
Revised Authorized Cost	\$ 380,436.38			
Percentage Increase over Original Authorized Cost	-1.46%			
Percentage Completed	98.16%			
Original Target Completion Date	9/1/09			
Revised Target Completion Date	9/1/10			

**BOARD OF EDUCATION
BOROUGH OF NETCONG**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Roof Replacement
From Inception and for the Year Ended June 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ -	\$ 393,319.00	\$ 393,319.00	\$ 393,319.00
Bond Proceeds	-	525,600.00	525,600.00	525,647.00
Total Revenues	<u>-</u>	<u>918,919.00</u>	<u>918,919.00</u>	<u>918,966.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)	-	91,395.34	91,395.34	96,305.00
Construction Services (450)	-	72,394.00	72,394.00	822,614.00
Total Expenditures	<u>-</u>	<u>163,789.34</u>	<u>163,789.34</u>	<u>918,919.00</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 755,129.66</u>	<u>\$ 755,129.66</u>	<u>\$ 47.00</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	3520-060-10-1002			
Grant Date	7/23/10			
Bond Authorization Date	9/28/10			
Bonds Authorized	\$525,647.00			
Bonds Issued	\$525,600.00			
Original Authorized Cost	\$918,919.00			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$918,919.00			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	17.82%			
Original Target Completion Date	6/30/12			
Revised Target Completion Date	6/30/12			

**BOARD OF EDUCATION
BOROUGH OF NETCONG**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Various Elementary School Building Improvements-Level 1
From Inception and for the Year Ended June 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ -	\$ 644,157.00	\$ 644,157.00	\$ 644,157.00
Bond Proceeds		860,800.00	860,800.00	860,875.00
Total Revenues	<u>-</u>	<u>1,504,957.00</u>	<u>1,504,957.00</u>	<u>1,505,032.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)		115,454.84	115,454.84	166,284.00
Construction Services (450)		67,782.00	67,782.00	1,338,673.00
Total Expenditures	<u>-</u>	<u>183,236.84</u>	<u>183,236.84</u>	<u>1,504,957.00</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 1,321,720.16</u>	<u>\$ 1,321,720.16</u>	<u>\$ 75.00</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	3520-060-10-1003			
Grant Date	7/23/10			
Bond Authorization Date	9/28/10			
Bonds Authorized	\$ 860,875.00			
Bonds Issued	\$ 860,800.00			
Original Authorized Cost	\$1,505,032.00			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$1,505,032.00			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	12.18%			
Original Target Completion Date	6/30/12			
Revised Target Completion Date	6/30/12			

**BOARD OF EDUCATION
BOROUGH OF NETCONG**
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
Various Elementary School Building Improvements-Level 2
From Inception and for the Year Ended June 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
State Sources - SCC Grant	\$ -	\$ 479,364.00	\$ 479,364.00	\$ 479,364.00
Bond Proceeds	-	640,600.00	640,600.00	640,640.00
Total Revenues	<u>-</u>	<u>1,119,964.00</u>	<u>1,119,964.00</u>	<u>1,120,004.00</u>
EXPENDITURES AND OTHER FINANCING USES				
Other Purchased Professional and Technical Services (390)		80,800.40	80,800.40	121,511.00
Construction Services (450)		18,499.00	18,499.00	998,453.00
Total Expenditures	<u>-</u>	<u>99,299.40</u>	<u>99,299.40</u>	<u>1,119,964.00</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 1,020,664.60</u>	<u>\$ 1,020,664.60</u>	<u>\$ 40.00</u>
ADDITIONAL PROJECT INFORMATION				
Project Number	3520-060-10-1001			
Grant Date	7/23/10			
Bond Authorization Date	9/28/10			
Bonds Authorized	\$ 640,640.00			
Bonds Issued	\$ 640,600.00			
Original Authorized Cost	\$ 1,120,004.00			
Additional Authorized Cost	\$ -			
Revised Authorized Cost	\$ 1,120,004.00			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completed	8.87%			
Original Target Completion Date	6/30/12			
Revised Target Completion Date	6/30/12			

SECTION G
PROPRIETARY FUNDS

ENTERPRISE FUND

INTERNAL SERVICE FUND

SECTION H
FIDUCIARY FUND

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011**

<u>Schools</u>	<u>Balance June 30, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
Netcong Elementary School	<u>\$ 13,169.66</u>	<u>\$ 42,643.08</u>	<u>\$ 43,607.72</u>	<u>\$ 12,205.02</u>
	<u>\$ 13,169.66</u>	<u>\$ 42,643.08</u>	<u>\$ 43,607.72</u>	<u>\$ 12,205.02</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
Payroll Deductions and Withholdings	\$ (5,675.58)	\$ 1,184,947.21	\$ 1,184,460.72	\$ (5,189.09)
Net Salaries and Wages	<u>1,095.65</u>	<u>1,795,858.13</u>	<u>1,796,951.84</u>	<u>1.94</u>
	<u>\$ (4,579.93)</u>	<u>\$ 2,980,805.34</u>	<u>\$ 2,981,412.56</u>	<u>\$ (5,187.15)</u>

SECTION I
LONG – TERM DEBT

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Long - Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2011**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities of Bonds Outstanding June 30, 2011</u>		<u>Interest Rate</u>	<u>Balance June 30, 2010</u>	<u>Issued Current Year</u>	<u>Balance June 30, 2011</u>
			<u>Date</u>	<u>Amount</u>				
School Bonds	5/15/2011	\$ 2,027,000.00	5/15/2012	\$ 65,000.00	2.250%	\$ -	\$ 2,027,000.00	\$ 2,027,000.00
			5/15/2013	70,000.00	2.250%			
			5/15/2014	70,000.00	2.250%			
			5/15/2015	75,000.00	2.250%			
			5/15/2016	80,000.00	2.375%			
			5/15/2017	85,000.00	2.750%			
			5/15/2018	85,000.00	3.000%			
			5/15/2019	95,000.00	3.125%			
			5/15/2020	95,000.00	3.125%			
			5/15/2021	100,000.00	3.250%			
			5/15/2022	105,000.00	4.500%			
			5/15/2023	110,000.00	4.500%			
			5/15/2024	115,000.00	4.500%			
			5/15/2025	120,000.00	4.500%			
			5/15/2026	120,000.00	4.500%			
			5/15/2027	125,000.00	4.500%			
			5/15/2028	125,000.00	4.500%			
			5/15/2029	130,000.00	4.500%			
			5/15/2030	130,000.00	4.500%			
			5/15/2031	127,000.00	4.500%			
						-	-	-
						<u>\$ -</u>	<u>\$ 2,027,000.00</u>	<u>\$ 2,027,000.00</u>

**BOARD OF EDUCATION
BOROUGH OF NETCONG
Long - Term Debt
Schedule of Obligations Under Lease Purchase Agreements
For the Fiscal Year Ended June 30, 2011**

<u>Purpose</u>	<u>Interest Rate Payable</u>	<u>Amount Outstanding June 30, 2010</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2011</u>
Boiler Replacement	4.50%	<u>\$ 125,000.00</u>	<u>22,848.96</u>	<u>\$ 102,151.04</u>

STATISTICAL SECTION (Unaudited)

Financial Trends

J-1	Net Assets by Component
J-2	Changes in Net Assets
J-3	Fund Balances - Governmental Funds
J-4	Changes in Fund Balances - Governmental Funds
J-5	General Fund - Other Local Revenue by Source

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J-14	Demographic and Economic Statistics
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J-20	Insurance Schedule

Certain Exhibits do not contain ten years of information since GASBS No. 44 was implemented as of the fiscal year ending June 30, 2004.

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**Net Assets by Component
Last Eight Fiscal Years**
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ (1,347.04)	\$ 1,565,309.39	\$ 1,369,757.88	\$ 1,386,164.71	\$ 1,443,594.39	\$ 1,314,823.54	\$ 1,339,731.71	\$ 675,674.63
Restricted	1,814,213.89	12,625.66	510,149.85	44,578.32	95,988.34	261,869.49	319,874.13	1,111,221.32
Unrestricted	97,738.81	36,648.55	(90,506.80)	106,647.13	72,795.91	(27,395.47)	(16,108.63)	(2,408.06)
Total Governmental Activities Net Assets	\$ 1,910,605.66	\$ 1,614,563.60	\$ 1,789,400.93	\$ 1,537,390.16	\$ 1,612,378.64	\$ 1,549,297.56	\$ 1,643,497.21	\$ 1,784,487.89
Business-type activities								
Invested in Capital Assets, Net of Related Debt	\$ 5,119.29	\$ 2,538.92	\$ 2,908.55	\$ 1,463.60	\$ 1,693.65	\$ 1,923.70	\$ 2,153.75	\$ 1,335.01
Restricted	8,757.30	8,090.83	16,483.72	11,737.03	10,563.86	12,651.32	8,350.10	8,688.25
Unrestricted	\$ 13,876.59	\$ 10,629.75	\$ 19,392.27	\$ 13,200.63	\$ 12,257.51	\$ 14,575.02	\$ 10,503.85	\$ 10,003.26
Total Business-Type Activities Net Assets								
District-Wide								
Invested in Capital Assets, Net of Related Debt	\$ 3,772.25	\$ 1,567,848.31	\$ 1,372,666.43	\$ 1,387,628.31	\$ 1,445,288.04	\$ 1,316,747.24	\$ 1,341,885.46	\$ 677,009.64
Restricted	1,814,213.89	12,625.66	510,149.85	44,578.32	95,988.34	261,869.49	319,874.13	1,111,221.32
Unrestricted	106,496.11	44,739.38	(74,023.08)	118,384.16	83,359.77	(14,744.15)	(7,758.53)	6,260.19
Total District Net Assets	\$ 1,924,482.25	\$ 1,625,213.35	\$ 1,808,793.20	\$ 1,550,590.79	\$ 1,624,636.15	\$ 1,563,872.58	\$ 1,654,001.06	\$ 1,794,491.15

Source: District Records

BOARD OF EDUCATION
BOROUGH OF NETCONG

Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
Governmental Activities								
Instruction								
Regular	\$ 2,108,315.85	\$ 2,180,515.98	\$ 2,152,490.21	\$ 2,216,947.93	\$ 2,211,072.40	\$ 2,198,141.35	\$ 1,812,304.57	\$ 1,905,904.32
Special Education	833,345.77	723,124.44	740,473.44	761,134.93	685,685.91	516,867.49	620,448.12	497,829.63
Other Instruction	51,099.23	142,052.47	127,915.05	123,525.79	111,638.78	109,823.67	166,878.64	117,402.19
Support Services:								
Tuition	61,628.75	11,576.25	71,737.35	4,507.99	2,526.00	5,488.00	7,673.00	
Student and Instruction Related Services	430,902.25	499,572.05	454,521.07	449,479.93	454,972.86	412,848.71	466,023.63	483,429.27
School Administrative Services	129,508.89	122,260.98	122,394.11	106,015.49	109,290.47	99,500.50	129,549.08	160,697.84
General and Business Administrative Services	285,702.83	302,516.28	286,479.25	287,693.24	331,468.27	349,930.65	316,290.56	359,425.45
Plant Operations and Maintenance	275,379.96	409,875.28	393,255.03	379,865.49	359,913.61	361,121.89	281,599.30	302,848.00
Pupil Transportation	55,139.81	54,437.33	55,872.59	28,744.93	36,517.41	43,678.27	56,891.11	32,778.35
Special Schools	8,988.69	-	-	-	8,005.68	10,300.00	-	-
Interest on Long-Term Debt	4,240,012.03	4,445,931.06	4,405,138.10	4,357,815.72	4,311,091.39	4,107,700.53	3,857,459.01	3,860,315.05
Total Governmental Activities Expenses	78,818.15	79,595.52	76,315.90	78,919.71	77,636.36	72,901.30	34,953.62	18,485.64
Business-Type Activities:								
Food Service	78,818.15	8,312.75	22,228.00	78,919.71	77,636.36	72,901.30	34,953.62	18,485.64
After Care Program	4,318,830.18	87,908.27	98,543.90	78,919.71	77,636.36	72,901.30	34,953.62	18,485.64
Total Business-Type Activities Expense		4,533,839.33	4,503,682.00	4,436,735.43	4,388,727.75	4,160,601.83	3,892,412.63	3,878,800.69
Program Revenues								
Governmental Activities:								
Charges for Services:								
Operating Grants and Contributions	935,539.46	941,538.28	630,003.84	998,342.63	989,940.47	810,591.67	766,733.01	755,962.31
Total Governmental Activities Program Revenues	935,539.46	941,538.28	630,003.84	998,342.63	989,940.47	810,591.67	766,733.01	755,962.31

BOARD OF EDUCATION
BOROUGH OF NETCONG

Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Business-Type Activities:								
Charges for Services	\$ 40,901.62	\$ 37,898.29	\$ 45,523.72	\$ 49,068.92	\$ 47,932.37	\$ 54,012.28	\$ 22,541.25	\$ 8,129.78
Food Service		5,289.25	28,331.00					
Child care								
Operating Grants and Contributions	41,135.51	39,270.95	30,448.64	30,483.89	26,760.52	22,640.33	12,719.67	10,986.64
Total Business-Type Activities Program Revenues	82,037.13	82,458.49	104,303.36	79,552.81	74,692.89	76,652.61	35,260.92	19,116.42
Total District-Wide Program Revenues	1,017,576.59	1,023,996.77	734,307.20	1,077,895.44	1,064,633.36	887,244.28	801,993.93	775,076.73
Net (Expense)/Revenue								
Governmental Activities	(3,304,472.57)	(3,504,392.78)	(3,775,134.26)	(3,359,473.09)	(3,321,150.92)	(3,297,108.86)	(3,090,726.00)	(3,104,352.74)
Business-Type Activities	3,218.98	(5,449.78)	5,759.46	633.10	(2,943.47)	3,751.31	307.30	630.78
Total District-Wide Net Expense	(3,301,253.59)	(3,509,842.56)	(3,769,374.80)	(3,358,839.99)	(3,324,094.39)	(3,293,357.55)	(3,090,418.70)	(3,103,721.96)
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes:								
Property Taxes, Levied for General Purposes	2,718,432.00	2,635,485.00	2,635,485.00	2,635,485.00	2,713,134.00	2,555,346.00	2,338,068.00	2,367,298.00
Federal and State Aid not Restricted	760,594.75	932,374.38	1,153,675.60	621,578.15	598,693.26	613,852.21	587,657.09	605,061.14
Tuition (Other Than Special Schools)	20,154.00	6,000.13	4,150.00					
Investment Earnings	1,804.16	2,741.84	4,815.99	12,832.73	22,955.29	22,715.75	9,944.35	11,484.96
Miscellaneous Income	99,509.72	3,203.58	229,018.44	14,588.73	14,062.74	10,995.25	14,065.88	76,770.95
N.J. Economic Development Authority Grants					(11,957.92)			407,844.00
Prior Year Adjustment-Reallocation of Expenditures		(40,229.48)			47,344.63			(1,000.00)
Transfers	3,600,494.63	(210,000.00)	4,027,145.03	3,284,484.61	3,384,232.00	3,202,909.21	2,949,735.32	3,467,469.05
Total Governmental Activities	3,600,494.63	3,329,575.45	4,027,145.03	3,284,484.61	3,384,232.00	3,202,909.21	2,949,735.32	3,467,469.05
Business-Type Activities:								
Investment earnings	32.03	80.01	149.90	310.02	625.96	319.86	193.29	4.71
Transfers	(4.17)	(3,392.75)						1,000.00
Total Business-Type Activities	27.86	(3,312.74)	149.90	310.02	625.96	319.86	193.29	1,004.71
Total District-Wide General Revenues	3,600,522.49	3,326,262.71	4,027,294.93	3,284,794.63	3,384,857.96	3,203,229.07	2,949,928.61	3,468,473.76
Change in Net Assets								
Governmental Activities	296,022.06	(174,817.33)	252,010.77	(74,888.48)	63,081.08	(94,199.65)	(140,990.68)	393,116.31
Business-Type Activities	3,246.84	(6,762.52)	5,909.36	943.12	(2,317.51)	4,071.17	500.59	1,635.49
Total District-Wide Change in Net Assets	\$ 299,268.90	\$ (183,579.85)	\$ 257,920.13	\$ (74,045.36)	\$ 60,763.57	\$ (90,128.48)	\$ (140,490.09)	\$ 394,751.80

Source: District Records.

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**Fund Balances - Governmental Funds,
Last Eight Fiscal Years
(modified accrual basis of accounting)
Unaudited**

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
General Fund								
Reserved	\$ 226,557.22	\$ 4,693.41	\$ 147,554.22	\$ 46,466.07	\$ 95,988.34	\$ 197,262.23	\$ 372,887.62	\$ 479,696.46
Unreserved	203,905.00	132,583.55	(4,380.55)	192,283.38	158,205.91	68,463.28	71,747.00	92,215.69
Total General Fund	<u>\$ 430,462.22</u>	<u>\$ 137,276.96</u>	<u>\$ 143,173.67</u>	<u>\$ 238,749.45</u>	<u>\$ 254,194.25</u>	<u>\$ 265,725.51</u>	<u>\$ 444,634.62</u>	<u>\$ 571,912.15</u>
All Other Governmental Funds								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,555.00	\$ 10,950.00	\$ -
Unreserved, Reported In:								
Special Revenue Fund	1,587,656.67	7,932.25	362,595.63	(1,887.75)	-	(366.28)	(280.00)	(280.00)
Capital Projects Fund	<u>1,587,656.67</u>	<u>7,932.25</u>	<u>362,595.63</u>	<u>\$ (1,887.75)</u>	<u>-</u>	<u>63,418.54</u>	<u>(63,683.49)</u>	<u>631,804.86</u>
Total All Other Governmental Funds		<u>\$ 7,932.25</u>	<u>\$ 362,595.63</u>	<u>\$ (1,887.75)</u>	<u>\$ -</u>	<u>\$ 64,607.26</u>	<u>\$ (53,013.49)</u>	<u>\$ 631,524.86</u>
Total Fund Balances	<u>\$ 2,018,118.89</u>	<u>\$ 145,209.21</u>	<u>\$ 505,769.30</u>	<u>\$ 236,861.70</u>	<u>\$ 254,194.25</u>	<u>\$ 330,332.77</u>	<u>\$ 391,621.13</u>	<u>\$ 1,203,437.01</u>

Source: District Records

BOARD OF EDUCATION
BOROUGH OF NETCONG

Changes in Fund Balances - Governmental Funds,
Last Eight Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,							
	2010	2010	2009	2008	2007	2006	2005	2004
Other Financing sources (uses)								
Bond Proceeds	\$ 2,027,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 407,884.00
N.J. Economic Development Authority Grants		(40,229.48)			(11,957.92)			
Prior Year Adjustment-Reallocation of Expenditures		3.18			87,565.23	150,000.00	18,259.55	372,770.45
Transfers In		(85,003.18)			(40,220.60)	(150,000.00)	(18,259.55)	(373,770.45)
Transfers Out		(125,229.48)			35,386.71			406,884.00
Total Other Financing Sources (Uses)	<u>2,027,000.00</u>	<u>(125,229.48)</u>	<u>-</u>	<u>-</u>	<u>35,386.71</u>	<u>-</u>	<u>-</u>	<u>406,884.00</u>
Net Change in Fund Balances	<u>\$ 1,872,909.68</u>	<u>\$ (360,560.09)</u>	<u>\$ 268,907.60</u>	<u>\$ (17,332.55)</u>	<u>\$ (76,138.52)</u>	<u>\$ (61,288.36)</u>	<u>\$ (811,815.88)</u>	<u>\$ 181,378.40</u>
Debt Service as a Percentage of Noncapital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District Records

BOARD OF EDUCATION
BOROUGH OF NETCONG

General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

Fiscal Year Ending June 30,	Tuition	Interest on Investments	Use of Facilities	Health Benefits Reimbursed	Prior Year Refunds	Miscellaneous	Total
2002	\$ 7,654.82	\$ 14,454.81	\$ -		\$ 10,485.09	\$ 16,346.95	\$ 48,941.67
2003	-	16,195.95	-		-	4,806.00	21,001.95
2004	-	11,494.96	-		43,143.64	33,626.00	88,264.60
2005	-	9,944.35	2,164.60		10,740.00	1,160.98	24,009.93
2006	-	22,715.75	-		-	10,995.25	33,711.00
2007		22,955.29				14,062.74	37,018.03
2008	4,500.00	12,832.73				8,538.88	25,871.61
2009	4,150.00	4,633.71			3,090.44		11,874.15
2010	6,000.13	2,741.84				3,203.58	11,945.55
2011	20,154.00	1,804.16		57,556.67		33,609.39	113,124.22

Note: Excludes the Capital Projects Fund as these revenues vary substantially from year to year. The financial data presented would not be as meaningful for comparative purposes if these were included.

Source: District Records

BOARD OF EDUCATION
BOROUGH OF NETCONG

Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2002	\$ 3,336,700	\$ 116,506,000	\$ 23,766,000	\$ 12,206,400	\$ 18,139,700	\$ 173,954,800	\$ 3,135,537	\$ 177,090,337	\$ 186,324,354	0.730
2003	2,601,800	117,027,200	23,591,000	12,668,200	20,575,300	176,463,500	2,905,800	179,369,300	207,063,460	0.800
2004	2,582,200	117,313,600	24,191,100	11,034,300	20,575,300	175,696,500	2,527,089	178,223,589	237,999,980	0.800
2005	2,536,700	117,883,500	24,191,100	11,034,300	20,575,300	176,220,900	2,300,929	178,521,829	264,940,372	0.890
2006	6,204,500	240,251,700	43,753,700	21,202,500	32,118,300	343,530,700	3,404,862	346,935,562	296,693,704	0.450
2007	6,504,500	239,878,700	43,595,500	21,202,500	32,118,300	343,299,500	3,063,631	346,363,131	327,186,674	0.450
2008	6,520,600	240,262,300	44,059,600	20,396,900	27,085,700	338,325,100	3,132,783	341,457,883	332,550,953	0.450
2009	6,240,200	240,485,300	43,745,600	20,196,900	27,085,700	337,753,700	3,159,554	340,913,254		0.480
2010	6,002,600	240,302,400	43,259,800	18,796,900	25,781,800	334,143,500	3,085,763	337,229,263		0.480
2011	5,892,600	240,069,800	43,115,700	18,746,800	25,781,800	333,606,700	3,043,835	336,650,535		1.31

Source: Municipal Tax Assessor

BOARD OF EDUCATION
BOROUGH OF NETCONG

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$100 of assessed value)
Unaudited

Fiscal Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service*	Total Direct School Tax Rate	Municipality	Regional High School	County	
2001	1.200		1.200	0.710	0.700	0.30	2.91
2002	0.730		0.730	0.730	1.240	0.32	3.02
2003	0.800		0.800	0.770	1.280	0.34	3.19
2004	0.800		0.800	0.830	1.300	0.38	3.31
2005	0.890		0.890	0.910	1.360	0.395	3.56
2006	0.450		0.450	0.510	0.750	0.214	1.92
2007	0.450		0.450	0.570	0.770	0.225	2.02
2008	0.450		0.450	0.630	0.770	0.229	2.08
2009	0.450		0.450	0.660	0.770	0.231	2.11
2010	0.480		0.480	0.680	0.790	0.220	2.17

* Not Applicable; no debt

Source: Municipal Tax Collector

BOARD OF EDUCATION
BOROUGH OF NETCONG

Principal Property Taxpayers
Current Year and Nine Years Ago
Unaudited

Taxpayer	2011		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value
Quirk Realty, LLC	\$ 21,500,000	6.31%	Netcong Heights	\$ 16,051,400
Individual Taxpayer 1	8,500,000	2.49%	NJ Bell	5,118,483
Semper Development	3,500,000	1.03%	P.E.C.D. (Shoprite)	1,459,600
U.S. Mineral Wool Products	3,188,300	0.94%	U.S. Mineral Wool Products	1,403,000
Individual Taxpayer 2	3,167,000	0.93%	Quirk Realty, LLC	1,081,400
Verizon NJ	3,083,706	0.90%	Marl Appraisal	939,100
Netcong 201 LLC	2,761,500	0.81%	Dowel Associates	805,600
Individual Taxpayer 3	2,513,100	0.74%	Dover Handbag	750,000
Quirk Realty, LLC	2,427,300	0.71%	Sinagra	637,600
Bell Atlantic-NJ	2,037,500	0.60%	Netcong Properties	600,000
Total	\$ 52,678,406	15.46%		\$ 28,846,183
				17.24%

Source: Municipal Tax Assessor

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited**

Fiscal Year Ended December 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of			Collections in Subsequent Years	Total Collections to Date
		Amount	Percentage of Levy	Amount		
2001	\$ 4,843,945	\$ 4,672,332	96.45%	-	\$ 4,672,332	96.45%
2002	5,110,373	4,885,442	95.59%	-	4,885,442	95.59%
2003	5,428,392	5,234,032	96.41%	-	5,234,032	96.41%
2004	5,770,957	5,589,980	96.86%	-	5,589,980	96.86%
2005	6,084,575	5,861,025	96.32%	-	5,861,025	96.32%
2006	6,645,304	6,171,048	92.86%	-	6,171,048	92.86%
2007	6,968,441	6,495,840	93.21%	-	6,495,840	93.21%
2008	7,142,809	6,968,977	97.56%	-	6,968,977	97.56%
2009	7,242,441	7,020,312	96.93%	-	7,020,312	96.93%
2010			NOT AVAILABLE			

Source: Municipal Tax Collector

BOARD OF EDUCATION
BOROUGH OF NETCONG

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Governmental Activities				Capital Leases	Bond Anticipation Notes (BANS)	Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Business-Type Activities					
2002	\$ -	\$ -	\$ -	\$ -	-	-	0.00%	-	
2003	-	-	-	-	-	-	0.00%	-	
2004	-	-	-	-	-	-	0.00%	-	
2005	-	-	-	-	-	-	0.00%	-	
2006	-	-	-	-	-	-	0.00%	-	
2007	-	-	-	-	-	-	0.00%	-	
2008	-	-	-	-	-	-	0.00%	-	
2009	-	-	-	-	-	-	0.00%	-	
2010	2,027,000.00	-	125,000.00	-	125,000.00	125,000.00	0.13%	39	
2011	-	-	102,151.04	-	2,129,151.04	2,129,151.04	2.10%	663	

BOARD OF EDUCATION
BOROUGH OF NETCONG

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2002		\$ -	0.00%	-
2003		-	0.00%	-
2004		-	0.00%	-
2005		-	0.00%	-
2006		-	0.00%	-
2007		-	0.00%	-
2008		-	0.00%	-
2009		-	0.00%	-
2010		-	0.00%	-
2011	2,027,000	2,027,000	0.60%	631

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**Direct and Overlapping Governmental Activities Debt
As of December 31, 2010
Unaudited**

Net Direct Debt of School District as of December 31, 2010	\$ 2,152,162.00
Net Overlapping Debt of School District:	
Borough of Netcong (100%)	\$ 798,898.00
Musconetcong Sewerage Authority -	1,062,588.68
County of Morris - Borough's share (.312%)	<u>776,793.66</u>
Total Direct and Overlapping Debt as of December 31, 2010	<u>2,638,280.34</u> <u>\$ 4,790,442.34</u>

Source: Borough Treasurer

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited**

Legal Debt Margin Calculation for Fiscal Year 2010

Equalized valuation basis	
2010	\$ 316,244,085
2009	316,782,686
2008	337,953,351
	<u>\$970,980,122</u>
Average equalized valuation of taxable property	<u>\$323,660,041</u>
Debt limit (3 % of average equalization value)	9,709,801
Total Net Debt Applicable to Limit	<u>2,152,162</u>
Legal debt margin	<u>\$ 7,557,639</u>

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt Limit					
Total Net Debt Applicable to Limit	\$8,801,876	\$ 9,527,135	\$10,014,232	\$ 9,740,546	\$ 9,709,801
Legal Debt Margin					<u>2,152,162</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	22.16%

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt Limit					
Total Net Debt Applicable to Limit	\$4,801,550	\$ 5,033,664	\$ 5,252,796	\$ 5,644,954	\$ 6,168,628
Legal Debt Margin					<u>\$ 6,168,628</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey,
Department of Treasury, Division of Taxation

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2001	3,202	\$ 77,412,064	\$ 24,176	3.40%
2002	3,278	81,626,936	24,901	5.10%
2003	3,266	83,767,962	25,648	5.10%
2004	3,258	86,069,658	26,418	4.10%
2005	3,248	88,379,643	27,210	3.10%
2006	3,224	90,358,389	28,027	3.30%
2007	3,210	92,664,994	28,868	3.00%
2008	3,207	95,355,743	29,734	3.90%
2009	3,211 (Est)	98,338,918	30,626	6.70%
2010	3,211 (Est)	101,289,085	31,544	6.80%

Sources:

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

Personal income has been estimated based upon the municipal population and per capita personal income presented

Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

BOARD OF EDUCATION
BOROUGH OF NETCONG

Principal Employers
Current Year and Nine Years Ago
Unaudited

Employer	2011		2002		Percentage of Total Municipal Employment	Rank [Optional]	Percentage of Total Municipal Employment
	Employees	Rank [Optional]	Employees	Rank [Optional]			
	0		0		0.00%		0.00%

NOT AVAILABLE

Source: _____

BOARD OF EDUCATION
BOROUGH OF NETCONG

Full-time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
Unaudited

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Instruction										
Regular	23	23	21	22	23	23	24	24	23	24
Special Education	6	6	6	6	6	6	6	6	6	6
Other Instruction										
School Sponsored/Other Instructional										
Support Services:										
Tuition										
Student and Instruction Related Services	8	8	10	8	12	12	12	12	12	12
School Administrative Services	2	2	2	3	3	3	3	3	3	3
General and Business Administrative Services	1	1	1	1	1	1	1	2	2	2
Central Services	2	2	2	2	2	2	1	0	0	0
Plant Operations and Maintenance	3	3	3	3	3	3	3	3	3	3
Total	45	45	45	45	50	50	50	50	49	50

Source: District Personnel Records

BOARD OF EDUCATION
BOROUGH OF NETCONG

Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Pupil/Teacher Ratio										
	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2002	296	\$ 3,090,317.17	\$ 10,440.26	1.85%	29	1:10.44	1:10.82	296	292	-5.13%	98.65%
2003	296	3,169,711.59	10,708.49	2.57%	29	1:10.44	1:10.82	285	271.0	-3.72%	95.09%
2004	296	3,521,737.26	11,897.76	11.11%	29	1:10.44	1:10.82	288	273.0	1.05%	94.79%
2005	285	3,570,554.43	12,528.26	5.30%	32	1:11.58	1:15.50	278	262.0	-3.47%	94.24%
2006	288	3,693,006.34	12,822.94	2.35%	32	1:11.74	1:15.47	279	265.0	0.36%	94.98%
2007	282	4,218,211.00	14,958.20	16.65%	32	1:10.25	1:10.76	282	267.0	1.08%	94.68%
2008	280	4,290,760.00	15,324.14	2.45%	33	1:10.05	1:10.56	280	262.0	-0.64%	93.50%
2009	305	4,348,842.71	14,258.50	-6.95%	32	1:12:15	1:10.56	297	279.0	6.00%	93.94%
2010	291	4,392,978.17	15,096.14	5.87%	32	1:12:15	1:10.56	284	267.0	-4.38%	94.01%
2011	286	4,209,485.66	14,718.48	-2.50%	32	1:12:15	1:10.56	285	270.0	0.35%	94.74%

Source: District Records

Note: Enrollment based on annual October district count.

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**School Building Information
Last Ten Fiscal Years
Unaudited**

<u>District Building</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Netcong Elementary (1926)										
Square Feet	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135
Capacity (students)	310	310	310	310	310	310	310	310	310	310
Enrollment	296	296	296	285	288	282	280	305	291	286

Source: District Facilities Office

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

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**General Fund
Schedule of Required Maintenance for School Facilities
Last Nine Fiscal Years
Unaudited**

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

*School Facility	Pending Projects (w/DOE Project #)	2011	2010	2009	2008	2007	2006	2005	2004	2003
Elementary School Building	N/A	\$39,279.71	\$43,286.98	\$50,609.54	\$38,950.14	\$46,036.65	\$58,492.66	\$55,369.47	\$172,402.23	\$149,762.97
Other Facilities		-	-	-	-	-	-	-	-	-
District Total		<u>\$39,279.71</u>	<u>\$43,286.98</u>	<u>\$50,609.54</u>	<u>\$38,950.14</u>	<u>\$46,036.65</u>	<u>\$58,492.66</u>	<u>\$55,369.47</u>	<u>\$172,402.23</u>	<u>\$149,762.97</u>

*School facilities as defined under EFCFA,
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**Insurance Schedule
As of June 30, 2011
Unaudited**

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Commercial Package - School Alliance Insurance Fund:		
Property - Blanket Building and Contents	\$ 6,200,000,000	\$ 500
Accounts Receivable	200,000	500
Automobile Physical Damage	In Blanket Limit	1,000
Builders Risk	5,000,000	500
Electronic Data Processing Equipment	In Blanket Limit	500
Fine Arts Coverage	200,000	500
Comprehensive General Liability -		
Occurrence Limit	5,000,000	
Automobile	5,000,000	
Employee Benefit Liability	5,000,000	1,000
Workers' Compensation -		
(a) Statutory Benefits	Included	
(b) Employers Liability	5,000,000	
Supplemental Coverage	Included	
Umbrella Liability - Selective Insurance Fund:		
Catastrophe Excess Liability		
Aggregate Limit	5,000,000	
School Board Legal Liability - School Alliance Insurance Fund:		
Director's and Officers Policy:		
Limit Each Loss	5,000,000	10,000
Crime -		
Blanket Employee Dishonesty	100,000	1,000
Per Loss Member Aggregate Limit	400,000	
Forgery	50,000	1,000
Theft/Disappearance/Destruction		
Inside	50,000	1,000
Outside	50,000	1,000

Source: District Records

SINGLE AUDIT SECTION

INDEPENDENT AUDITORS' 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"

The Honorable President
Members of the Board of Education
Borough of Netcong School District
County of Morris, New Jersey

We have audited the basic financial statements of the Borough of Netcong School District as of and for the year ended June 30, 2011, and have issued our report thereon dated April 24, 2012. 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 in compliance with audit requirements 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 Borough of Netcong School District'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 Borough of Netcong School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Netcong School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

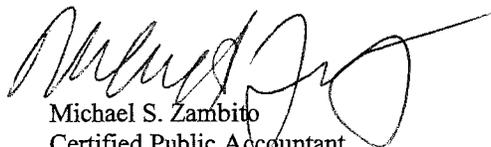
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Netcong School District'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. However, we noted certain matters that we reported to the Borough of Netcong School District in a separate Auditors Management Report on Administrative Findings – Financial, Compliance and Performance dated April 24, 2012.

This report is intended solely for the information and use of the audit committee, management, the Borough of Netcong School District and the New Jersey Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

April 24, 2012



VM ASSOCIATES, INC.

Vincent M. Montanino, RMA, PSA
Michael S. Zambito, CPA, RMA
Antonia Russo, Associate

K-2
Sheet 1

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

The Honorable President
Members of the Board of Education
Borough of Netcong School District
County of Morris, New Jersey

Compliance

We have audited the compliance of the Borough of Netcong School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey Compliance Manual State Grants Compliance Supplement that are applicable to each of its major state programs for the year ended June 30, 2011. Borough of Netcong School District 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 Borough of Netcong School District's management. Our responsibility is to express an opinion on Borough of Netcong School District'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 Governmental 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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey Office of Management and Budget Circular Letter 04-04 Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Netcong School District'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 Borough of Netcong School District's compliance with those requirements.

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In our opinion, the Board of Education of the Borough of Netcong School District, in the County of Morris, 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 year ended June 30, 2011.

Internal Control Over Compliance

The management of the Borough of Netcong School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Borough of Netcong School District's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey's OMB's Circular Letter 04-04, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Netcong School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Netcong School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

This report is intended solely for the information and use of the audit committee, management, the Borough of Netcong School District, 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 those specified parties



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
Certified Public Accountant
License No. 20CC00789500

April 24, 2012

**BOARD OF EDUCATION
BOROUGH OF NETCONG**
Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year Ended June 30, 2011

Federal CFDA or Grant Number	Grant Period	Award Amount	Balance July 1, 2010	Adjustments	Cash Received	BUDGETARY EXPENDITURES		Repayment of Prior Years' Balances	Accounts Receivable	Balance June 30, 2011 Deferred Revenue	Due to Grantor
						Disbursements	Accounts Payable				
84.410A	7/1/10-6/30/11	\$ 13,484.60	\$ -	\$ -	\$ 8,996.40	\$ 8,996.40	\$ -	\$ -	\$ -	\$ -	\$ -
Total U.S. Department of Treasury											\$ 8,996.40
U.S. Department of Agriculture Passed - Through State Department of Education:											\$ 8,996.40
10.550	7/1/10-6/30/11	2,659.88	472.44	-	2,328.29	2,659.88	-	-	-	140.85	-
10.553	7/1/10-6/30/11	1,001.40	(93.80)	-	931.32	1,001.40	-	-	(70.08)	-	-
10.555	7/1/10-6/30/11	1,559.80	93.80	-	34,669.58	36,736.82	-	-	(2,067.24)	-	-
10.555	7/1/10-6/30/11	31,750.98	(1,747.68)	-	1,747.68	36,736.82	-	-	-	-	-
Total U.S. Department of Agriculture											40,398.10
U.S. Department of Education Passed - Through State Department of Education:											(2,137.32)
84.010A	9/1/10-8/31/11	48,308.00	(499.00)	-	16,692.00	47,108.00	-	-	(31,616.00)	1,200.00	-
84.010A	9/1/08-8/31/09	39,684.00	1,279.72	-	-	4,292.72	-	-	(499.00)	-	-
84.369	9/1/09-8/31/11	11,224.00	(1,459.55)	-	-	15,345.99	-	-	(3,013.00)	6,729.01	-
84.367A	9/1/10-8/31/11	22,075.00	(2,591.30)	-	159.00	2,739.19	2,048.00	0.70	(7,331.00)	1,243.26	-
84.367A	9/1/08-8/31/09	12,530.00	90.00	-	-	10,396.50	-	-	(12,986.50)	-	-
84.281A	9/1/10-8/31/11	324.00	(103.82)	-	-	-	-	-	(90.00)	90.00	-
84.365A	9/1/09-8/31/10	11,527.00	1,447.66	-	9,921.00	2,303.00	190.00	-	(104.00)	0.18	-
84.365A	9/1/08-8/31/09	23,686.00	(2,867.42)	-	465.00	9,672.17	-	-	(11,527.00)	9,034.00	-
84.186A	9/1/08-8/31/10	24,325.00	125.91	-	-	7,084.85	-	-	(9,864.00)	1,696.49	-
84.186A	9/1/08-8/31/09	1,273.00	1.22	-	-	590.91	-	-	-	1.73	-
84.027A	9/1/10-8/31/11	97,034.00	(13,051.53)	-	48,608.00	76,781.00	-	1.22	(48,426.00)	20,253.00	-
84.027A	9/1/08-8/31/10	97,664.00	5.33	-	13,051.00	-	-	-	(17,300.00)	17,299.47	-
84.027A	9/1/08-8/31/09	97,796.00	(25,874.00)	-	-	-	-	-	(74,117.00)	-	-
84.391	9/1/09-8/31/11	102,910.00	5.33	-	3,775.00	48,243.00	-	5.33	(5,526.00)	26.36	-
84.173A	9/1/10-8/31/11	5,398.00	(3,748.64)	-	-	5,526.00	-	-	-	-	-
84.173A	9/1/09-8/31/10	5,398.00	(47,335.42)	-	-	3,718.00	-	-	(3,718.00)	-	-
84.392	9/1/09-8/31/11	3,718.00	-	-	92,671.00	233,801.33	2,238.00	7.25	(248,284.50)	57,573.50	-
Total U.S. Department of Education											236,039.33
Total Federal Financial Assistance											\$ 285,433.93
Total Federal Financial Assistance											\$ 285,433.93

(1) Carryover Amount.

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

**BOARD OF EDUCATION
BOROUGH OF NETCONG**

**Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year Ended June 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2010	Adjustments	BUDGETARY EXPENDITURES			Repayment of Prior Years' Balances	Balance June 30, 2011	
						Cash Received	Disbursements	Accounts Payable Encumbrances		Accounts Receivable	Deferred Revenue
						Total					
State Department of Education:											
General Funds:											
Equitization Aid	11-495-034-5120-078	7/1/10-6/30/11	\$ 754,949.00	\$ -	\$ -	\$ 678,167.00	\$ 754,949.00	\$ -	\$ -	\$ (76,782.02)	\$ -
Equitization Aid	10-495-034-5120-078	7/1/09-6/30/10	737,070.00	(60,867.00)	-	60,867.00	-	-	-	-	-
Transportation Aid	11-495-034-5120-014	7/1/09-6/30/10	7,054.00	(705.40)	-	705.40	-	-	-	-	-
Special Education Aid	11-495-034-5120-089	7/1/10-6/30/11	155,673.00	(16,365.70)	-	155,673.00	155,673.00	-	-	-	-
Special Education Aid	10-495-034-5120-089	7/1/09-6/30/10	163,657.00	(3,836.90)	-	16,365.70	-	-	-	-	-
Security Aid	10-495-034-5120-084	7/1/09-6/30/10	38,359.00	(83,314.00)	-	3,836.90	-	-	-	(125,687.00)	-
Extraordinary Aid	10-495-034-5120-044	7/1/10-6/30/11	125,687.00	(83,314.00)	-	83,314.00	125,687.00	-	-	-	-
Extraordinary Aid	10-495-034-5120-044	7/1/09-6/30/10	83,314.00	(83,314.00)	-	83,314.00	160,272.75	-	-	(92,754.02)	-
Reimbursed TPAF Social Security Contribution	11-100-034-5095-002	7/1/10-6/30/11	160,272.75	(16,932.80)	-	16,932.80	160,272.75	-	-	-	-
Reimbursed TPAF Social Security Contribution	10-100-034-5095-002	7/1/09-6/30/10	169,816.25	-	-	146,906.00	146,906.00	-	-	-	-
On-Behalf TPAF Pension Contributions	11-100-034-5095-001	7/1/10-6/30/11	146,906.00	(182,021.80)	-	1,230,286.53	1,343,487.75	-	-	(295,223.02)	-
Total General Funds						1,343,487.75	1,343,487.75	1,343,487.75	-	-	-
Special Revenue Funds:											
New Jersey Nonpublic Aid:											
Textbook Aid	11-100-034-5120-064	7/1/10-6/30/11	10,402.00	-	-	10,402.00	10,385.11	-	-	-	16.89
Auxiliary Services:											
Compensatory Education	11-100-034-5120-067	7/1/10-6/30/11	17,666.00	-	-	17,666.00	16,662.53	-	-	-	1,003.47
Compensatory Education	10-100-034-5120-067	7/1/09-6/30/10	46,065.00	-	-	854.00	-	23,799.96	-	-	854.00
English as a Second Language	11-100-034-5120-067	7/1/10-6/30/11	854.00	23,799.96	-	854.00	-	-	-	-	-
Home Instruction	11-100-034-5120-067	7/1/10-6/30/11	1,324.00	-	-	1,324.00	1,324.00	-	-	(1,324.00)	-
Handicapped Services:											
Examination and Classification	11-100-034-5120-066	7/1/10-6/30/11	18,336.00	-	-	18,336.00	14,509.32	-	-	-	3,828.68
Examination and Classification	10-100-034-5120-066	7/1/09-6/30/10	20,840.00	4,952.43	-	20,840.00	-	4,952.43	-	-	-
Corrective Speech	11-100-034-5120-066	7/1/10-6/30/11	20,340.00	-	-	20,340.00	12,516.80	-	-	-	7,823.20
Corrective Speech	10-100-034-5120-066	7/1/09-6/30/10	21,521.00	1,614.26	-	11,812.00	-	1,614.26	-	-	-
Supplementary Instruction	11-100-034-5120-066	7/1/10-6/30/11	11,812.00	2,071.24	-	11,812.00	9,449.28	-	-	-	2,362.72
Supplementary Instruction	10-100-034-5120-066	7/1/09-6/30/10	12,743.00	-	-	12,325.00	12,325.00	-	-	-	-
Nursing Services	11-100-034-5120-070	7/1/10-6/30/11	12,325.00	-	-	12,325.00	12,325.00	-	-	-	-
Character Education	06-100-034-5120-053	7/1/09-6/30/06	4,000.00	-	-	91,737.00	77,172.04	-	-	(1,324.00)	18.61
Total Special Revenue Funds						32,456.50	77,172.04	32,437.89	-	-	15,888.96
Capital Project Funds:											
N.J.SDA Grant											
Total Capital Project Funds	3520-060-09-1001		160,130.00	(154,506.39)	-	-	-	-	-	(154,506.39)	-
Enterprise Funds:											
State School Lunch Program	10-100-010-3350-023	7/1/10-6/30/11	1,069.00	(84.98)	-	1,004.57	1,069.00	-	-	(64.43)	-
State School Lunch Program	10-100-010-3350-023	7/1/09-6/30/10	1,551.16	(10.00)	-	84.98	-	-	-	-	-
State School Breakfast Program	10-100-010-3350-021	7/1/09-6/30/10	166.50	(94.99)	-	10.00	-	-	-	(64.43)	-
Total All Funds						\$ (304,168.66)	\$ 1,421,728.79	\$ 32,437.89	\$ (451,119.83)	\$ 18.61	\$ 15,888.96

1- Prior Year Adjustment

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

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011

Note 1: General

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state programs of the Borough of Netcong School District Board of Education. The Board of Education is defined in Note I:B. to the Board's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes I:E and Note I:F. to the Board's basic financial statements. The information in the schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3: Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules 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 one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent year due to the state deferral and recording of one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

BOARD OF EDUCATION
BOROUGH OF NETCONG

NOTES TO SCHEDULES OF EXPENDITURES OF AWARDS AND FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011
(CONCLUDED)

Note 3: Relationship to Basic Financial Statements (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$4,993.00 for the general fund, \$25,445.69 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP 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 follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 8,996.40	1,348,480.75	\$1,357,477.15
Special Revenue Fund	261,485.02	77,172.04	338,657.06
Capital Projects Fnd			
Food Service Fund	<u>40,398.10</u>	<u>1,069.00</u>	<u>41,467.10</u>
Total Awards and Financial Assistance	<u>\$310,879.52</u>	<u>\$1,426,721.79</u>	<u>\$1,737,601.31</u>

Note 4: Relationship to Federal and State Financial Reports

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

Note 5: New Jersey Schools Development Authority (NJSDA) Grant

The District has been awarded grants in the amount of \$160,130.00 from the NJSDA in connection with non referendum projects for boiler replacement. As of June 30, 2011, \$154,508.38 of the grant funds has been expended. In the Capital Projects Fund, the District realized the full amount of the grant revenue on the budgetary basis in the year awarded and realizes the grant revenue on a GAAP basis as it is expended. The funds expended for the NJSDA projects are presented on the schedule of expenditures of state financial assistance as required by New Jersey Department of Education guidance.

Note 6: 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, 2011. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2011.

BOARD OF EDUCATION
BOROUGH OF NETCONG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

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 no
- C) Noncompliance material to basic financial statements noted? _____yes X no

Federal Awards Section

Not Applicable

BOARD OF EDUCATION
BOROUGH OF NETCONG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 2 – Schedule of Financial Statement Findings

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

Not Applicable

BOARD OF EDUCATION
BOROUGH OF NETCONG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)

Part 3 – Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

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

Not Applicable

BOARD OF EDUCATION
BOROUGH OF NETCONG

SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED JUNE 30, 2011

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

STATUS OF PRIOR YEAR FINDINGS

Not Applicable