

**POHATCONG TOWNSHIP  
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2012**



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Pohatcong Township School District**

**Board of Education**

**Phillipsburg, New Jersey**

**For the Fiscal Year Ending June 30, 2012**

**Prepared by**

**Pohatcong Township School District**

**Board of Education**

**Finance Department**

# OUTLINE OF CAFR

## INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

## FINANCIAL SECTION

<b>Independent Auditor's Report</b>	5-6
<b>Required Supplementary Information – Part I Management's Discussion and Analysis</b>	7
<b>Basic Financial Statements</b>	
A. District-Wide Financial Statements:	
A-1 Statement of Net Assets	8
A-2 Statement of Activities	9
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	10
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	11
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Proprietary Funds:	
B-4 Statement of Net Assets	13
B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets	14
B-6 Statement of Cash Flows	15
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	16
B-8 Statement of Changes in Fiduciary Net Assets	17
<b>Notes to the Financial Statements</b>	18-37
<b>Required Supplementary Information – Part II</b>	38
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	39-47
C1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
C-1b Education Jobs Fund Program – Budget and Actual	48
C-2 Budgetary Comparison Schedule - Special Revenue Fund	49
<b>Notes to Required Supplementary Information</b>	
C-3 Budget-to-GAAP Reconciliation	50

## OUTLINE OF CAFR

<b>Other Supplementary Information</b>		<u>Page</u>
D.	School Level Schedules:	
	D-1 Combining Balance Sheet	N/A
	D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
	D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E.	Special Revenue Fund:	
	E-1 Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	51
	E-2 Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F.	Capital Projects Fund:	
	F-1 Summary Schedule of Project Expenditures	52
	F-2 Summary Schedule of Revenues and Expenditures	53
	F-2a Schedule of Project Revenues and Expenditures	54
G.	Proprietary Funds	
	Enterprise Fund:	
	G-1 Combining Statement of Net Assets	See B-4
	G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	See B-5
	G-3 Combining Statement of Cash Flows	See B-6
	Internal Service Fund:	
	G-4 Combining Statement of Net Assets	N/A
	G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	N/A
	G-6 Combining Statement of Cash Flows	N/A
H.	Fiduciary Funds:	
	H-1 Combining Statement of Fiduciary Net Assets	55
	H-2 Combining Statement of Changes in Fiduciary Net Assets	N/A
	H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	56
	H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	57
I.	Long-Term Debt:	
	I-1 Schedule of Serial Bonds	58
	I-2 Schedule of Obligations Under Capital Leases	N/A
	I-3 Budgetary Comparison Schedule Debt Service Fund	59

# OUTLINE OF CAFR

## STATISTICAL SECTION (Unaudited)

	<u>Page</u>
<b>Introduction to the Statistical Section</b>	
<b>Financial Trends</b>	
J-1 Net Assets by Component	60
J-2 Changes in Net Assets	61-62
J-3 Fund Balances - Governmental Funds	63
J-4 Changes in Fund Balances - Governmental Funds	64
J-5 General Fund Other Local Revenue by Source	65
<b>Revenue Capacity</b>	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	66
J-7 Direct and Overlapping Property Tax Rates	67
J-8 Principal Property Taxpayers	68
J-9 Property Tax Levies and Collections	69
<b>Debt Capacity</b>	
J-10 Ratios of Outstanding Debt by Type	70
J-11 Ratios of General Bonded Debt Outstanding	71
J-12 Direct and Overlapping Governmental Activities Debt	72
J-13 Legal Debt Margin Information	73
<b>Demographic and Economic Information</b>	
J-14 Demographic and Economic Statistics	74
J-15 Principal Employers	75
<b>Operating Information</b>	
J-16 Full-time Equivalent District Employees by Function/Program	76
J-17 Operating Statistics	77
J-18 School Building Information	78
J-19 Schedule of Required Maintenance Expenditures by School Facility	79
J-20 Insurance Schedule	80

## SINGLE AUDIT SECTION

K-1 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	81-82
K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance New Jersey OMB Circular 04-04	83-84
K-3 Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	85
K-5 Notes to the Schedules of Awards and Financial Assistance	86-87
K-6 Schedule of Findings and Questioned Costs	88-90
K-7 Summary Schedule of Prior Audit Findings	91

# Introductory Section

# Pohatcong Township Board of Education

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

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

Dear Board Members:

The comprehensive annual financial report of the Township of Pohatcong School District (District) for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

**REPORTING ENTITY AND ITS SERVICES:** The Pohatcong Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report.

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

The district provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped youngsters. The district completed the 2011-12 fiscal year with an enrollment of 352 students. The following details the changes in the student enrollment over the last five years.

Fiscal Year	<u>Average Daily Enrollment</u>	
	Student Enrollment	Percentage Change
2011-12	351	2.0
2010-11	344	-1.7
2009-10	350	-2.8
2008-09	360	-1.4
2007-08	365	-2.4
2006-07	374	2.2
2005-06	366	-2.9
2004-05	377	1.9
2003-04	370	-4.8
2002-03	388	0.2

**TUITION PUPILS:** Pohatcong Township School District sends our grade 9 to12 students to Phillipsburg High School on a tuition basis. Approximately 147 students attended Phillipsburg High School while 25 students attended the Warren County Technical School District.

From the township, 12 children attended non-public and charter schools including Saints Phillip and James, Bethlehem Catholic, Immaculate Conception, Notre Dame High School, Moravian Academy and the Ridge & Valley Charter School. Currently the district sends approximately 9 children, ages three through twenty-one, for special educational instruction outside the Pohatcong Township School District as per the individual student's educational placement requirements.

**PRESENT CONDITION AND OUTLOOK**

The Pohatcong School will be entering its thirteenth year in 2012-13. The building is a modern, well equipped, facility with more than enough space to accommodate current enrollment. There are six classrooms that are not used on a daily basis. We have one room that is used for Occupational and Physical Therapy.

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

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

### **MAJOR INITIATIVES/PLANNING:**

In 2011-12, we continued to incorporate interactive whiteboards into the daily instruction for all grades. Remote answering devices were used with our fifth through eighth grade students in the subjects of social studies, science, math, and language arts. A wireless system for the school was installed and four additional sets of classroom laptops were purchased. We implemented a major schedule change in fifth through eighth grades that includes one hour math and science periods and language arts being taught in a block. We continued to focus on reading instruction through our Professional Learning Community (PLC) in language arts from kindergarten through fourth grades. In addition, we contracted with Bergen County Special Services in order to provide an in class coaching model of professional development for our teachers. Teachers developed essential skills based on our curriculum and their individual needs.

Progress of students was once again monitored through ongoing standardized assessments within math and language arts in order to further individualize instruction and also prepare students for the NJ ASK.

Our Response to Intervention Program was utilized in kindergarten through fifth grade grades for language arts. We began a Response to Intervention Program for third grade math including the Scholastic Math Inventory (SMI). We also continued character education initiatives through our Student Council with a focus on positive behavior and developing a sense of community.

The articulation meetings among the sending districts and the high school continued in the subjects of math, language arts, science, social studies, and world languages to ensure a more uniform transition from the middle school to the high school for students

In order to maintain a through and efficient education throughout the district, the Pohatcong Township Board of Education is monitored through the New Jersey Quality Single Accountability Continuum (QSAC) with school goals and objectives embedded within QSAC requirements. At this time, monitoring takes place on a cyclical basis. Our most recent cycle for monitoring occurred during the 2009 – 2010 school year.

Our major initiatives for 2012-13 year are to implement our new math series, EnVision, for grades kindergarten through fifth specific to the Common Core Curriculum for Math and to implement the Common Core Curriculum in all grades for ELA. We will also continue to implement our current reading series and will align instruction with the Common Core. Technology will be actively integrated in all subject areas.

Our school district will continue to identify student weaknesses based on the results of standardized assessments in order to differentiate instruction and prepare for the NJASK. We will continue to use the supplemental program, My Sidewalks, as our Response to Intervention program. In addition, we will continue with our schedule to include targeted instruction blocks at the kindergarten through fourth grades, which will assist teachers in giving them more

instructional time to focus on specific students and the skills they need in order to be successful at their next grade level in both language arts and math, and it will also allow teachers the ability to meet the needs of students who may need enrichment activities. We will continue with the Scholastic Math Inventory (SMI) in third grade in order to specifically target math weaknesses in students who may be struggling with certain concepts and will determine if we will expand to more grades. At the middle school level, we will continue with our schedule with extended class time and the language arts block.

For professional development, we will continue to work with Bergen County Special Services using the in class coaching model for teachers. Consultants will work closely with our teachers on an ongoing basis in order to facilitate the team teaching concept, differentiated instruction in math, and best practices in integrating reading and writing and efficient and effective usage of instructional aides. We will also form Professional Learning Communities to coordinate integration of technology in all subjects and delivery of the Common Core in math and ELA. In addition, teachers will have professional development opportunities for personal needs.

Pohatcong School District will continue to instill character education into our students through lessons, discussions, speakers, assemblies, and programs. Again, we will focus on school wide programs and positive behavioral choices with our students.

Articulation meetings will continue to be held with the high school to focus on research skills, literature, and writing as well as math, social studies, science, and world languages in order to make the transition between middle school and high school a smooth one.

**BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. The final budget amount is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2012.

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

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

**BUDGET INFORMATION SHEET - OVERALL COMMENTS:**

The Pohatcong Township School District's 2011- 12 School Budget encompassed the educational programs for students from grades kindergarten through twelfth grade in regular education, and preschool through age twenty-one in special education. In addition, the district's budget included the operational expenses for the township school.

The 2011-12 budget was developed to stay within the “Maximum Permitted Net Budget” as defined by the State of New Jersey Department of Education. The 2011-12 budget needed to support the educational and operational costs of delivering a thorough and efficient education was developed using the allowable spending growth limitation adjustments in the area of non-remote transportation.

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

Revenues to support the 2011-12 budget were principally derived from local tax levy. State aid revenue remained the same for the third year running. The district used all the income from summer and fall classroom rentals at the Pohatcong School building to offset the local tax increase.

**DEBT ADMINISTRATION:** The district had debt service payments of interest and principal totaling \$1,056,557.52 for the 2011-12 school year. State aid for debt service remained at 19% of total cost.

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

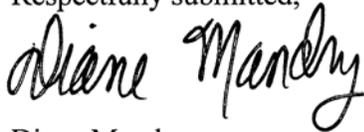
**RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. During 2011-12, the district participated in the School Alliance Insurance Fund. This is a joint insurance fund specializing in insurance for public education entities.

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

statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully submitted,



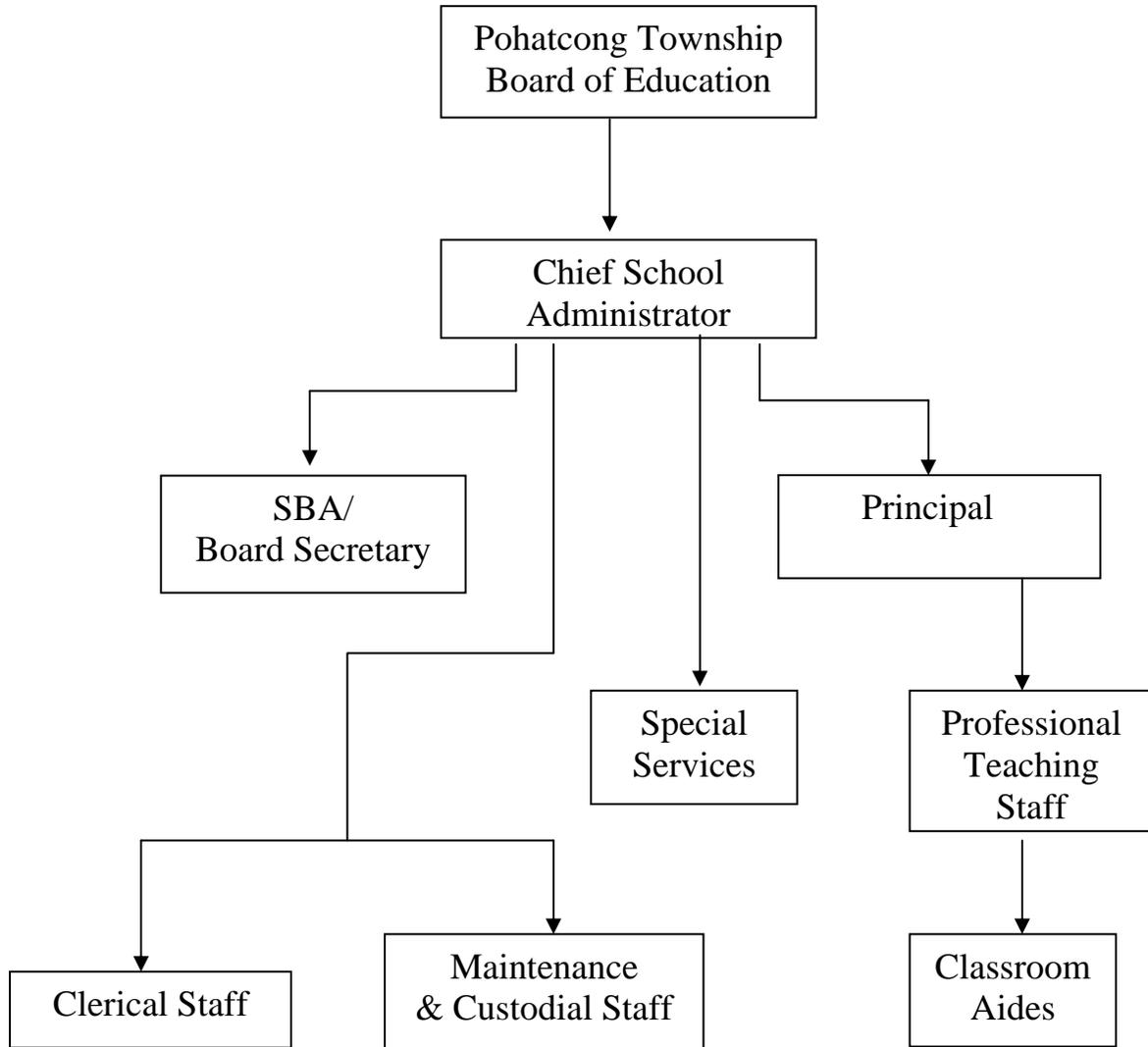
Diane Mandry  
Chief School Administrator



Tim Mantz  
Board Secretary/Business Administrator

# Pohatcong Township Board of Education

## Organization Chart 2010-11



**Pohatcong Township School District  
BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**June 30, 2012**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Dean McBride, President	2013
Patricia Babcock, Vice President	2012
Christine Griesmeyer	2014
John Curtis	2014
Regina Blair	2013
Glen Ehrhardt	2012
Stephanie Snyder	2012
Wayne Hahn	2014
Beverly Weihz	2013

**Other Officials**

Diane Mandry, Chief School Administrator

Tim Mantz, Board Secretary/School Business Administrator

Cindy L. Hanics, Treasurer

Dan Patton, Principal

**Pohatcong Township School District  
BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**ATTORNEY**

**Comegno Law Group P.C.**  
Tall Oaks Corp. Ctr. 11  
Maple Shade, New Jersey 08052

**AUDIT FIRM**

**Ardito & Co., LLP**  
1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825

**BOND COUNSEL**

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

**ARCHITECT**

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

**OFFICIAL DEPOSITORIES**

**PNC Bank**  
331 3rd Avenue  
Alpha, NJ 08865

**Bank of America**  
International Trade Center  
200 N. College Street NC1-004-03-43  
Charlotte, NC 28255-0001

# Financial Section

# Independent Auditor's Report



## **ARDITO & Co., LLP**

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

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

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Pohatcong Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pohatcong Township School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the Pohatcong Township School District Board of Education in the County of Warren, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2012, on our consideration of the Pohatcong Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 39 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The accompanying schedules of expenditures of state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and 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.

Date: August 15, 2012



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

**Required Supplementary Information -  
Part I**

**Management's Discussion and Analysis**

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

The discussion and analysis of Pohatcong Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets increased \$684,816 which represents a 140.4 percent increase from 2011.
- ◆ General revenues accounted for \$5,834,472 in revenue or 68.0 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,745,480 or 32.0 percent of total revenues of \$8,579,952.
- ◆ Total assets of governmental activities increased by \$98,487 as cash and cash equivalents increased by \$244,043, receivables increased by \$43,497, and capital assets decreased by \$188,823.
- ◆ The School District had \$7,895,136 in expenses; only \$2,745,480 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$5,834,472 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,094,419 in revenues and \$6,778,248 in expenditures. The General Fund's surplus balance increased \$316,171 over 2011. This increase is a result of \$92,521 in unbudgeted state aid increases, and across the board budget expense savings.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

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

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

**Governmental Funds**

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

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

**Table 1  
Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current and Other Assets	\$ 2,656,938	\$ 2,369,628
Capital Assets	<u>7,470,820</u>	<u>7,659,643</u>
<b>Total Assets</b>	<u>10,127,758</u>	<u>10,029,271</u>
<b>Liabilities</b>		
Long-Term Liabilities	9,131,596	9,701,272
Other Liabilities	<u>799,017</u>	<u>815,670</u>
<b>Total Liabilities</b>	<u>9,930,613</u>	<u>10,516,942</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	(2,189,180)	(2,570,357)
Restricted	2,127,063	1,777,777
Unrestricted	<u>259,262</u>	<u>304,909</u>
<b>Total Net Assets</b>	<u>\$ 197,145</u>	<u>\$ (487,671)</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

Total assets increased \$98,487. Cash and cash equivalents increased by \$244,043 receivables increased by \$43,497, and capital assets decreased by \$188,823. Cash increased due to operational budget efficiencies and increased unbudgeted state aid, receivables increased due to Ed Jobs grant funds spent but not yet reimbursed, and capital assets decreased due to depreciation. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$45,647 due to reservation of anticipated surplus in the fiscal year 2013 budget.

Table 2 shows the changes in net assets from fiscal year 2011.

**Table 2**  
**Changes in Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 289,208	\$ 230,964
Operating Grants and Contributions	2,456,272	2,330,389
General Revenues:		
Property Taxes	5,810,482	5,733,020
Federal and State Aid for Capital Asset Projects		(199,478)
Other	<u>23,990</u>	<u>13,734</u>
<b>Total Revenues</b>	<u>8,579,952</u>	<u>8,108,629</u>
<b>Program Expenses</b>		
Instruction	3,317,588	3,321,701
Support Services:		
Pupils and Instructional Staff	2,228,515	1,870,877
General Administration, School Administration, Business	579,938	576,481
Operations and Maintenance of Facilities	632,184	631,347
Pupil Transportation	364,951	337,236
Business-Type Activities	295,190	234,681
Interest and Fiscal Charges	<u>476,770</u>	<u>498,740</u>
<b>Total Expenses</b>	<u>7,895,136</u>	<u>7,471,063</u>
Increase/(Decrease) in Net Assets	<u>\$ 684,816</u>	<u>\$ 637,566</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 67.7 percent of revenues for governmental activities for the Pohatcong Township School District for the fiscal year 2012.

Instruction comprises 42.0 percent of district expenses. Support services expenses make up 48.2 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Instruction	\$3,317,588	\$2,212,462	\$3,321,701	\$2,218,233
Support Services:				
Pupils and Instructional Staff	2,228,515	1,554,787	1,870,877	1,291,148
General Admin., School Admin., Business	579,938	411,104	576,481	412,384
Operation and Maintenance of Facilities	632,184	448,139	631,347	451,631
Pupil Transportation	364,951	217,244	337,236	203,699
Business-Type Activities	295,190	3,543	234,681	1,035
Interest and Fiscal Charges	<u>476,770</u>	<u>302,377</u>	<u>498,740</u>	<u>331,580</u>
<b>Total Expenses</b>	<u>\$7,895,136</u>	<u>\$5,149,656</u>	<u>\$7,471,063</u>	<u>\$4,909,710</u>

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

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

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

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

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

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

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

The dependence upon tax revenues is apparent. Over 66.7 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 69.1 percent. The community, as a whole, is the primary support for the Pohatcong Township School District.

**The School District's Funds**

Information about the School District's major funds starts on page 10. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,288,283 and expenditures of \$8,000,267. The change in fund balance of \$316,171 for the year was significant in the general fund as a result of unbudgeted state aid increases, and across the board budget expense savings.

**General Fund Budgeting Highlights**

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

During the course of the fiscal 2012 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

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

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$6,782,817, \$94,500 over original budgeted estimates of \$6,688,317. This difference was due primarily to increases in state aid of \$92,521.

General fund budget basis expenditures, excluding TPAF on-behalf amount, was \$6,451,244, \$237,073 under adjusted budget estimate of \$6,688,317. This favorable difference was due primarily to expense savings in the maintenance and operations, administration, related services, and instruction budget areas.

The general fund revenues and other financing sources of the School District exceeded expenses by approximately \$331,573, making the financial position of the School District strong.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

**Capital Assets**

At the end of the fiscal year 2012, the School District had \$7,450,730 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2012 balances compared to 2011.

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

	<u>2012</u>	<u>2011</u>
Land Improvements	\$ 602,127	\$ 628,342
Buildings and Improvements	6,622,098	6,848,289
Machinery and Equipment	<u>226,505</u>	<u>158,529</u>
Totals	<u>\$ 7,450,730</u>	<u>\$ 7,635,160</u>

Overall capital assets decreased \$184,430 from fiscal year 2011 to fiscal year 2012, due primarily to depreciation expense.

\$110,969 in major capital assets were purchased during fiscal year 2012.

**Debt Administration**

At June 30, 2012, the School District had \$9,696,596 as outstanding debt. Of this amount \$36,596 is for compensated absences and other retirement liabilities, and the balance of \$9,660,000 is for bonds for school construction.

At June 30, 2012, the School District's overall legal debt margin was \$12,535,185 and the unvoted debt margin was \$2,875,185.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

**For the Future**

The Pohatcong Township School District is in very good financial condition presently. A major concern is declining property valuations coupled with heavy reliance on local property taxes to fund the school's operations. In conclusion, the Pohatcong Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

**Contacting the School District's Financial Management**

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

# Basic Financial Statements

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS	GOVERNMENTAL BUSINESS-TYPE		TOTAL
	ACTIVITIES	ACTIVITIES	
Cash and Cash Equivalents	\$ 1,124,325	\$ 21,778	\$ 1,146,103
Receivables, Net	128,752	313	129,065
Interfund Receivable		8,656	8,656
Inventory		1,020	1,020
Restricted Assets:			
Capital Reserve Account - Cash	1,122,094		1,122,094
Emergency Reserve Account - Cash	250,000		250,000
Capital Assets, Net (Note 6):	7,450,730	20,090	7,470,820
<b>Total Assets</b>	<b>10,075,901</b>	<b>51,857</b>	<b>10,127,758</b>
<b>LIABILITIES</b>			
Accounts Payable	100		100
Interfund Payable	8,656		8,656
Deferred Revenue	6,865	428	7,293
Accrued Interest	217,968		217,968
Noncurrent Liabilities (Note 7):			
Due Within One Year	565,000		565,000
Due Beyond One Year	9,131,596		9,131,596
<b>Total Liabilities</b>	<b>9,930,185</b>	<b>428</b>	<b>9,930,613</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	(2,209,270)	20,090	(2,189,180)
Restricted for:			
Capital Reserve Account	1,122,094		1,122,094
Other Purposes	1,004,969		1,004,969
Unrestricted	227,923	31,339	259,262
<b>Total Net Assets</b>	<b>\$ 145,716</b>	<b>\$ 51,429</b>	<b>\$ 197,145</b>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Governmental Activities:							
Instruction:							
Regular	\$ 2,573,524		\$ 888,510		\$ (1,685,014)		\$ (1,685,014)
Special Education	486,865		141,739		(345,126)		(345,126)
Other Special Instruction	257,199		74,877		(182,322)		(182,322)
Support Services:							
Tuition	1,544,375		449,607		(1,094,768)		(1,094,768)
Student & Instruction Related Services	684,140		224,121		(460,019)		(460,019)
School Administrative Services	162,038		47,173		(114,865)		(114,865)
General and Business Admin. Services	417,900		121,661		(296,239)		(296,239)
Plant Operations and Maintenance	632,184		184,045		(448,139)		(448,139)
Pupil Transportation	364,951	\$ 41,461	106,246		(217,244)		(217,244)
Interest on Long-Term Debt	476,770		174,393		(302,377)		(302,377)
Unallocated Depreciation					-		-
Total Governmental Activities	7,599,946	41,461	2,412,372		(5,146,113)		(5,146,113)
Business-Type Activities:							
Food Service	100,941	53,498	43,900			\$ (3,543)	(3,543)
Shared Services	194,249	194,249				-	-
Total Business-Type Activities	295,190	247,747	43,900	-	-	(3,543)	(3,543)
<b>Total Primary Government</b>	<b>\$ 7,895,136</b>	<b>\$ 289,208</b>	<b>\$ 2,456,272</b>		<b>\$ (5,146,113)</b>	<b>\$ (3,543)</b>	<b>\$ (5,149,656)</b>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 4,956,473		\$ 4,956,473
Taxes Levied for Debt Service					854,009		854,009
Investment Earnings					2,543	22	2,565
Miscellaneous Income					21,425		21,425
Total General Revenues, Special Items, Extraordinary Items and Transfers					5,834,450	22	5,834,472
Change in Net Assets					688,337	(3,521)	684,816
Net Assets—Beginning					(542,621)	54,950	(487,671)
Net Assets—Ending					\$ 145,716	\$ 51,429	\$ 197,145

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

## **FUND FINANCIAL STATEMENTS**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,322,010		\$ 174,408	\$ 1	\$ 2,496,419
Interfund Receivables	45,392	\$ 421			45,813
Other Receivables	152				152
Receivables from Other Governments	76,664	51,936			128,600
<b>TOTAL ASSETS</b>	<b>\$ 2,444,218</b>	<b>\$ 52,357</b>	<b>\$ 174,408</b>	<b>\$ 1</b>	<b>\$ 2,670,984</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable		\$ 100			\$ 100
Interfund Payable	\$ 9,077	45,392			54,469
Reserve for Payment of Debt Service					
Deferred Revenue		6,865			6,865
<b>Total Liabilities</b>	<b>9,077</b>	<b>52,357</b>	<b>-</b>		<b>61,434</b>
<b>Fund Balances:</b>					
<u>Restricted for:</u>					
Capital Reserve Account	\$ 1,122,094				\$ 1,122,094
Emergency Reserve	250,000				250,000
Excess Surplus	274,540				274,540
Excess Surplus - Designated for Subsequent Year's Expenditures	406,813				406,813
<u>Assigned to:</u>					
General Fund - Designated for Subsequent Year's Expenditures	73,616				73,616
Year-End Encumbrances	213,199				213,199
Capital Projects Fund			\$ 174,408		174,408
Debt Service Fund				\$ 1	1
<u>Unassigned:</u>					
General Fund	94,879				94,879
<b>Total Fund Balances</b>	<b>2,435,141</b>	<b>-</b>	<b>174,408</b>	<b>1</b>	<b>2,609,550</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,444,218</b>	<b>\$ 52,357</b>	<b>\$ 174,408</b>	<b>\$ 1</b>	<b>\$ 2,670,984</b>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$10,346,293 and the accumulated depreciation is \$2,895,563.	\$7,450,730
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(217,968)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(9,696,596)
Net assets of governmental activities	<u>\$ 145,716</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
<b>Local sources:</b>					
Local Tax Levy	\$ 4,956,473			\$ 854,009	\$ 5,810,482
Transportation	41,461				41,461
Interest on Capital Reserve	1,130				1,130
Miscellaneous	21,618	\$ 1,220			22,838
<b>Total - Local Sources</b>	<b>5,020,682</b>	<b>1,220</b>		<b>854,009</b>	<b>5,875,911</b>
<b>State Sources</b>	<b>2,008,601</b>		-	<b>174,393</b>	<b>2,182,994</b>
<b>Federal Sources</b>	<b>65,136</b>	<b>164,242</b>	-		<b>229,378</b>
<b>Total Revenues</b>	<b>7,094,419</b>	<b>165,462</b>	-	<b>1,028,402</b>	<b>8,288,283</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	1,980,222	140,511			2,120,733
Special Education Instruction	438,322				438,322
Other Special Instruction	231,555				231,555
Support services and undistributed costs:					
Tuition	1,544,375				1,544,375
Student and Instruction Related Services	564,390	24,951			589,341
School Administrative Services	137,020				137,020
Other Administrative Services	355,555				355,555
Plant Operations and Maintenance	530,750				530,750
Pupil Transportation	364,951				364,951
Unallocated Benefits	477,438				477,438
Transfer to Charter School	42,413				42,413
<b>Debt Service:</b>					
Principal				570,000	570,000
Interest and Other Charges				486,557	486,557
<b>Capital Outlay</b>	<b>111,257</b>		-		<b>111,257</b>
<b>Total Expenditures</b>	<b>6,778,248</b>	<b>165,462</b>	-	<b>1,056,557</b>	<b>8,000,267</b>
Excess (Deficiency) of Revenues Over Expenditures	316,171	-	-	(28,155)	288,016
Net Change in Fund Balances	316,171	-	-	(28,155)	288,016
Fund Balance—July 1	2,118,970	-	\$ 174,408	28,156	2,321,534
<b>Fund Balance—June 30</b>	<b>\$ 2,435,141</b>	<b>-</b>	<b>\$ 174,408</b>	<b>\$ 1</b>	<b>\$ 2,609,550</b>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ 288,016

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

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

Depreciation Expense	\$ (295,399)	
Capital Outlays	<u>110,969</u>	(184,430)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 570,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which the prior year's amount of interest accrual exceeds the current year's amount. 10,074

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This amount is the amount by which the current year's compensated absence payments exceed the current year's amount earned. 4,677

**Change in Net Assets of Governmental Activities** \$ 688,337

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS  
 PROPRIETARY FUNDS

June 30, 2012

		<b>Business-Type Activities - Enterprise Funds</b>	
		<b>Food Service</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents	\$	21,778	\$ 21,778
Accounts Receivable		313	313
Interfund Receivables		8,656	8,656
Inventories		1,020	1,020
<b>Total Current Assets</b>		<u>31,767</u>	<u>31,767</u>
<b>Noncurrent Assets:</b>			
Furniture, Machinery and Equipment		79,400	79,400
Less Accumulated Depreciation		(59,310)	(59,310)
<b>Total Noncurrent Assets</b>		<u>20,090</u>	<u>20,090</u>
<b>Total Assets</b>		<u><b>51,857</b></u>	<u><b>51,857</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts Payable			
Deferred Revenue		428	428
<b>Total Current Liabilities</b>		<u>428</u>	<u>428</u>
<b>Total Liabilities</b>		<u><b>428</b></u>	<u><b>428</b></u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt		20,090	20,090
Unrestricted		31,339	31,339
<b>Total Net Assets</b>	<b>\$</b>	<u><b>51,429</b></u>	<u><b>\$ 51,429</b></u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Business-type Activities - Enterprise Fund</b>		
	<b>Food Service</b>	<b>Shared Services</b>	<b>Total Enterprise</b>
<b>Operating Revenues:</b>			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 38,047		\$ 38,047
Daily Sales - Non-Reimbursable Programs	15,451		15,451
Miscellaneous		\$ 194,249	194,249
Interest Income	22		22
<b>Total Operating Revenues</b>	<b>53,520</b>	<b>194,249</b>	<b>247,769</b>
<b>Operating Expenses:</b>			
Cost of Sales	47,681		47,681
Salaries	21,629	194,249	215,878
Employee Benefits	5,660		5,660
Other Purchased Professional Services	21,578		21,578
Depreciation	4,393		4,393
<b>Total Operating Expenses</b>	<b>100,941</b>	<b>194,249</b>	<b>295,190</b>
Operating Income (Loss)	<b>(47,421)</b>		<b>(47,421)</b>
<b>Nonoperating Revenues (Expenses):</b>			
Local Sources:			
Stepping Stone School	5,537		5,537
State Sources:			
State School Lunch Program	1,226		1,226
Federal Sources:			
National School Lunch Program	30,638		30,638
Food Distribution Program	6,499		6,499
<b>Total Nonoperating Revenues (Expenses)</b>	<b>43,900</b>		<b>43,900</b>
Income (Loss)	<b>(3,521)</b>		<b>(3,521)</b>
Change in Net Assets	<b>(3,521)</b>		<b>(3,521)</b>
Total Net Assets—Beginning (As Restated)	54,950		54,950
<b>Total Net Assets—Ending</b>	<b>\$ 51,429</b>	<b>-</b>	<b>\$ 51,429</b>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2012

Business-Type Activities -  
Enterprise Funds

	<u>Food Service</u>	<u>Shared Services</u>	<u>Total Enterprise</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 59,686	\$ 194,249	\$ 253,935
Payments to Employees	(21,629)	(194,249)	(215,878)
Payments for Employee Benefits	(5,660)		(5,660)
Payments to Suppliers	(67,444)		(67,444)
<b>Net Cash Provided by (used for) Operating Activities</b>	<u>(35,047)</u>	-	<u>(35,047)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Local Sources			-
State Sources	1,281		1,281
Federal Sources	31,738		31,738
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<u>33,019</u>	-	<u>33,019</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,028)	-	(2,028)
Balances—Beginning of Year	23,806	-	23,806
<b>Balances—End of Year</b>	<u>\$ 21,778</u>	-	<u>\$ 21,778</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (47,421)	-	\$ (47,421)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	4,393		4,393
Federal Commodities	6,499		6,499
(Increase) Decrease in Accounts Receivable, Net			
(Increase) Decrease in Inventories	(169)		(169)
Increase (Decrease) in Accounts Payable	1,651		1,651
Total Adjustments	<u>12,374</u>		<u>12,374</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (35,047)</u>	-	<u>\$ (35,047)</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

June 30, 2012

	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 139,451
<b>Total Assets</b>	<u>139,451</u>
<b>LIABILITIES</b>	
Payroll Deductions and Withholding	95,379
Payable to Student Groups	44,072
<b>Total Liabilities</b>	<u>\$ 139,451</u>
<b>NET ASSETS</b>	

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

# Notes to Financial Statements

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, and GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2011.

**A. Reporting Entity:**

The Pohatcong Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Pohatcong Township School District had an approximate enrollment at June 30, 2012, of 352 students.

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**B. Basis of Presentation, Basis of Accounting:**

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

**Basis of Presentation**

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

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

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

**GOVERNMENTAL FUNDS**

The District reports the following governmental funds:

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

**GOVERNMENTAL FUNDS (Continued)**

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

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

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

**PROPRIETARY FUNDS**

The District reports the following proprietary fund:

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

Additionally, the District reports the following fund type:

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

**Basis of Accounting**

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

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**C. Budgets/Budgetary Control:**

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

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

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

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

**D. Encumbrance Accounting:**

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**E. Assets, Liabilities and Equity:**

**Cash and Cash Equivalents:**

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

**Interfund Transactions:**

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

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

**Inventories:**

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

**Allowance for Uncollectible Accounts:**

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

**Capital Assets:**

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**E. Assets, Liabilities and Equity (Continued):**

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

**Compensated Absences:**

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

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

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

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

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-Term Obligations:**

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**E. Assets, Liabilities and Equity (Continued):**

**Net Assets:**

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

**Fund Balance Reserves:**

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

**Revenues—Exchange and Nonexchange Transactions**

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

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**E. Assets, Liabilities and Equity (Continued):**

**Operating Revenues and Expenses:**

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

**Allocation of Indirect Expenses:**

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

**Extraordinary and Special Items:**

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

**Management Estimates:**

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

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

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

The Board has no policy regarding custodial risk for deposits.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2012, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2012, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	\$1,146,103	\$139,451	\$1,285,554
Checking Accounts-Emergency Reserve	250,000		250,000
Checking Accounts-Capital Reserve	1,122,094		1,122,094
	<u>\$2,518,197</u>	<u>\$139,451</u>	<u>\$2,657,648</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$2,657,648 and the bank balance was \$3,022,485. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$2,772,485 was covered by collateral pool.

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2012, consisted of intergovernmental grants and aid. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$11,528	\$11,542
Federal Aid	117,073	117,372
Other Receivables	151	151
Gross Receivable	\$128,752	129,065
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$128,752	129,065

**NOTE 4: INVENTORY**

Inventory in the Food Service Fund at June 30, 2012, consisted of the following:

Food	\$ <u>1,020</u>
------	-----------------

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

**NOTE 5: DEFERRED BOND ISSUANCE COSTS**

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 956,030			\$ 956,030
Buildings and Building Improvements	8,947,600			8,947,600
Machinery and Equipment	331,694	\$ 110,969		442,663
Total at Historical Cost	10,235,324	110,969	-	10,346,293
Less Accumulated Depreciation for:				
Land Improvements	(327,688)	\$ (26,215)		(353,903)
Building and Improvements	(2,099,311)	(226,191)		(2,325,502)
Equipment	(173,165)	(42,993)		(216,158)
Total Accumulated Depreciation	(2,600,164)	(295,399)		(2,895,563)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	7,635,160	(184,430)	-	7,450,730
<b>Government Activity Capital Assets, Net</b>	<b>\$ 7,635,160</b>	<b>\$ (184,430)</b>	<b>\$ -</b>	<b>\$ 7,450,730</b>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 200,871
Support - Students	26,586
General Administration	14,770
School Administration	8,862
Business Administration	5,908
Plant and Operations	38,402
Total	\$ 295,399

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7: LONG-TERM OBLIGATIONS**

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

**A. Long-Term Obligation Activity:**

Changes in long-term obligations for the year ended June 30, 2012, are as follows:

	Balance			Balance	Amounts
	<u>7/1/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/12</u>	<u>Due Within</u>
					<u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Debt	\$10,230,000		(\$570,000)	\$9,660,000	\$565,000
Other Liabilities:					
Retirement Obligations Payable	27,120		(4,960)	22,160	
Compensated Absences Payable	14,152	\$284		14,436	
<b>Total</b>	<b>\$10,271,272</b>	<b>\$284</b>	<b>(\$574,960)</b>	<b>\$9,696,596</b>	<b>\$565,000</b>

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

On September 3, 2009, \$1,545,000 in School Bonds were issued to advance refund a portion (\$1,530,000) of the 1996 School Bonds. The balance outstanding on the refunded 1996 School Bonds was -0- at June 30, 2012.

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7: LONG-TERM OBLIGATIONS (Continued)**

For the year ended June 30, 2012, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			
	Issue Dates	Interest Rates	Date of Maturity	Balance 6/30/12
Bonds Payable-2009 Refunding	9/3/09	2%-4%	7/15/2012	\$ 520,000
Bonds Payable	4/30/98	4.4%-5.25%	7/15/2026	<u>9,140,000</u>
Total Bonds				<u><u>\$ 9,660,000</u></u>

**B. Debt Service Requirements:**

Debt Service requirements on serial bonds payable at June 30, 2012, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 565,000	\$ 468,310	\$ 1,033,310
2014	610,000	446,260	1,056,260
2015	635,000	416,069	1,051,069
2016	640,000	385,070	1,025,070
2017	635,000	353,991	988,991
Thereafter	<u>6,575,000</u>	<u>1,727,603</u>	<u>8,302,603</u>
	<u><u>\$ 9,660,000</u></u>	<u><u>\$ 3,797,303</u></u>	<u><u>\$13,457,303</u></u>

As of June 30, 2012, the District had no authorized but not issued bonds.

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 8: PENSION PLANS**

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

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

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 8: PENSION PLANS (Continued)**

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

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

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2012	\$45,594	100%	-0-
6/30/2011	\$41,134	100%	-0-
6/30/2010	\$31,358	100%	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2012	\$151,462	100%	-0-
6/30/2011	\$160,155	100%	-0-
6/30/2010	\$151,983	100%	-0-

During the fiscal year ended June 30, 2012, the State of New Jersey did contribute \$151,462 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$175,542 during the year ended June 30, 2012, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9: POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. 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, 2011 there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding 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 and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide any post-employment benefits other than pension.

**NOTE 10: DEFERRED COMPENSATION**

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11: COMPENSATED ABSENCES**

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of retirement within the state pension plan, an employee is reimbursed for accumulated vacation and/or unused sick days. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial employment. The balance at June 30, 2012 is \$14,436.

In addition, full time teachers are granted retirement compensation according to their contract of \$200 per year of full time service if they retire with more than 25 years of service. The liability and the balance remaining at June 30, 2012, is \$22,160.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, no liability existed for compensated absences in the proprietary fund types.

**NOTE 12: RISK MANAGEMENT**

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

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

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

The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies. No contingency or provision has been made in these financial statements, as no deficiencies occurred as of June 30, 2012 for the joint insurance pool. The coverage in this program is shown on exhibit J-20.

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 13: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

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

**ARBITRAGE REBATE**

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

**LITIGATION**

The Board is not involved in claims and lawsuits incidental to its operations, except for a dispute regarding sewer and water billings by the Borough of Alpha. The amount of the potential dispute and the board's liability are unknown at this time.

**NOTE 14: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1) - Of the \$2,435,141 General Fund fund balance at June 30, 2012, \$681,353 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$406,813 of the total reserve for excess surplus will be appropriated and included as anticipated revenue for the year ending June 30, 2013); \$250,000 is reserved in the Emergency Reserve Account; \$1,122,094 is reserved in the Capital Reserve Account; \$213,199 is reserved for encumbrances; \$73,616 is reserved and has been appropriated and included as anticipated revenue for the year ending June 30, 2013; and \$94,879 is unreserved and undesignated.

Debt Service Fund - The \$1 Debt Service fund balance at June 30, 2012 is anticipated to be included as anticipated revenue for subsequent fiscal years.

**NOTE 15: CALCULATION OF EXCESS SURPLUS**

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$274,540.

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 16: CAPITAL RESERVE ACCOUNT**

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

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

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 1,120,964
Interest Earnings	1,130
Deposits (PL 2007 c.62 (A1)): Board Resolution 5/2012 (Return of Local Share Capital Project)	
Total Withdrawals (Budgeted)	
Ending Balance, June 30, 2012	<u><u>\$ 1,122,094</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 4,956,473		\$ 4,956,473	\$ 4,956,473	
Transportation	37,500		37,500	41,461	\$ 3,961
Interest on Capital Reserve	3,000		3,000	1,130	(1,870)
Miscellaneous	16,500		16,500	21,618	5,118
<b>Total - Local Sources</b>	<b>5,013,473</b>		<b>5,013,473</b>	<b>5,020,682</b>	<b>7,209</b>
<b>State Sources:</b>					
Equalization Aid	1,362,913		1,362,913	1,406,238	43,325
Special Education Aid	248,774		248,774	248,774	
Security Aid				30,291	30,291
Other State Aid				11,696	11,696
TPAF Pension (On-Behalf - Non-Budgeted)				151,462	151,462
TPAF Social Security (Reimbursed - Non-Budgeted)				175,542	175,542
<b>Total State Sources</b>	<b>1,611,687</b>		<b>1,611,687</b>	<b>2,024,003</b>	<b>412,316</b>
Education Jobs Grant	63,157	1,979	65,136	65,136	
<b>Total Federal Sources</b>	<b>63,157</b>	<b>1,979</b>	<b>65,136</b>	<b>65,136</b>	
<b>TOTAL REVENUES</b>	<b>6,688,317</b>	<b>1,979</b>	<b>6,690,296</b>	<b>7,109,821</b>	<b>419,525</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Kindergarten - Salaries of Teachers	77,205	2,498	79,703	79,703	
Grades 1-5 - Salaries of Teachers	795,910	3,329	799,239	799,239	
Grades 6-8 - Salaries of Teachers	492,751	1,409	494,160	494,160	
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	10,584	1,499	12,083	12,083	
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	69,369	(6,725)	62,644	62,644	
Purchased Professional-Educational Services	38,976	10,250	49,226	43,832	5,394
Other Purchased Services (400-500 series)	18,750	9,062	27,812	25,812	2,000
General Supplies	74,562	92,564	167,126	137,975	29,151
Textbooks	35,000	676	35,676	4,092	31,584
Other Objects	7,500	(3,622)	3,878	3,458	420
Employee Benefits	411,357	(52,468)	358,889	317,224	41,665
Tuition Reimbursement	6,962	(6,962)			
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>2,038,926</b>	<b>51,510</b>	<b>2,090,436</b>	<b>1,980,222</b>	<b>110,214</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	320,605	5,456	326,061	325,609	452
Other Salaries for Instruction	16,410		16,410	16,230	180
General Supplies	2,500	71	2,571	2,351	220
Textbooks	500		500	235	265
Other Objects	500		500	349	151
Employee Benefits	91,273	2,275	93,548	93,548	
<b>Total Resource Room/Resource Center</b>	<b>431,788</b>	<b>7,802</b>	<b>439,590</b>	<b>438,322</b>	<b>1,268</b>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>431,788</b>	<b>7,802</b>	<b>439,590</b>	<b>438,322</b>	<b>1,268</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Basic Skills/Remedial - Instruction</b>					
Salaries of Teachers	214,420	(17,161)	197,259	128,768	68,491
Other Salaries for Instruction	49,432	15,110	64,542	63,727	815
General Supplies	1,500	286	1,786	1,136	650
Employee Benefits	27,908		27,908	27,908	
<b>Total Basic Skills/Remedial - Instruction</b>	<b>293,260</b>	<b>(1,765)</b>	<b>291,495</b>	<b>221,539</b>	<b>69,956</b>
<b>School Sponsored Co/Extra Curricular Activities-Instruction:</b>					
Salaries	9,742	274	10,016	10,016	
General Supplies	700		700		700
<b>Total School Sponsored Co/Extra Curricular Activities-Instr.</b>	<b>10,442</b>	<b>274</b>	<b>10,716</b>	<b>10,016</b>	<b>700</b>
<b>TOTAL INSTRUCTION</b>	<b>2,774,416</b>	<b>57,821</b>	<b>2,832,237</b>	<b>2,650,099</b>	<b>182,138</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State-Regular	1,346,400		1,346,400	1,346,400	
Tuition to Other LEAs Within the State-Special	132,636	(88,606)	44,030	37,629	6,401
Tuition to County Voc. School Dist. - Regular	50,328		50,328	50,328	
Tuition to County Voc. School Dist. - Special	16,250		16,250	16,250	
Tuition to CSSD & Regional Day Schools	79,400	(55,891)	23,509	23,509	
Tuition to Private Schools for the Disabled-Within State	8,358	61,901	70,259	70,259	
<b>Total Instruction</b>	<b>1,633,372</b>	<b>(82,596)</b>	<b>1,550,776</b>	<b>1,544,375</b>	<b>6,401</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Health Services:</b>					
Salaries	79,735	1,800	81,535	81,224	311
Employee Benefits	19,073	(1,000)	18,073	16,985	1,088
Purchased Professional and Technical Services	4,400	(2,200)	2,200	30	2,170
Supplies and Materials	1,500	1,400	2,900	1,666	1,234
Other Objects	615		615	575	40
<b>Total Health Services</b>	<b>105,323</b>		<b>105,323</b>	<b>100,480</b>	<b>4,843</b>
<b>Other Supp. Services Students-Related Services:</b>					
Salaries	46,971	260	47,231	47,231	
Purchased Professional - Educational Services	107,475	(65)	107,410	78,123	29,287
Supplies and Materials	500		500	253	247
<b>Total Other Supp. Services Students-Related Services</b>	<b>154,946</b>	<b>195</b>	<b>155,141</b>	<b>125,607</b>	<b>29,534</b>
<b>Other Supp. Services Students-Special:</b>					
Salaries of Other Professional Staff	145,676		145,676	123,238	22,438
Salaries of Secretarial and Clerical Assistants	27,265		27,265	27,265	
Employee Benefits	66,055		66,055	61,076	4,979
Purchased Professional - Educational Services	1,000		1,000		1,000
Supplies and Materials	2,600		2,600	1,260	1,340
Other Objects	500		500	376	124
<b>Total Other Supp. Services Students-Special</b>	<b>243,096</b>		<b>243,096</b>	<b>213,215</b>	<b>29,881</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Improvement of Instruction Services:</b>					
Other Salaries	12,177	756	12,933	12,933	
Employee Benefits	3,529		3,529	3,529	
Purchased Professional - Educational Services	2,000	(1,048)	952		952
Supplies and Materials	600	292	892	873	19
<b>Total Improvement of Instruction Services</b>	<b>18,306</b>		<b>18,306</b>	<b>17,335</b>	<b>971</b>
<b>Educational Media Services/School Library:</b>					
Salaries	73,945	739	74,684	74,642	42
Employee Benefits	21,121		21,121	20,041	1,080
Purchased Professional and Technical Services	3,350	(713)	2,637	1,528	1,109
Supplies and Materials	4,000	3,625	7,625	3,943	3,682
<b>Total Educational Media Services/School Library</b>	<b>102,416</b>	<b>3,651</b>	<b>106,067</b>	<b>100,154</b>	<b>5,913</b>
<b>Instructional Staff Training Services:</b>					
Purchased Professional - Educational Services	1,000		1,000	440	560
Other Purchased Services (400-500 series)	6,000	1,260	7,260	6,559	701
Supplies and Materials	500	600	1,100	600	500
<b>Total Instructional Staff Training Services</b>	<b>7,500</b>	<b>1,860</b>	<b>9,360</b>	<b>7,599</b>	<b>1,761</b>
<b>Supp. Services - General Administration:</b>					
Salaries	170,717		170,717	168,304	2,413
Employee Benefits	42,243	(2,160)	40,083	40,083	
Legal Services	15,000	4,541	19,541	18,870	671
Audit Fees	9,500	(130)	9,370	9,370	
Other Purchased Professional Services	12,500	3,717	16,217	16,217	
Communications/Telephone	7,200	1,618	8,818	7,992	826
BOE Other Purchased Services	2,500	(563)	1,937	1,266	671
Other Purchased Services (400-500)	21,320	(2,807)	18,513	18,513	
General Supplies	2,700	(432)	2,268	2,234	34
BOE Membership Dues and Fees	9,100	685	9,785	9,785	
<b>Total Supp. Services - General Administration</b>	<b>292,780</b>	<b>4,469</b>	<b>297,249</b>	<b>292,634</b>	<b>4,615</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	60,885	13,934	74,819	74,819	
Salaries of Secretarial and Clerical Assistants	29,829	(6,413)	23,416	21,267	2,149
Employee Benefits	42,243	(3,469)	38,774	37,893	881
Supplies and Materials	2,500		2,500	2,148	352
Other Objects	900		900	893	7
<b>Total Support Services - School Administration</b>	<b>136,357</b>	<b>4,052</b>	<b>140,409</b>	<b>137,020</b>	<b>3,389</b>
<b>Central Services:</b>					
Salaries	40,694		40,694	36,392	4,302
Employee Benefits	21,122	(433)	20,689	20,581	108
Purchased Technical Services	3,500	(175)	3,325	3,325	
Supplies and Materials	1,000	(389)	611	611	
Other Objects	1,785	226	2,011	2,012	(1)
<b>Total Central Services</b>	<b>68,101</b>	<b>(771)</b>	<b>67,330</b>	<b>62,921</b>	<b>4,409</b>
<b>Required Maintenance for School Facilities:</b>					
Salaries	55,098	1,719	56,817	56,817	
Cleaning, Repair and Maintenance Services	60,000	101,521	161,521	108,539	52,982
General Supplies	4,500		4,500	4,478	22
<b>Total Required Maintenance for School Facilities</b>	<b>119,598</b>	<b>103,240</b>	<b>222,838</b>	<b>169,834</b>	<b>53,004</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries	121,120	7,504	128,624	126,608	2,016
Employee Benefits	46,984		46,984	46,984	
Cleaning, Repair and Maintenance Services	21,500	4,056	25,556	20,881	4,675
Other Purchased Property Services	4,500	6,260	10,760	5,160	5,600
Insurance	15,500		15,500	15,500	
Miscellaneous Purchased Services	1,500	1,375	2,875	2,193	682
General Supplies	23,500	6,098	29,598	21,194	8,404
Energy (Natural Gas)	70,000	(10,041)	59,959	25,253	34,706
Energy (Electricity)	160,000	(60,128)	99,872	95,511	4,361
Gasoline	3,000		3,000	1,306	1,694
Other Objects	1,000		1,000	326	674
<b>Total Other Operations and Maintenance of Plant</b>	<b>468,604</b>	<b>(44,876)</b>	<b>423,728</b>	<b>360,916</b>	<b>62,812</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Student Transportation Services</b>					
Sal. For Pupil Transp. (Bet Home & Sch) - Reg.	9,187		9,187	9,187	
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	4,500	1,768	6,268	6,188	80
Contracted Services (Between Home and School)-Vendors	265,000	1,732	266,732	264,247	2,485
Contracted Services (Other than Bet.Home & School)-Vendors	5,000	2,209	7,209	7,209	
Contracted Services (Between Home and School)-Joint Agrmts.	6,500	(3,500)	3,000		3,000
Contracted Services (Special Education Students)-Vendors	80,000		80,000	73,451	6,549
Contracted Services (Reg. Students)-ESCs & CTSA's	7,500	(2,209)	5,291	4,669	622
<b>Total Student Transportation Services</b>	<u>377,687</u>		<u>377,687</u>	<u>364,951</u>	<u>12,736</u>
<b>UNALLOCATED BENEFITS</b>					
Social Security Contributions	51,000	5,994	56,994	56,994	
Other Retirement Contributions-Regular	47,968	(2,374)	45,594	45,594	
Unemployment Compensation	11,000	669	11,669	11,669	
Workmen's Compensation	34,500		34,500	34,500	
Other Benefits		1,677	1,677	1,677	
<b>TOTAL UNALLOCATED BENEFITS</b>	<u>144,468</u>	<u>5,966</u>	<u>150,434</u>	<u>150,434</u>	

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
On-behalf TPAF pension Contrib. (non-budgeted)				151,462	(151,462)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				175,542	(175,542)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>327,004</b>	<b>(327,004)</b>
<b>TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS</b>	144,468	5,966	150,434	477,438	(327,004)
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>3,872,554</b>	<b>(4,810)</b>	<b>3,867,744</b>	<b>3,974,479</b>	<b>(106,735)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>6,646,970</b>	<b>53,011</b>	<b>6,699,981</b>	<b>6,624,578</b>	<b>75,403</b>
<b>CAPITAL OUTLAY</b>					
<b>Equipment:</b>					
Undistributed Expenditures-Instructional Equipment-Grade 1-5		100,983	100,983	69,144	31,839
Undistributed Expenditures-Instructional Equipment-Grade 6-8		61,921	61,921	41,825	20,096
Undistributed Expenditures-Support Services General Admin.		25,543	25,543		25,543
<b>Total Equipment</b>		<b>188,447</b>	<b>188,447</b>	<b>110,969</b>	<b>77,478</b>
<b>Facilities Acquisition and Construction:</b>					
Other Objects	288		288	288	
<b>Total Facilities Acquisition and Construction</b>	<b>288</b>		<b>288</b>	<b>288</b>	
<b>TOTAL CAPITAL OUTLAY</b>	<b>288</b>	<b>188,447</b>	<b>188,735</b>	<b>111,257</b>	<b>77,478</b>
Transfer to Charter School	<b>41,059</b>	<b>1,354</b>	<b>42,413</b>	<b>42,413</b>	
<b>TOTAL EXPENDITURES</b>	<b>6,688,317</b>	<b>242,812</b>	<b>6,931,129</b>	<b>6,778,248</b>	<b>152,881</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures		(240,833)	(240,833)	331,573	572,406
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)		(240,833)	(240,833)	331,573	572,406
Fund Balance, July 1	2,268,894		2,268,894	2,268,894	
Fund Balance, June 30	\$ 2,268,894	\$ (240,833)	\$ 2,028,061	\$ 2,600,467	\$ 572,406
<b>Recapitulation:</b>					
<b>Restricted for:</b>					
Capital Reserve				\$ 1,122,094	
Emergency Reserve				250,000	
Excess Surplus				274,540	
Excess Surplus - Designated for Subsequent Year's Expenditures				406,813	
<b>Assigned to:</b>					
Designated for Subsequent Year's Expenditures				73,616	
Year-End Encumbrances				213,199	
<b>Unassigned:</b>					
Unrestricted Fund Balance				<u>260,205</u>	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				\$ 2,600,467	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>(165,326)</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>\$ 2,435,141</u>	

POHATCONG TOWNSHIP SCHOOL DISTRICT  
**APPROPRIATIONS COMBINING SCHEDULE - FUNDS 11 AND 18**  
**GENERAL FUND**  
 Fiscal Year Ended June 30, 2012

Line	Description	Account #	Fund 11/12/13 Approps	Fund 18 Approps	Schedule C-1 Total General Fund Approps
<b>Undist. Expend.-Custodial Services</b>					
10180	Health Benefits	11-1XX-100-270	273,140	44,084	317,224
10290	Health Benefits	11-2XX-100-270	72,496	21,052	93,548
<b>TOTAL EXPENDITURES</b>			345,636	65,136	410,772

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2012

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
Local Sources		-		\$ (6)	\$ (6)
Federal Sources	\$ 132,957	\$ 35,756	\$ 168,713	167,913	(800)
<b>Total Revenues</b>	<b>132,957</b>	<b>35,756</b>	<b>168,713</b>	<b>167,907</b>	<b>(806)</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Other Salaries	24,936	1,064	26,000	25,200	800
Tuition	94,075	18,857	112,932	112,932	
General Supplies	13,946	(13,946)		(6)	6
<b>Total Instruction</b>	<b>132,957</b>	<b>5,975</b>	<b>138,932</b>	<b>138,126</b>	<b>806</b>
<b>Support Services</b>					
Purchased Prof. Educ. Serv.		29,781	29,781	29,781	
<b>Total Support Services</b>		<b>29,781</b>	<b>29,781</b>	<b>29,781</b>	
<b>Total Expenditures</b>	<b>132,957</b>	<b>35,756</b>	<b>168,713</b>	<b>167,907</b>	<b>806</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				None	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>None</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>None</u>	

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

For the Fiscal Year Ended June 30, 2012

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,109,821	\$ 167,907
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	2,385
Current Year	N/A	(4,830)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	149,924	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(165,326)</u>	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 7,094,419</u>	<u>\$ 165,462</u>
 <b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 6,778,248	\$ 167,907
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	2,385
Current Year	N/A	(4,830)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>N/A</u>	<u>N/A</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 6,778,248</u>	<u>\$ 165,462</u>

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2012

	<b>Title I</b>	<b>Title II Part A</b>	<b>IDEA Basic</b>	<b>IDEA Preschool</b>	<b>LOCAL</b>	<b>Totals</b>
<b>REVENUES</b>						
Local Sources					\$ (6)	\$ (6)
Federal Sources	\$ 39,506	\$ 15,475	\$ 109,866	\$ 3,066		167,913
<b>TOTAL REVENUES</b>	<b>39,506</b>	<b>15,475</b>	<b>109,866</b>	<b>3,066</b>	<b>-</b>	<b>167,907</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Other Salaries	25,200					25,200
Tuition			109,866	3,066		112,932
General Supplies					(6)	(6)
<b>Total Instruction</b>	<b>25,200</b>	<b>-</b>	<b>109,866</b>	<b>3,066</b>	<b>(6)</b>	<b>138,126</b>
<b>Support Services:</b>						
Purchased Prof. Educ. Serv.	14,306	15,475				29,781
<b>Total Support Services</b>	<b>14,306</b>	<b>15,475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,781</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 39,506</b>	<b>\$ 15,475</b>	<b>\$ 109,866</b>	<b>\$ 3,066</b>	<b>\$ (6)</b>	<b>\$ 167,907</b>
<b>Total Outflows</b>	<b>\$ 39,506</b>	<b>\$ 15,475</b>	<b>\$ 109,866</b>	<b>\$ 3,066</b>	<b>\$ (6)</b>	<b>\$ 167,907</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>						

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND  
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2012

	<u>Date</u>	<u>Original</u>	<u>Revised</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2012</u>
		<u>Appropriations</u>	<u>Appropriations</u>	<u>Prior Years</u>	<u>Current Year</u>	
Field Stabilization Project						
Board of Education	8/7/09	\$ 570,508	\$ 435,948			
State of New Jersey - SDA	8/7/09	380,338	180,860	\$ 442,400	\$ -	\$ 174,408
Totals		<u>\$ 950,846</u>	<u>\$ 616,808</u>	<u>\$ 442,400</u>	<u>\$ -</u>	<u>\$ 174,408</u>
				Fund Balance, June 30, 2012		<u>\$ 174,408</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2012

**Revenues and Other Financing**

**Sources**

State Sources - SDA Grant	-
Transfer from capital reserve	-
Transfer from capital outlay	-
Total Revenues	<u>-</u>

**Expenditures and Other Financing**

**Uses**

Construction Services	-
Total Expenditures	<u>-</u>

Excess(deficiency) of revenues over(under)  
expenditures

-

Fund Balance - Beginning

\$ 174,408

Fund Balance - Ending

\$ 174,408

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,**  
**AND PROJECT STATUS - BUDGETARY BASIS -**  
**FIELD STABILIZATION PROJECT**

From Inception and for the Fiscal Year Ended June 30, 2012

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SDA Grant	\$ 180,860		\$ 180,860	\$ 180,860
Transfer from capital reserve	265,440		265,440	265,440
Transfer from capital outlay	170,508		170,508	170,508
Total Revenues	<u>616,808</u>	-	<u>616,808</u>	<u>616,808</u>
<b>Expenditures and Other Financing Sources</b>				
Construction services	442,400		\$ 442,400	\$ 442,400
Total Expenditures	<u>442,400</u>	-	<u>442,400</u>	<u>442,400</u>
Excess(deficiency) of revenues over(under) expenditures	<u>174,408</u>	\$ -	<u>\$ 174,408</u>	<u>\$ 174,408</u>

**Additional project information:**

Project number	SP#4200-040-09-0ZGI			
Grant Date	8/7/09			
Bond Authorization Date	N/A	Project Fund Balance, 6/30/2012	<u>\$ 174,408</u>	
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$950,846			
Additional Authorized Cost	(\$508,446)			
Revised Authorized Cost	\$442,400			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completion	100%			
Original Target Completion Date	6/30/2012			
Revised Target Completion Date	6/30/2012			

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

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

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

**Shared Services Fund** - This fund provides for the expense and related reimbursement of the shared School Business Administrator with Alpha Borough School District.

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

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

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

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

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

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	<u>\$44,072</u>	<u>\$95,379</u>	<u>\$139,451</u>
<b>TOTAL ASSETS</b>	<u><b>\$44,072</b></u>	<u><b>\$95,379</b></u>	<u><b>\$139,451</b></u>
<b>LIABILITIES:</b>			
Liabilities:			
Payroll Deductions & Withholdings		\$95,379	\$95,379
Payable to Student Groups	<u>\$44,072</u>		<u>44,072</u>
<b>Total Liabilities</b>	<u><b>\$44,072</b></u>	<u><b>\$95,379</b></u>	<u><b>\$139,451</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$44,072</b></u>	<u><b>\$95,379</b></u>	<u><b>\$139,451</b></u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>ACTIVITY</u>	<u>BALANCE</u> <u>July 1, 2011</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>June 30, 2012</u>
Pohatcong Elementary School	\$ 35,968	\$ 44,174	\$ 36,070	\$ 44,072
<b>TOTALS</b>	<b>\$ 35,968</b>	<b>\$ 44,174</b>	<b>\$ 36,070</b>	<b>\$ 44,072</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
PAYROLL AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>BALANCE</u> <u>July 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2012</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 72,980	\$ 3,464,518	\$ 3,442,119	\$ 95,379
<b>Total Assets</b>	<u>\$ 72,980</u>	<u>\$ 3,464,518</u>	<u>\$ 3,442,119</u>	<u>\$ 95,379</u>
<b>LIABILITIES:</b>				
Payroll Deductions & Withholdings		\$ 1,379,785	\$ 1,379,785	-
Accrued Salaries & Wages		1,974,753	1,974,753	-
Summer Pay Plan	68,646	109,980	87,147	\$ 91,479
Imprest Balance	4,334		434	3,900
<b>Total Liabilities</b>	<u>\$ 72,980</u>	<u>\$ 3,464,518</u>	<u>\$ 3,442,119</u>	<u>\$ 95,379</u>

## **LONG-TERM DEBT SCHEDULES**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS  
AS OF ENDED JUNE 30, 2012**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2011</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2012</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Refunding Bonds	9/3/09	\$1,545,000	7/15/2012	420,000	2.00%	\$ 1,050,000	\$ 530,000	\$ 520,000
			7/15/2012	100,000	4.00%			
Construction of School	4/30/98	9,690,000	7/15/2012	45,000	4.700%	9,180,000	40,000	9,140,000
			7/15/2013	610,000	4.850%			
			7/15/2014	635,000	4.850%			
			7/15/2015	640,000	4.875%			
			7/15/2016	635,000	4.875%			
			7/15/2017	655,000	4.875%			
			7/15/2018	650,000	5.000%			
			7/15/2019	645,000	5.000%			
			7/15/2020	640,000	5.200%			
			7/15/2021	660,000	5.200%			
			7/15/2022	660,000	5.200%			
			7/15/2023	655,000	5.250%			
			7/15/2024	650,000	5.250%			
			7/15/2025	670,000	5.250%			
			7/15/2026	690,000	5.250%			
Total						<u>\$ 10,230,000</u>	<u>\$ 570,000</u>	<u>\$ 9,660,000</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 854,009		\$ 854,009	\$ 854,009	
	854,009	-	854,009	854,009	
State Sources:					
Debt Service Aid Type II	174,393		174,393	174,393	
Total - State Sources	174,393		174,393	174,393	
<b>TOTAL REVENUES</b>	<b>\$ 1,028,402</b>	<b>-</b>	<b>\$ 1,028,402</b>	<b>\$ 1,028,402</b>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	\$ 486,558		\$ 486,558	\$ 486,557	
Redemption of Principal	570,000		570,000	570,000	
Total Regular Debt Service	1,056,558		1,056,558	1,056,557	
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,056,558</b>		<b>\$ 1,056,558</b>	<b>\$ 1,056,557</b>	
Fund Balance, July 1	\$ 28,156		\$ 28,156	\$ 28,156	
Fund Balance, June 30				\$ 1	
<b>Recapitulation of Excess (Deficiency) of <u>Revenues Over (Under) Expenditures</u> Budgeted Fund Balance</b>					

Pohatcong Township School District  
**Statistical Section**

<u>Contents</u>	<u>Page</u>
<b>Financial Trends (J-1 thru J-5)</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	60-65
<b>Revenue Capacity (J-6 thru J-9)</b> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	66-69
<b>Debt Capacity (J-10 thru J-13)</b> These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	70-73
<b>Demographic and Economic Information (J-14 and J-15)</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	74-75
<b>Operating Information (J-16 thru J-20)</b> These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	76-80

**Sources:**

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

**Pohatcong Township School District  
Net Assets by Component,  
Last Ten Fiscal Years \***

*(accrual basis of accounting)*

**Exhibit J-1**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$(3,635,136)	\$(3,581,369)	\$(3,506,892)	\$(3,270,912)	\$(3,899,011)	\$(3,654,936)	\$(2,956,995)	\$(2,594,840)	\$(2,209,270)
Restricted	531,451	823,422	598,600	480,892	1,200,503	1,629,903	1,384,318	1,777,777	2,127,063
Unrestricted	64,996	203,013	36,966	(6,269)	(203,363)	(137,778)	391,502	274,442	227,923
<b>Total governmental activities net assets</b>	<u>\$(3,038,689)</u>	<u>\$(2,554,934)</u>	<u>\$(2,871,326)</u>	<u>\$(2,796,289)</u>	<u>\$(2,901,871)</u>	<u>\$(2,162,811)</u>	<u>\$(1,181,175)</u>	<u>\$ (542,621)</u>	<u>\$ 145,716</u>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 130,270	\$ 89,410	\$ 75,550	\$ 61,690	\$ 24,163	\$ 19,770	\$ 28,876	\$ 24,483	\$ 20,090
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	14,055	16,518	22,488	27,581	25,562	30,149	27,062	30,467	31,339
<b>Total business-type activities net assets</b>	<u>\$ 144,325</u>	<u>\$ 105,928</u>	<u>\$ 98,038</u>	<u>\$ 89,271</u>	<u>\$ 49,725</u>	<u>\$ 49,919</u>	<u>\$ 55,938</u>	<u>\$ 54,950</u>	<u>\$ 51,429</u>
<b>District-wide</b>									
Invested in capital assets, net of related debt	\$(3,504,866)	\$(3,491,959)	\$(3,431,342)	\$(3,209,222)	\$(3,874,848)	\$(3,635,166)	\$(2,928,119)	\$(2,570,357)	\$(2,189,180)
Restricted	531,451	823,422	598,600	480,892	1,200,503	1,629,903	1,384,318	1,777,777	2,127,063
Unrestricted	79,051	219,531	59,454	21,312	(177,801)	(107,629)	418,564	304,909	259,262
<b>Total district net assets</b>	<u>\$(2,894,364)</u>	<u>\$(2,449,006)</u>	<u>\$(2,773,288)</u>	<u>\$(2,707,018)</u>	<u>\$(2,852,146)</u>	<u>\$(2,112,892)</u>	<u>\$(1,125,237)</u>	<u>\$ (487,671)</u>	<u>\$ 197,145</u>

Source: CAFR Schedule A-1

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

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

Exhibit J-2

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>									
Governmental activities									
Instruction									
Regular	\$ 2,073,576	\$ 2,101,641	\$ 2,112,985	\$ 2,541,060	\$ 2,628,409	\$ 2,414,801	\$ 2,677,124	\$ 2,493,506	\$ 2,573,524
Special education	686,747	668,273	654,520	512,242	497,823	492,481	500,441	473,969	486,865
Other special education	190,309	245,682	255,524	352,074	385,859	379,648	433,238	354,226	257,199
Support Services:									
Tuition	1,621,149	1,754,973	1,692,464	1,444,815	1,263,773	1,255,089	1,123,639	1,169,562	1,544,375
Student & instruction related services	516,716	543,550	515,965	535,798	574,591	612,602	651,159	701,315	684,140
General administrative services	351,956	272,030	470,070	475,095	448,775	415,177	400,373	394,905	417,900
School administrative services	163,064	367,599	156,918	172,962	198,800	187,239	192,890	181,576	162,038
Plant operations and maintenance	527,130	489,139	487,639	616,170	669,612	660,038	635,426	631,347	632,184
Pupil transportation	314,902	373,295	349,295	358,918	385,228	439,086	357,050	337,236	364,951
Other Support Services	114,275								
Interest on long-term debt	691,748	678,555	662,469	635,085	612,844	587,595	525,936	498,740	476,770
Total governmental activities expenses	<u>7,251,572</u>	<u>7,494,737</u>	<u>7,357,849</u>	<u>7,644,219</u>	<u>7,665,714</u>	<u>7,443,756</u>	<u>7,497,276</u>	<u>7,236,382</u>	<u>7,599,946</u>
Business-type activities:									
Food service	106,511	109,181	99,245	90,560	85,064	83,812	82,219	93,260	100,941
Total business-type activities expense	<u>106,511</u>	<u>109,181</u>	<u>99,245</u>	<u>90,560</u>	<u>85,064</u>	<u>83,812</u>	<u>82,219</u>	<u>93,260</u>	<u>100,941</u>
Total district expenses	<u>\$ 7,358,083</u>	<u>\$ 7,603,918</u>	<u>\$ 7,457,094</u>	<u>\$ 7,734,779</u>	<u>\$ 7,750,778</u>	<u>\$ 7,527,568</u>	<u>\$ 7,579,495</u>	<u>\$ 7,329,642</u>	<u>\$ 7,700,887</u>
<b>Program Revenues</b>									
Governmental activities:									
Charges for services:									
Transportation			30,911	30,867	30,936	31,831	34,054	37,541	41,461
Operating grants and contributions	440,263	440,263	442,766	2,636,248	2,728,848	2,500,469	2,315,773	2,290,166	2,412,372
Capital grants and contributions							380,338	(199,478)	
Total governmental activities program revenues	<u>440,263</u>	<u>440,263</u>	<u>473,677</u>	<u>2,667,115</u>	<u>2,759,784</u>	<u>2,532,300</u>	<u>2,730,165</u>	<u>2,128,229</u>	<u>2,453,833</u>
Business-type activities:									
Charges for services:									
Food service	69,574	70,856	60,681	52,689	47,271	48,634	46,500	52,002	53,498
Operating grants and contributions	24,716	26,558	30,309	28,528	30,937	34,973	41,627	40,223	43,900
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>94,290</u>	<u>97,414</u>	<u>90,990</u>	<u>81,217</u>	<u>78,208</u>	<u>83,607</u>	<u>88,127</u>	<u>92,225</u>	<u>97,398</u>
Total district program revenues	<u>\$ 534,553</u>	<u>\$ 537,677</u>	<u>\$ 564,667</u>	<u>\$ 2,748,332</u>	<u>\$ 2,837,992</u>	<u>\$ 2,615,907</u>	<u>\$ 2,818,292</u>	<u>\$ 2,220,454</u>	<u>\$ 2,551,231</u>

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

**Exhibit J-2**

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net (Expense)/Revenue</b>									
Governmental activities	\$ (6,811,309)	\$ (7,054,474)	\$ (6,884,172)	\$ (4,977,104)	\$ (4,905,930)	\$ (4,911,456)	\$ (4,767,111)	\$ (5,108,153)	\$ (5,146,113)
Business-type activities	(12,221)	(11,767)	(8,255)	(9,343)	(6,856)	(205)	5,908	(1,035)	(3,543)
Total district-wide net expense	<u>\$ (6,823,530)</u>	<u>\$ (7,066,241)</u>	<u>\$ (6,892,427)</u>	<u>\$ (4,986,447)</u>	<u>\$ (4,912,786)</u>	<u>\$ (4,911,661)</u>	<u>\$ (4,761,203)</u>	<u>\$ (5,109,188)</u>	<u>\$ (5,149,656)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 3,899,664	\$ 3,913,278	\$ 4,269,582	\$ 4,489,308	\$ 4,700,242	\$ 4,764,372	\$ 4,859,947	\$ 4,859,287	\$ 4,956,473
Taxes levied for debt service	687,641	717,379	744,081	732,648	687,338	633,394	656,561	873,733	854,009
Unrestricted grants and contributions	1,917,619	1,990,047	2,026,932	-	-	-	-	-	-
Investment earnings	12,148	28,466	42,542	66,801	53,829	32,353	10,276	4,162	2,543
Miscellaneous income	109,988	76,458	62,800	62,975	148,793	220,497	221,963	9,525	21,425
Transfers	-	-	(8,305)	-	-	-	-	-	-
Total governmental activities	<u>6,627,060</u>	<u>6,725,628</u>	<u>7,137,632</u>	<u>5,351,732</u>	<u>5,590,202</u>	<u>5,650,616</u>	<u>5,748,747</u>	<u>5,746,707</u>	<u>5,834,450</u>
Business-type activities:									
Investment earnings	153	370	365	576	444	399	111	47	22
Total business-type activities	<u>153</u>	<u>370</u>	<u>365</u>	<u>576</u>	<u>444</u>	<u>399</u>	<u>111</u>	<u>47</u>	<u>22</u>
Total district-wide	<u>\$ 6,627,213</u>	<u>\$ 6,725,998</u>	<u>\$ 7,137,997</u>	<u>\$ 5,352,308</u>	<u>\$ 5,590,646</u>	<u>\$ 5,651,015</u>	<u>\$ 5,748,858</u>	<u>\$ 5,746,754</u>	<u>\$ 5,834,472</u>
<b>Change in Net Assets</b>									
Governmental activities	\$ (184,249)	\$ (328,846)	\$ 253,460	\$ 374,628	\$ 684,272	\$ 739,160	\$ 981,636	\$ 638,554	\$ 688,337
Business-type activities	(12,068)	(11,397)	(7,890)	(8,767)	(6,412)	194	6,019	(988)	(3,521)
Total district	<u>\$ (196,317)</u>	<u>\$ (340,243)</u>	<u>\$ 245,570</u>	<u>\$ 365,861</u>	<u>\$ 677,860</u>	<u>\$ 739,354</u>	<u>\$ 987,655</u>	<u>\$ 637,566</u>	<u>\$ 684,816</u>

Source: CAFR Schedule A-2

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

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

**Exhibit J-3**

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund									
Reserved	\$ 511,538	\$ 192,515	\$ 578,112	\$ 766,033	\$ 1,282,956	\$ 1,740,619	\$ 1,550,259	\$ 2,018,610	\$ 2,340,262
Unreserved	274,745	443,329	184,413	173,924	171,692	78,933	(38,054)	100,360	94,879
Total general fund	<u>\$ 786,283</u>	<u>\$ 635,844</u>	<u>\$ 762,525</u>	<u>\$ 939,957</u>	<u>\$ 1,454,648</u>	<u>\$ 1,819,552</u>	<u>\$ 1,512,205</u>	<u>\$ 2,118,970</u>	<u>\$ 2,435,141</u>
All Other Governmental Funds									
Reserved									-
Unreserved, reported in:									
Special revenue fund	(406)	(406)	(406)	(406)	(406)	-	-	-	-
Capital projects fund	92,076	-	-	-	-	-	530,566	174,408	174,408
Debt service fund	5,414	1,736	1,216	-	-	-	28,156	28,156	1
Permanent fund	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>97,084</u>	<u>1,330</u>	<u>810</u>	<u>(406)</u>	<u>(406)</u>	<u>-</u>	<u>558,722</u>	<u>202,564</u>	<u>174,409</u>

Source: CAFR Schedule B-1

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

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

**Exhibit J-4**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>									
Tax levy	\$ 4,587,305	\$ 4,630,657	\$ 5,013,663	\$ 5,221,956	\$ 5,387,580	\$ 5,397,766	\$ 5,516,508	\$ 5,733,020	\$ 5,810,482
Transportation Charges		-	30,910	30,867	30,936	31,831	34,054	37,541	41,461
Interest on Investments	12,148	28,465	42,542	-	-	-	-	-	-
Miscellaneous	109,988	633,732	62,800	129,776	202,622	252,850	232,239	13,687	23,968
State sources	2,226,762	2,287,223	2,331,293	2,488,164	2,555,253	2,325,533	2,193,259	1,885,582	2,182,994
Federal sources	131,121	143,087	138,405	148,083	173,595	174,836	502,852	205,106	229,378
<b>Total revenue</b>	<b>7,067,324</b>	<b>7,723,164</b>	<b>7,619,613</b>	<b>8,018,846</b>	<b>8,349,986</b>	<b>8,182,816</b>	<b>8,478,912</b>	<b>7,874,936</b>	<b>8,288,283</b>
<b>Expenditures</b>									
<b>Instruction</b>									
Regular Instruction	1,254,432	1,286,914	1,697,342	1,971,428	2,108,053	2,168,085	2,295,880	2,073,276	2,120,733
Special education instruction	483,106	471,668	585,128	442,553	430,561	449,051	458,526	426,184	438,322
Other special instruction	122,617	165,055	220,603	304,175	333,725	346,168	396,952	318,514	231,555
Other instruction									-
<b>Support Services:</b>									
Tuition	1,621,149	1,754,973	1,692,464	1,444,815	1,263,773	1,255,089	1,123,639	1,169,562	1,544,375
Student & instruction related services	352,609	361,588	426,399	439,414	476,865	538,487	575,947	605,862	589,341
School Administrative services	90,982	97,155	139,240	141,601	165,243	164,030	169,843	149,521	137,020
General administrative services	246,752	246,668	296,982	392,190	372,513	362,937	350,760	341,343	355,555
Plant operations and maintenance	361,051	363,495	537,765	498,412	550,118	572,809	552,342	531,949	530,750
Pupil transportation	314,902	373,295	349,295	358,918	385,228	439,086	357,050	337,236	364,951
Unallocated employee benefits	1,102,901	1,197,462	530,868	695,539	717,913	430,573	459,874	485,216	477,438
Other Support Services	80,081	84,269							
Charter Schools			8,305	12,640	12,213	24,646	-	42,148	42,413
Capital outlay	80,878	72,988	41,592	161,981	10,995	32,320	452,650	102,625	111,257
<b>Debt service:</b>									
Principal	210,000	255,000	305,000	335,000	385,000	435,000	490,000	535,000	570,000
Interest and other charges	691,747	678,555	662,469	643,964	623,095	599,225	544,074	505,893	486,557
<b>Total expenditures</b>	<b>7,013,207</b>	<b>7,409,085</b>	<b>7,493,452</b>	<b>7,842,630</b>	<b>7,835,295</b>	<b>7,817,506</b>	<b>8,227,537</b>	<b>7,624,329</b>	<b>8,000,267</b>
Excess (Deficiency) of revenues over (under) expenditures	54,117	314,079	126,161	176,216	514,691	365,310	251,375	250,607	288,016
<b>Other Financing Sources (uses)</b>									
Capital Leases									
Proceeds of Refunding Bonds									
Payment to Refunded Bond Escrow									
Transfers in	71,728	93,292	-	-	-	-	570,508	134,560	
Transfers out	(71,728)	(93,292)	-	-	-	-	(570,508)	(134,560)	
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 54,117</b>	<b>\$ 314,079</b>	<b>\$ 126,161</b>	<b>\$ 176,216</b>	<b>\$ 514,691</b>	<b>\$ 365,310</b>	<b>\$ 251,375</b>	<b>\$ 250,607</b>	<b>\$ 288,016</b>
Debt service as a percentage of noncapital expenditures	13.0%	12.7%	13.0%	12.7%	12.9%	13.3%	13.3%	13.8%	13.4%

Source: CAFR Schedule B-2

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

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Escrow</u> <u>Transfer</u>	<u>Classroom</u> <u>Rental</u>	<u>Miscellaneous</u>	<u>Total</u>
2004	\$ 69,055	\$ 39,000		\$ 1,933	\$ 109,988
2005	19,300	30,000		27,158	76,458
2006	27,800	35,000			62,800
2007	59,079		\$ 7,650	325	67,054
2008	47,732		17,669	6,124	71,525
2009	21,168		17,952	2,545	41,665
2010	10,276		17,018	5,545	32,839
2011	4,161		8,198	884	13,243
2012	2,543		13,663	6,542	22,748

SOURCE: District Records

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

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

**Exhibit J-6**

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax- Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2005	\$5,522,800	\$200,387,200	\$27,243,600	\$2,660,725	\$95,431,300	\$5,636,800	\$563,600	\$365,835,240	\$27,506,400	\$882,815	\$338,328,840	\$1.380	\$335,224,736
2006	5,290,800	202,748,700	26,929,200	2,571,800	95,142,800	5,636,800	399,300	367,256,800	27,750,100	787,300	339,506,700	1.480	379,482,983
2007	4,758,600	203,488,900	26,503,100	2,604,170	95,385,400	5,636,800	399,300	367,616,162	28,195,800	644,092	339,420,362	1.540	409,464,529
2008	6,702,800	203,357,900	27,282,400	2,566,920	91,385,400	5,636,800	399,300	366,515,167	28,535,500	648,147	337,979,667	1.596	460,802,224
2009	6,272,800	204,453,600	27,250,300	2,548,200	91,432,000	5,636,800	399,300	368,508,867	29,871,600	644,267	338,637,267	1.593	493,766,772
2010	4,514,700	205,278,700	28,111,200	2,533,800	99,136,600	5,452,300	399,300	376,103,380	29,937,300	739,480	346,166,080	1.594	472,460,083
2011	4,879,750	205,392,500	28,120,800	2,532,075	99,903,400	5,427,300	399,300	376,245,961	28,833,500	757,336	347,412,461	1.650	447,666,861
2012	4,432,600	205,114,700	28,232,200	2,530,225	100,816,000	5,427,300	399,300	376,450,589	28,857,500	640,764	347,593,089	1.672	415,658,275

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

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

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

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Pohatcong Township School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt		Township	Warren County	
		Service <sup>b</sup>	Total Direct			
2005	\$1.170	\$0.210	\$1.380	\$0.690	\$0.660	\$2.730
2006	\$1.260	\$0.220	\$1.480	\$0.760	\$0.720	\$2.960
2007	\$1.270	\$0.270	\$1.540	\$0.810	\$0.760	\$3.110
2008	\$1.393	\$0.203	\$1.596	\$0.859	\$0.835	\$3.290
2009	\$1.406	\$0.187	\$1.593	\$0.970	\$0.887	\$3.450
2010	\$1.404	\$0.190	\$1.594	\$1.000	\$0.829	\$3.423
2011	\$1.399	\$0.251	\$1.650	\$1.056	\$0.790	\$3.496
2012	\$1.426	\$0.246	\$1.672	\$1.114	\$0.761	\$3.547

Source: District Records and Municipal Tax Collector

**Note:**

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

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

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

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

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

**Exhibit J-8**

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Crown America	\$ 39,860,400	1	11.79%	\$ 32,447,000	1	14.53%
National Realty Dev. Co. (Pohatcong Plaza)	31,984,300	2	9.46%			2.57%
Pohatcong Associates	4,318,850	3	1.28%	4,084,700	3	1.83%
Baer Associates	3,255,800	4	0.96%	3,361,300	4	1.51%
Columbia Gas Transmission Corp.	2,262,100	5	0.67%	1,838,100	5	0.82%
R & F Phillipsburg, LLC	1,641,300	6	0.49%	1,138,500	6	0.51%
Peter Kassis	1,468,500	7	0.43%			
Durling Realty, LLC	1,266,200	8	0.37%	554,200	7	0.25%
Peter P. Dennis Inc.	847,200	9	0.25%	754,700	8	0.34%
Quagmeyer Two LLC	705,000	10	0.21%			
Rodman & Vince Ryan				590,440	9	0.26%
Alba Vino Vineyards				440,400	10	0.20%
<b>Total</b>	<b>\$ 87,609,650</b>		<b>25.91%</b>	<b>\$ 45,209,340</b>		<b>22.82%</b>

Source: District CAFR & Municipal Tax Assessor

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

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	\$ 4,630,657	\$ 4,630,657	100.00%	-
2006	\$ 5,013,663	\$ 5,013,663	100.00%	-
2007	\$ 5,221,956	\$ 5,221,956	100.00%	-
2008	\$ 5,387,580	\$ 5,387,580	100.00%	-
2009	\$ 5,397,766	\$ 5,397,766	100.00%	-
2010	\$ 5,516,508	\$ 5,516,508	100.00%	-
2011	\$ 5,733,020	\$ 5,733,020	100.00%	-
2012	\$ 5,810,482	\$ 5,810,482	100.00%	-

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

**Note:**

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

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

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

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2004	\$ 13,955,000	-0-	-0-	-0-	-0-	\$ 13,955,000	11.52%	\$4,102.00	
2005	\$ 12,700,000	-0-	-0-	-0-	-0-	\$ 12,700,000	10.15%	\$3,749.63	
2006	\$ 12,395,000	-0-	-0-	-0-	-0-	\$ 12,395,000	9.31%	\$3,674.77	
2007	\$ 12,060,000	-0-	-0-	-0-	-0-	\$ 12,060,000	8.56%	\$3,585.02	
2008	\$ 11,675,000	-0-	-0-	-0-	-0-	\$ 11,675,000	7.97%	\$3,494.46	
2009	\$ 11,240,000	-0-	-0-	-0-	-0-	\$ 11,240,000	7.83%	\$3,373.35	
2010	\$ 10,765,000	-0-	-0-	-0-	-0-	\$ 10,765,000	7.34%	\$3,243.45	
2011	\$ 10,230,000	-0-	-0-	-0-	-0-	\$ 10,230,000	6.94%	\$3,064.71	
2012	\$ 9,660,000	-0-	-0-	-0-	-0-	\$ 9,660,000	6.57%	\$2,903.52	

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

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

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

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

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

**Exhibit J-11**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2004	\$ 13,955,000	-0-	\$ 13,955,000	3.83%	\$ 4,102
2005	\$ 12,700,000	-0-	\$ 12,700,000	3.75%	\$ 3,750
2006	\$ 12,395,000	-0-	\$ 12,395,000	3.65%	\$ 3,675
2007	\$ 12,060,000	-0-	\$ 12,060,000	3.55%	\$ 3,585
2008	\$ 11,675,000	-0-	\$ 11,675,000	3.45%	\$ 3,494
2009	\$ 11,240,000	-0-	\$ 11,240,000	3.32%	\$ 3,373
2010	\$ 10,765,000	-0-	\$ 10,765,000	3.11%	\$ 3,243
2011	\$ 10,230,000	-0-	\$ 10,230,000	2.94%	\$ 3,243
2012	\$ 9,660,000	-0-	\$ 9,660,000	2.78%	\$ 2,904

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

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

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

\* Current data unavailable

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

**Pohatcong Township School District  
Ratios of Overlapping Governmental Activities Debt  
As of June 30, 2012**

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b> Pohatcong Township	\$ 5,217,389	100.000%	\$ 5,217,389
<b>Other debt</b> Warren County	8,760,000	3.242%	<u>283,984</u>
Subtotal, overlapping debt			5,501,373
<b>Pohatcong Township School District Direct Debt</b>			<u>9,660,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 15,161,373</u></u>

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

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

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

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

**Exhibit J-13**

**Legal Debt Margin Calculation for Fiscal Year 2012**

	Equalized valuation basis	
	2009	\$ 443,138,679
	2010	412,635,549
	2011	397,744,268
	<b>[A]</b>	<u>\$ 1,253,518,496</u>
Average equalized valuation of taxable property	<b>[A/3]</b>	\$ 417,839,499
Debt limit (3 % of average equalization value)	<b>[B]</b>	12,535,185
Net bonded school debt	<b>[C]</b>	9,660,000
Legal debt margin	<b>[B-C]</b>	<u>\$ 2,875,185</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>	<u>2012</u>
Debt limit	\$9,067,747	\$10,022,154	\$12,982,449	\$12,419,715	\$13,565,363	\$14,091,536	\$13,923,109	\$13,150,663	\$12,535,185
Total net debt applicable to limit	<u>12,955,000</u>	<u>12,700,000</u>	<u>12,395,000</u>	<u>12,060,000</u>	<u>11,675,000</u>	<u>11,240,000</u>	<u>10,765,000</u>	<u>10,230,000</u>	<u>9,660,000</u>
Legal debt margin	<u>(\$3,887,253)</u>	<u>(\$2,677,846)</u>	<u>\$587,449</u>	<u>\$359,715</u>	<u>\$1,890,363</u>	<u>\$2,851,536</u>	<u>\$3,158,109</u>	<u>\$2,920,663</u>	<u>\$2,875,185</u>
Total net debt applicable to the limit as a percentage of debt limit	142.87%	126.72%	95.48%	97.10%	86.06%	79.76%	77.32%	77.79%	77.06%

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

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

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

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

**Exhibit J-14**

Year	Population <sup>a</sup>	Personal Income (thousands of dollars) <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2004	3,402	\$121,148,622	\$35,611 R	8.0%
2005	3,387	\$125,125,941	\$36,943 R	5.9%
2006	3,373	\$133,206,516	\$39,492 R	5.8%
2007	3,364	\$140,830,496	\$41,864 R	3.4%
2008	3,341	\$146,426,007	\$43,827 R	4.6%
2009	3,332	\$143,512,572	\$43,071 R	8.2%
2010	3,319	\$146,643,377	\$44,183 P	8.4%
2011	3,338	\$147,482,854	\$44,183 *	7.8%
2012	3,327	\$146,996,841	\$44,183 *	7.8% *

**Source:**

<sup>a</sup> Combined Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal Income provided by US Dept of Commerce

<sup>c</sup> Per Capita provided by NJ Dept of Labor

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

R =Revised

P =Projected

\* Current figure unavailable

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

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

**Exhibit J-15**

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
		N/A			N/A	
	<u>-</u>		<u>0.00%</u>	<u>-</u>		<u>0.00%</u>

**Source:**  
Information not available at municipal or county level

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

**Exhibit J-16**

<b><u>Function/Program</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Instruction									
Regular	21	21	20	20	21	21.4	22.6	23.5	24.2
Special education	5	5	6	6	7	7.6	7.6	6.0	6.0
Support Services:									
Student & instruction related services	11	14	13	13	13	13.0	13.0	13.0	12.4
General administrative services	2	2	2	2	2	2.0	2.0	2.0	2.0
School administrative services	2	2	2	2	2	2.0	2.0	2.0	2.0
Central services	1	1	1	1	1	1.0	1.0	1.0	1.0
Plant operations and maintenance	3	3	3	3	3	3.0	3.0	3.5	3.5
Total	<u>45</u>	<u>48</u>	<u>47</u>	<u>47</u>	<u>49</u>	<u>50.0</u>	<u>51.2</u>	<u>51.0</u>	<u>51.1</u>

**Source:** District Personnel Records

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

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

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2004	379	5,887,263	15,533	6.30%	45.00	8.4:1		353.0	353.0	-1.87%	96.00%
2005	377	6,244,600	16,564	6.20%	48.00	7.9:1		356.0	356.0	-3.50%	96.00%
2006	371	6,417,052	17,297	4.20%	47.00	7.9:1		351.0	351.0	-1.40%	100.00%
2007	378	6,701,685	17,729	2.50%	47.00	8.0:1		374.0	374.0	6.55%	100.00%
2008	370	6,816,205	18,422	3.91%	49.00	7.6:1		365.0	365.0	-2.41%	100.00%
2009	361	6,750,961	18,701	1.51%	50.00	7.2:1		360.0	344.0	-1.37%	95.56%
2010	349	6,740,813	19,315	3.28%	51.20	6.8:1		350.0	331.0	-2.78%	94.57%
2011	347	6,480,811	18,677	-0.13%	51.00	6.8:1		344.4	329.6	-4.33%	95.70%
2012	352	6,832,453	19,410	0.50%	51.00	6.9:1		351.3	335.9	0.37%	95.62%

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

Note: Enrollment based on annual October district count.

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

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

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

**Exhibit J-18**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b><u>District Building</u></b>									
<b><u>Elementary</u></b>									
Pohatcong Elementary (1999)									
Square Feet	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074
Capacity (students)	731	731	731	731	731	731	731	731	731
Enrollment	379	377	371	380	370	361	349	347	352

Number of Schools at June 30, 2012  
Elementary = 1

**Source:** District Facilities Office

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

Pohatcong Township School District

**GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
Last Eight Fiscal Years Ending June 30, 2012**

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Total</u>
Pohatcong Township School	040	\$ 86,177	\$ 80,729	\$ 84,957	\$ 96,759	\$ 107,493	\$ 109,866	\$ 144,297	\$ 142,474	\$ 169,834	\$ 1,022,586
<b>Grand Total</b>		<b>\$ 86,177</b>	<b>\$ 80,729</b>	<b>\$ 84,957</b>	<b>\$ 96,759</b>	<b>\$ 107,493</b>	<b>\$ 109,866</b>	<b>\$ 144,297</b>	<b>\$ 142,474</b>	<b>\$ 169,834</b>	<b>\$ 1,022,586</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

**INSURANCE SCHEDULE**  
**June 30, 2012**  
**UNAUDITED**

**Exhibit J-20**

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b>COMMERCIAL PACKAGE POLICY - NJSBAIG</b>		
Property-Blanket Building and Contents (fund limit)	\$ 500,000,000	\$ 1,000
Accounts Receivable	250,000	1,000
Builder's Risk	5,000,000	1,000
Fine Arts	1,000,000	1,000
<b>LIABILITY - NJSBAIG</b>		
Comprehensive General Liability	11,000,000	None
Automobile Liability	11,000,000	None
Employee Benefit Liability	11,000,000	None
<b>SCHOOL BOARD LEGAL LIABILITY - NJSBAIG</b>		
Limit of Liability	11,000,000	5,000
<b>CRIME - NJSBAIG</b>		
Blanket Employee Dishonesty	100,000	None
Forgery	50,000	None
<b>PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE</b>		
<b>BLANKET POSITION BOND-Selective Insurance Company</b>		
Treasurer	175,000	
<b>ENVIRONMENTAL SERVICE - NJSBAIG</b>		
Pollution Liability	1,000,000	None

SOURCE: District Records

# Single Audit Section



## **ARDITO & Co., LLP**

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

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

We have audited the financial statements of the Board of Education of the Pohatcong Township School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

Management of the Pohatcong Township School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Pohatcong Township School District Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pohatcong Township School District Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pohatcong Township School District Board of Education's internal control over financial reporting.

-Continued-

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 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 Pohatcong Township School District Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

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



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

Date: August 15, 2012



## **ARDITO & Co., LLP**

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 Anthony F. Ardito, PA, RMA, PSA

### **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04**

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

#### **Compliance**

We have audited the compliance of the Pohatcong Township School District in the County of Warren, State of New Jersey, with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012. The Pohatcong Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Pohatcong Township School District Board of Education's management. Our responsibility is to express an opinion on the Pohatcong Township School District Board of Education's compliance based on our audit.

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

-Continued-

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

In our opinion the Board of Education of the Pohatcong Township School District, in the County of Warren, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2012.

### **Internal Control Over Compliance**

The management of the Board of Education of the Pohatcong Township School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Pohatcong Township School District of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pohatcong Township School District Board of Education'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 federal or 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 federal or 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, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



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

Date: August 15, 2012

Pohatcong Township School District

K-4

Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year Ended June 30, 2012

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2011	WALKOVER/ CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	REPAY. OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2012			MEMO			
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.		
<b>STATE DEPARTMENT OF EDUCATION</b>																
<b>General Fund:</b>																
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$ 1,406,238			\$ 1,406,238	\$ (1,406,238)							* \$ 137,950	\$ 1,406,238	
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	248,774			248,774	(248,774)							* 24,404	248,774	
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	30,291			30,291	(30,291)							* 2,972	30,291	
Extra-ordinary Aid	11-495-034-5120-044	7/1/10-6/30/11		\$ (284)		284	-							*		
Extra-ordinary Aid	12-495-034-5120-044	7/1/11-6/30/12	10,205				(10,205)			\$ (10,205)				*	10,205	
Non-Public Transportation Aid	11-100-034-5120-068	7/1/10-6/30/11	1,491				(1,491)							*	1,491	
Reimbursed TPAF Pension Contrib.	12-495-034-5095-001	7/1/11-6/30/12	151,462			151,462	(151,462)							*	151,462	
Reimbursed TPAF Soc. Secur. Contrib.	12-495-034-5095-002	7/1/11-6/30/12	175,542	(9,003)		183,222	(175,542)			(1,323)				*	175,542	
<b>Total General Fund</b>				(9,287)		2,021,762	(2,024,003)			(11,528)				*	165,326	2,024,003
<b>Capital Projects Fund:</b>																
SDA Grant	SP#4200-040-09-0ZGI	7/1/09-6/30/10	180,860	(36,172)		36,172								*		-
<b>Total Capital Projects Fund</b>				(36,172)		36,172	-	-						*		-
<b>Debt Service Fund:</b>																
Debt Service Aid Type 2	12-100-034-5120-125	7/1/11-6/30/12	174,393			174,393	(174,393)							*		174,393
<b>Enterprise Fund:</b>																
Nat. School Lunch Prog. (State Share)	11-100-010-3350-023	7/1/10-6/30/11		(69)		69								*		
Nat. School Lunch Prog. (State Share)	12-100-010-3350-023	7/1/11-6/30/12	1,226			1,212	(1,226)			(14)				*		1,226
<b>Total Enterprise Fund</b>				(69)		1,281	(1,226)			(14)				*		1,226
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>				\$ (45,528)	-	\$ 2,233,608	\$ (2,199,622)	-	-	\$ (11,542)	-	-	-	\$	165,326	\$ 2,199,622

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
JUNE 30, 2012

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(15,402) for the general fund and \$(2,445) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
JUNE 30, 2012

**NOTE 3. (Continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	65,136	\$ 2,008,601	\$ 2,073,737
Special Revenue Fund	\$ 164,242	-	164,242
Capital Projects Fund		-	-
Debt Service Fund		174,393	174,393
Food Service Fund	<u>37,137</u>	<u>1,226</u>	<u>38,363</u>
Total Financial Assistance	<u>\$ 266,515</u>	<u>\$ 2,184,220</u>	<u>\$ 2,450,735</u>

**NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Part I - Summary of Auditor's Results

**Financial Statement Section**

- A) Type of auditor's report issued: Unqualified
  
- B) Internal control over financial reporting:
  - 1) Material weakness(es) identified? \_\_\_ Yes x No
  - 2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes  
x None  
Reported
  
- C) Noncompliance material to financial statements noted? \_\_\_ Yes x No

**Federal Awards Section**

N/A

- D) Dollar threshold used to determine Type A programs: \$300,000
  
- E) Auditee qualified as low-risk auditee? \_\_\_ Yes \_\_\_ No
  
- F) Type of auditor's report on compliance for major programs: Unqualified
  
- G) Internal Control over compliance:
  - 1) Material weakness(es) identified? \_\_\_ Yes \_\_\_ No
  - 2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes \_\_\_ No
  
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? \_\_\_ Yes \_\_\_ No
  
- I) Identification of major programs:

**CFDA NUMBER(S)**

**NAME OF FEDERAL PROGRAM OR CLUSTER**

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Section II-Financial Statement Findings**

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

**Section III - Federal and State Financial Assistance Findings and Questioned Costs**

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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