

**LOPATCONG TOWNSHIP**  
**BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE**

**LOPATCONG TOWNSHIP BOARD OF EDUCATION  
LOPATCONG TOWNSHIP, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Prepared by**

**LOPATCONG TOWNSHIP BOARD OF EDUCATION  
DEPARTMENT OF ADMINISTRATION**

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<u><b>PAGE</b></u>
Letter of Transmittal	2
Organizational Chart	3
Roster of Officials	4
Consultants and Advisors	5
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	7-8
<b>Required Supplementary Information – Part I</b>	
Management's Discussion and Analysis	10
<b>Basic Financial Statements</b>	
A. District-Wide Financial Statements:	
A-1 Statement of Net Assets	13
A-2 Statement of Activities	14
B. Fund Financial Statements	
Governmental Funds:	
B-1 Balance Sheet	16-17
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	18-19
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds:	
B-4 Statement of Net Assets	21
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
B-6 Statement of Cash Flows	23
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Assets	24
B-8 Statement of Changes in Fiduciary Net Assets	25
<b>Notes to the Financial Statements</b>	<b>27-47</b>
<b>Required Supplementary Information – Part II</b>	
C. Budgetary Comparison Schedules	
C-1 Budgetary Comparison Schedule-General Fund	50-56
C-1A Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	N/A
C-1B Education Jobs Fund Program-Budget and Actual	57
C-2 Budgetary Comparison Schedule-Special Revenue Fund	58
Notes to the Required Supplementary Information:	
C-3 Budget-to-GAAP Reconciliation	60

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
TABLE OF CONTENTS  
(Continued)**

<b>FINANCIAL SECTION (Continued)</b>	<u><b>PAGE</b></u>
 <b>Other Supplemental Information</b>	
D. School Level Schedule	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund-Budgetary Basis	64
F. Capital Projects Fund:	
F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budgetary Basis	66
F-1A Schedule of Project Revenues, Expenditures, Project Balance and Project Status-Elementary School Upgrades	67
G. Proprietary Funds	
Enterprise Fund:	
G-1 Statement of Fund Net Assets	69
G-2 Statement of Revenues, Expenses and Changes in Fund Net Assets	70
G-3 Statement of Cash Flows	71
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Fund Net Assets	73
H-2 Statement of Changes in Fiduciary Net Assets	74
H-3 Student Activity Agency Fund Statement of Changes in Assets and Liabilities	75
H-4 Payroll Agency Fund Statement of Changes in Assets and Liabilities	75
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	77
I-2 Debt Service Fund Budgetary Comparison Schedule	78
 <b>STATISTICAL SECTION (Unaudited)</b>	
Table of Contents	80
J-1 Net Assets by Component	81
J-2 Changes in Net Assets	82-84
J-3 Fund Balances, Governmental Funds	85
J-4 Changes in Fund Balances, Governmental Funds	86
J-5 General Fund-Other Local Revenues by Source	87
J-6 Assessed Value and Actual Value of Taxable Property	88
J-7 Direct and Overlapping Property Tax Rates	89
J-8 Principal Property Taxpayers	90
J-9 Property Tax Levies and Collections	91
J-10 Ratios of Outstanding Debt by Type	92

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
TABLE OF CONTENTS  
(Continued)**

**PAGE**

**STATISTICAL SECTION (Unaudited)  
(Continued)**

Table of Contents (Cont'd)

J-11 Ratios of General Bonded Debt Outstanding	93
J-12 Direct and Overlapping Governmental Activities Debt	94
J-13 Legal Debt Margin Information	95
J-14 Demographic and Economic Statistics	96
J-15 Principal Employers	97
J-16 Full Time Equivalent District Employees by Function/Program	98
J-17 Operating Statistics	99
J-18 School Building Information	100
J-19 Required Maintenance	101
J-20 Insurance Schedule	102

**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	104-105
K-2 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 OMB Circular A-133 and New Jersey OMB Circular 04-04	106-107
K-3 Schedule of Expenditures of Federal Awards, Schedule A	108
K-4 Schedule of Expenditures State Financial Assistance, Schedule B	109-110
K-5 Notes to the Schedules of Awards and Financial Assistance	111-112
K-6 Schedule of Findings and Questioned Costs	113-115
K-7 Summary Schedule of Prior Audit Findings	115

**INTRODUCTORY SECTION**

# **LOPATCONG TOWNSHIP BOARD OF EDUCATION**

*321 Stonehenge Drive  
Phillipsburg, New Jersey 08865*

**Vicki J. Pede**  
*Superintendent*  
*Phone: (908) 859-0800 x3100*  
*E-mail: pedev@lopatcongschool.org*  
*Fax: (908) 213-1393*

**Nancy A. DeRiso, CPA**  
*Business Administrator/Board Secretary*  
*Phone: (908) 213-2995 x2500*  
*E-mail: barnat@lopatcongschool.org*  
*Fax: (908) 213-2875*

November 30, 2012

Honorable President and  
Members of the Board of Education  
Lopatcong Township School District  
321 Stonehenge Drive  
Phillipsburg, New Jersey 08865

Dear Board Members:

The comprehensive annual financial report of the Lopatcong Township School 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. 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 a 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 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non Profit Organizations", and New Jersey OMB's Circular 04-04, "Single Audit Policy for recipients of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the auditor's reports 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.

**I. REPORTING ENTITY AND ITS SERVICES:** Lopatcong Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the District are included in this report. The Lopatcong Township Board of Education constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12 as well as special education. The district completed the 2011-2012 fiscal year with an average daily enrollment 885.9 students, which is a 3.4% decrease over the previous year's enrollment. The following details the changes in the student enrollment of the District over the last eight years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2004-2005	841.6	1.0%
2005-2006	889.4	5.7%
2006-2007	918.9	3.3%
2007-2008	902.4	(1.8%)
2008-2009	877.5	(2.8%)
2009-2010	934.7	6.5%
2010-2011	917.5	(1.8%)
2011-2012	885.9	(3.4%)

**2. ECONOMIC CONDITION AND OUTLOOK:** The Lopatcong Township Board of Education recognizes the ever changing environment of financing education in the State of New Jersey. The School Funding Reform Act of 2008, reduction in State Aid and the potential for failed budgets do present a challenge now and for future years. The Lopatcong Township Board of Education, along with its excellent staff, believes it will continue to provide a comprehensive education for all of its children. Exceptional instructional programs continue to be offered and reviewed on a regular basis for improvements. Students in grades three through eight scored comparably with the district factor group and state averages on the New Jersey State Assessment Program (NJ ASK-3 through 8) in Language Arts Literacy and in Mathematics.

**3. MAJOR INITIATIVES:**

One of the major initiatives for the 2011-2012 academic year was the continuation of the National Writing Project through East Stroudsburg University for our elementary school teachers now that the middle school teachers had all been trained. Consultants from the National Writing Project Program assisted our teachers through observation/coaching as well as discussions and modeling of instructional practices. These curricular enhancements, both in program for students and processes for staff, directly supported our Board and school goals for the academic year which focused on writing across the curriculum. This initiative was funded through the federal No Child Left Behind, Title II Entitlement Grant.

A second major initiative was Technological literacy and is addressed in the core curriculum content areas. Our budget supports the integration of technology in this capacity. Professional development in this area continues, and we hosted a Technology Day as part of our support of instructional programs designed to enhance student achievement. Our computer labs, portable labs, netbooks in special classrooms and classroom SmartBoards continue to be updated to help to enhance our forward efforts in technological literacy.

The third initiative was the completion of a partial roof replacement at the elementary school.

The project was budgeted, planned and bids awarded during the 2010-2011 school year and construction was completed in October 2011.

Our school district continues to be most fortunate in having the support and commitment of various parent and volunteer organizations. The Lopatcong Parent Teacher Association awarded grants for the purchase of materials and funding of assembly programs/guest speakers. Our children benefited from a number of programs sponsored through the generosity of our PTA. These encompassed programs focusing on the areas of theater arts and safety, celebrations, and a variety of after-school activities. Lopatcong Township Elementary and Middle Schools continue to be the center for activities within the community, not only academically but civically, opening its doors for many after-school and Saturday events. The Lopatcong Athletic Association and the Board of Education have been working jointly to open the school for sports activities throughout the year which makes us a better community.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2012.

**6. 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. These funds and account groups are explained in "Notes to the Financial Statements". Note 1.

**7. FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues meeting its responsibilities for sound financial management.

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2012 and the percentage of increase/ (decrease) in relation to prior year amounts.

	<u>Amount</u>	<u>% of Total</u>	<u>Inc./ (Dec.) from Prior Year</u>	<u>% Inc./ (Dec.)</u>
<b>REVENUES:</b>				
Local Sources:				
Tax Levy:				
General	\$11,327,612	70.05%	\$222,110	2.00%
Debt Service	\$915,832	5.66%	(\$75,381)	-7.60%
Other Revenues	\$172,602	1.07%	\$55,892	47.89%
State Aid	\$3,431,197	21.22%	\$278,772	8.84%
Federal Aid	\$324,538	2.01%	(\$49,590)	-13.25%
Total Revenues	<u>\$16,171,781</u>	<u>100.00%</u>	<u>(\$239,281)</u>	2.74%
<b>EXPENDITURES:</b>				
Current Expense	\$14,242,398	91.53%	\$923,000	6.93%
Capital Outlay	\$31,006	0.20%	(\$59,060)	-65.57%
Special Projects	\$234,966	1.51%	(\$136,227)	-36.70%
Debt Service				
Principal	\$615,000	3.95%	\$150,000	32.26%
Interest	\$437,745	2.81%	(\$325,110)	-42.62%
Total Expenditures	<u>\$15,561,115</u>	<u>100.00%</u>	<u>\$552,603</u>	3.68%

Note: Excludes "on behalf" payments, lease purchase acquisitions and capital projects.

**8. DEBT ADMINISTRATION:** At June 30, 2012, the District's outstanding debt issue was \$14,715,000 issued for the construction of the middle school.

**9. CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statement", Note 3. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

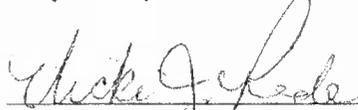
**10. RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.

**11. OTHER INFORMATION:**

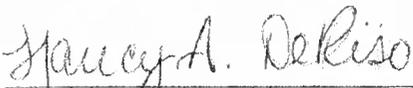
**Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board's audit committee selected the accounting firm of William Colantano, CPA. In addition to meeting the requirements set forth in statute, the audit was also designed to meet the requirements of the Single Audit Act of 1996 and New Jersey OMB's Circular 04-04. The auditor's report on the general-purpose financial 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.

**12. ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Lopatcong Township School District Board of Education for their dedication in providing fiscal accountability to the citizens and taxpayers of the school district, and 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 dedicated services of the financial and accounting staff.

Respectfully Submitted,

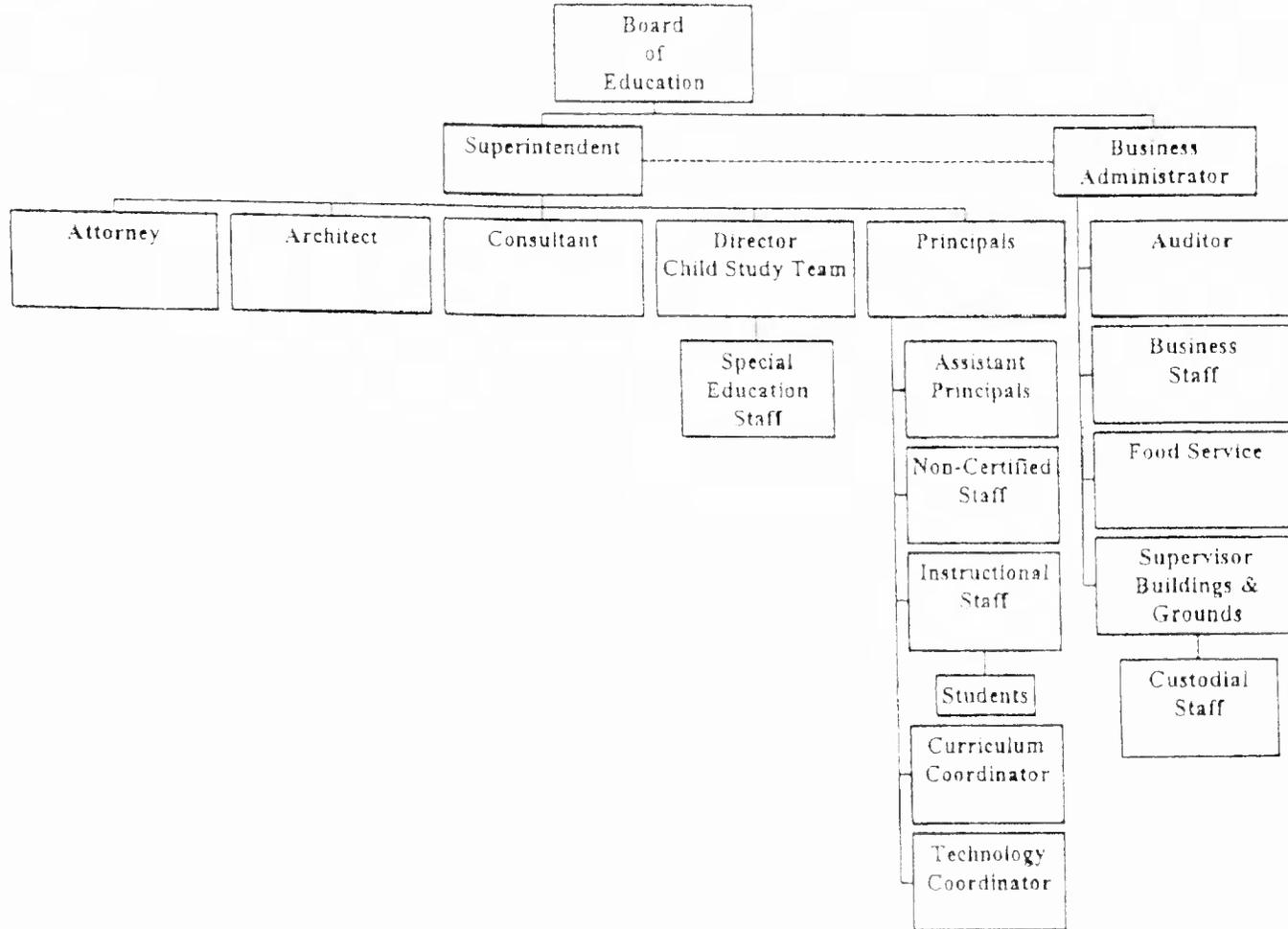


Vicki J. Pede,  
Superintendent



Nancy A. DeRiso,  
School Business Administrator/Board Secretary

# Lopatcong Township School District



Revised & Adopted: 8/28/01

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
PHILLIPSBURG, NEW JERSEY  
JUNE 30, 2012

**ROSTER OF OFFICIALS**

**Members of the Board of Education**

**Term Expires**

Ed Krusman	President	2014
Robert McFarlane	Vice-President	2013
Robert Edinger		2012
Kurt Kessler		2012
William Taggart III		2012
Wade Caccese		2013
Terry Glennon		2013
Ernest Gallant		2014
Dorothy Lee Rozycki		2014

**Other Officials**

Vicki J. Pede	Superintendent of Schools
Nancy DeRiso	School Business Administrator/ Board Secretary
Paula A. Hatch	Treasurer
Joseph B. Comegno	Attorney

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
CONSULTANTS AND ADVISORS

**Audit Firm**

William M. Colantano, Jr., CPA

**Architect**

USA Architects

**Attorneys**

Joseph B. Comegno II

**Official Depository**

Investors Bank

**FINANCIAL SECTION**

Certified Public Accountant  
Public School Accountant  
Registered Municipal Accountant

100 Route 31 North  
Washington, NJ 07882 - 1530  
Fax # (908) 689-8388  
(908) 689-5002

## INDEPENDENT AUDITOR'S REPORT

November 30, 2012

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Lopatcong Township School District in the County of Warren, 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 Lopatcong Township Board of Education management. Our responsibility is to express an opinion 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 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 Office of School 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 opinion.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2012 on our consideration of the Lopatcong Township 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.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education's financial statements. The schedules of expenditures of federal awards and state financial assistance as required by Office of Management and Budget Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations", and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", respectively and other accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state financial assistance and other accompanying supplementary information are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education's basic financial statements. The introductory section, statistical section and other accompanying information are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128

**REQUIRED SUPPLEMENTARY INFORMATION-PART I**

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP**

10.0

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

The discussion and analysis of Lopatcong 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:

For all activities general revenue support is 96.3 percent. The community, as a whole, is the primary support or funding source for the Lopatcong Township School District.

- ◆ Property taxes continue to be the primary source of revenue for the school district making up 70.3 percent of the total revenues.
- ◆ Total assets increased \$41,348. Cash and cash equivalents decreased by \$296,871, receivables and other assets increased by \$18,869 and capital assets increased by \$319,350.
- ◆ Among major funds, the General Fund had \$15,736,990 in revenues and \$15,265,086 in expenditures. The General Fund's balance increased \$471,904 over 2011.

**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 Lopatcong 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

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP**

10.1

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

presented in total in one column. In the case of Lopatcong Township School District, the General Fund is by far the most significant fund.

**Reporting the School District as a Whole**

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

While this document contains a 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 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 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. No 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 New Assets and The Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

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

**Fund Financial Statements**

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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP**

**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 provided. 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 New 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 New 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**

	6/30/2012	6/30/2011	VARIANCE	
			\$	%
<b>ASSETS</b>				
Current & Other Assets	\$3,208,932	\$3,486,934	(\$278,002)	(7.97%)
Capital Assets	\$17,320,375	\$17,001,025	\$319,350	1.88%
Total Assets	<u>\$20,529,307</u>	<u>\$20,487,959</u>	<u>\$41,348</u>	<u>0.20%</u>
<b>LIABILITIES</b>				
Long-Term Liabilities	\$15,416,195	\$16,089,336	(\$673,141)	(4.18%)
Other Liabilities	\$552,763	\$456,556	96,207	21.07%
Total Liabilities	<u>\$15,968,958</u>	<u>\$16,545,892</u>	<u>(\$576,934)</u>	<u>(3.49%)</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	\$2,605,375	\$1,671,025	\$934,350	55.91%
Restricted	\$1,872,117	\$2,409,934	(\$537,817)	(22.32%)
Unrestricted	\$82,857	(\$138,892)	\$221,749	*
Total Net Assets	<u>\$4,560,349</u>	<u>\$3,942,067</u>	<u>\$618,282</u>	<u>15.68%</u>

\* = undefined

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP**

10.3

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

Total assets increased \$41,348. Cash and cash equivalents increased by \$296,871, receivables and other assets increased by \$18,869 and capital assets decreased by \$319,350. Unrestricted net assets, the part of net assets that can be used to finance day to day activities with out constraints established by grants or legal requirements, of the School District increased by \$221,749.

Table 2 shows the changes in net assets in fiscal year 2012 with comparisons to 2011.

**TABLE 2  
CHANGES IN NET ASSETS**

	6/30/2012	6/30/2011	VARIANCE	
			\$	%
<b>REVENUES</b>				
Program Revenues:				
Changes for Services	\$322,899	\$299,057	\$23,842	7.97%
Operating Grants & Contrib.	\$306,029	\$444,551	(\$138,522)	(31.16%)
Capital Grants and Contrib.	-	\$436,225	(\$436,225)	(100.00%)
General Revenues:				
Property Taxes	\$12,243,444	\$12,096,715	\$146,729	1.21%
Grants and Entitlements	\$4,467,073	\$4,076,644	\$390,429	9.58%
Other	\$61,219	\$26,648	\$34,571	129.73%
Total Revenues	<u>\$17,400,664</u>	<u>\$17,379,840</u>	<u>\$20,824</u>	0.12%
<b>PROGRAM EXPENSES</b>				
Instruction:				
Regular	\$5,747,351	\$5,283,440	\$463,911	8.78%
Special	\$1,387,983	\$1,349,239	\$38,744	2.87%
Other	\$853,052	\$1,002,992	(\$149,940)	(14.95%)
Support Services:				
Tuition	\$3,499,860	\$2,793,682	\$706,178	25.28%
Student & Instructional Staff	\$1,533,950	\$1,381,180	\$152,770	11.06%
General and School Admin.	\$1,266,289	\$1,339,569	(\$73,280)	(5.47%)
Plant Operations/Maintenance	\$1,189,193	\$1,315,993	(\$126,800)	(9.64%)
Transportation	\$456,489	\$452,095	\$4,394	0.97%
Food Service	\$304,248	\$267,644	\$36,604	13.68%
Interest on Long Term Debt	\$543,967	\$586,814	(\$42,847)	(7.30%)
Total Expenses	<u>\$16,782,382</u>	<u>\$15,772,648</u>	<u>\$1,009,734</u>	6.40%
Inc./ (Dec.) in Net Assets	<u>\$618,282</u>	<u>\$1,607,192</u>	<u>(\$988,910)</u>	(61.53%)

\*=Undefined

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP**

**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 71.4 percent of revenues for governmental activities for the Lopatcong Township School District for fiscal year 2012.

Instruction comprises 47.5 percent of district expenses for K-8 students and tuition for high school students represents 20.8 percent. Support service expenses make up 31.7 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 show the total cost of services and the net cost of services for 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State Entitlements.

**TABLE 3  
COST OF GOVERNMENTAL SERVICES**

	<b>TOTAL COST OF SERVICES</b>		<b>NET COST OF SERVICES</b>	
	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
Instruction	\$7,988,386	\$7,635,671	\$7,758,358	\$7,356,945
Support Services:				
Tuition	\$3,499,860	\$2,793,682	\$3,499,860	\$2,762,789
Student & Instructional Staff	\$1,533,950	\$1,381,180	\$1,410,072	\$1,230,454
General & School Administration	\$1,266,289	\$1,339,569	\$1,266,289	\$1,339,569
Plant Operations & Maintenance	\$1,189,193	\$1,315,993	\$1,189,193	\$1,314,843
Pupil Transportation	\$456,489	\$452,095	\$456,489	\$461,882
Food Services	\$304,248	\$267,644	\$29,226	(\$14,469)
Interest on Long-Term Debt	\$543,967	\$586,814	\$543,967	\$586,814
Total Expenses	<u>\$16,782,382</u>	<u>\$15,772,648</u>	<u>\$16,153,454</u>	<u>\$15,029,040</u>

Instructional expenses include activities dealing directly 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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP**

10.5

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

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 a safe and 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.

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

The dependence upon tax revenues is apparent. For all activities general revenue support is 93.2 percent. The community, as a whole, is the primary support or funding source for the Lopatcong Township School District.

**The School District's Funds**

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,125,043 and expenditures of \$17,339,799. The net negative change in fund balance for the year was most significant in the Capital Projects Fund, reflecting a decrease of \$787,002.

**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. The budgeting systems are designed to tightly control total program budgets but provide the flexibility for program management.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP**

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

For the General Fund, budget basis revenue and other financing sources were \$14,783,728, \$228,124 over original budgeted estimates of \$14,555,604. This difference was due primarily to additional state aid.

The General fund revenues and other financing sources of the School District exceeded expenditures by \$510,324, due to the excess revenues and budgetary savings in administrative costs, transportation, tuition and utilities. The financial position of the School District is strong.

**Capital Assets**

At the end of the fiscal year 2012, the School District had \$17,320,375 invested in land, building, furniture and equipment. Table 4 shows fiscal 2012 balances compared to 2011.

**TABLE 4  
CAPITAL ASSETS AT YEAR END (Net of Depreciation)**

	6/30/2012	6/30/2011	VARIANCE	
			\$	%
Land	144,255	144,255	-	0.00
Construction in Progress	823,929	36,927	787,002	2,131.24
Land Improvements	\$155,239	\$150,174	5,065	3.37
Building & Improvements	15,905,500	16,318,635	(413,135)	(2.53)
Furniture & Equipment	291,452	351,034	(59,582)	(16.97)
	<u>\$17,320,375</u>	<u>\$17,001,025</u>	<u>\$319,350</u>	1.88

Overall capital assets increased \$319,350 from fiscal 2011 to fiscal year 2012. Increases in capital assets were offset by depreciation expenses for the year.

**Debt Administration**

At June 30, 2012, the School District had \$15,416,195 in outstanding debt. Of this amount, \$134,670 is for compensated absences, and the balance \$15,281,525 is for bonds and unamortized bond premiums for school construction.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT  
LOPATCONG TOWNSHIP**

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

**TABLE 5  
OUTSTANDING DEBT AT YEAR END**

	6/30/2012	6/30/2011	VARIANCE	
			Dollars	%
Construction of Middle School and Refunding of 2000 School Bonds	\$14,715,000	\$15,330,000	\$(615,000)	(4.01)
	<u>\$14,715,000</u>	<u>\$15,330,000</u>	<u>\$(615,000)</u>	<u>(4.01)</u>

**For the Future**

At the present time, the Lopatcong Township School District is in very good financial condition. However, Lopatcong Township is a sending district to Phillipsburg High School for grades 9-12. A challenge that faces the district over the next couple of years are the decreases in tuition adjustments, and the increases in tuition charged each year, resulting in large increases to the tuition line item of the budget. This budgeted expenditure is within the state mandated 2% cap.

In conclusion, the Lopatcong 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 challenges 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, kindly contact the School Business Administrator/Board Secretary at Lopatcong Township Board of Education, 321 Stonehenge Drive, Phillipsburg, NJ 08865 or via phone at (908) 213-2995 x2500.

**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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 421,805	\$ 70,438	\$ 492,243
Internal Balances	6,670	(6,670)	
Receivables, Net	755,377	14,562	769,939
Due from Other Funds	4,695		4,695
Inventory		5,373	5,373
Bond Issuance Costs, Net	331,199		331,199
Restricted Assets:			
Capital Reserve Account-Cash	527,557		527,557
Maintenance Reserve Account-Cash	75,000		75,000
Emergency Reserve Account-Cash	102,584		102,584
Tuition Reserve Account-Cash	800,000		800,000
Debt Service Reserve Account-Cash	100,342		100,342
Capital Assets, Net (Note 4):	1,605,483		
Land and Construction in Progress	968,184		968,184
Other Capital Projects, Net of Depreciation	16,249,486	102,705	16,352,191
<b>Total Assets</b>	<u>21,948,382</u>	<u>186,408</u>	<u>20,529,307</u>
<b>LIABILITIES</b>			
Accounts Payable	104,692	10,315	115,007
Accrued Interest	300,042		300,042
Deferred Revenue	136,169	1,545	137,714
Long-Term Liabilities (Note 5):			
Due Within One Year	541,401		541,401
Due Beyond One Year	14,874,794		14,874,794
<b>Total Liabilities</b>	<u>15,957,098</u>	<u>11,860</u>	<u>15,968,958</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,502,670	102,705	2,605,375
Restricted For:			
Capital Reserve	527,557		527,557
Maintenance Reserve	75,000		75,000
Emergency Reserve	102,584		102,584
Tuition Reserve	800,000		800,000
Debt Service	100,342		100,342
Capital Project	266,634		266,634
Unrestricted	11,014	71,843	82,857
<b>TOTAL NET ASSETS</b>	<u>\$ 4,385,801</u>	<u>\$ 174,548</u>	<u>\$ 4,560,349</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Government Activities:								
Instruction:								
Regular	\$ 3,920,518	\$ 1,826,833	\$ 35,451			\$ (5,711,900)		\$ (5,711,900)
Special Education	946,679	441,304	83,489	\$ 99,512		(1,204,982)		(1,204,982)
Other Special Instruction	562,663	264,095		11,576		(815,182)		(815,182)
Other Instruction	24,684	1,610				(26,294)		(26,294)
Support Services:								
Tuition	3,499,860					(3,499,860)		(3,499,860)
Students & Instruction Related Services	1,087,720	446,230		123,878		(1,410,072)		(1,410,072)
General & Business Administrative Services	640,623	192,029				(832,652)		(832,652)
School Administrative Services	312,263	121,374				(433,637)		(433,637)
Plant Operations & Maintenance	988,146	201,047				(1,189,193)		(1,189,193)
Pupil Transportation	448,218	8,271				(456,489)		(456,489)
Interest on Long-term Debt	543,967					(543,967)		(543,967)
Total Government Activities	<u>12,975,341</u>	<u>3,502,793</u>	<u>118,940</u>	<u>234,966</u>	<u>\$ -</u>	<u>(16,124,228)</u>	<u>\$ -</u>	<u>(16,124,228)</u>
Business-Type Activities:								
Food Service	304,248		203,959	71,063			(29,226)	(29,226)
Total Business-Type Activities	<u>304,248</u>	<u>-</u>	<u>203,959</u>	<u>71,063</u>	<u>-</u>	<u>-</u>	<u>(29,226)</u>	<u>(29,226)</u>
Total Primary Government	<u>\$ 13,279,589</u>	<u>\$ 3,502,793</u>	<u>\$ 322,899</u>	<u>\$ 306,029</u>	<u>\$ -</u>	<u>(16,124,228)</u>	<u>(29,226)</u>	<u>(16,153,454)</u>
			<u>General Revenues &amp; Transfers</u>					
						11,327,612		11,327,612
						915,832		915,832
						4,467,073		4,467,073
						21,200	599	21,799
						39,420		39,420
						<u>16,771,137</u>	<u>599</u>	<u>16,771,736</u>
						646,909	(28,627)	618,282
						3,738,892	203,175	3,942,067
						<u>\$ 4,385,801</u>	<u>\$ 174,548</u>	<u>\$ 4,560,349</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

## **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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ 421,805				\$ 421,805
Due from Other Funds	256,712				256,712
Receivables from Other Governments:					
State	70,470		\$ 436,225		506,695
Federal	3,643	\$ 213,636			217,279
Other Receivables	31,403				31,403
Restricted Cash & Equivalents	1,505,141			\$ 100,342	1,605,483
<b>TOTAL ASSETS</b>	<b>\$ 2,289,174</b>	<b>\$ 213,636</b>	<b>\$ 436,225</b>	<b>\$ 100,342</b>	<b>\$ 3,039,377</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 102,981				\$ 102,981
Due to Other Funds		\$ 75,756	\$ 169,591		245,347
Due to Other Governments:					
State		1,711			1,711
Deferred Revenue		136,169			136,169
<b>Total Liabilities</b>	<b>102,981</b>	<b>213,636</b>	<b>169,591</b>	<b>\$ -</b>	<b>486,208</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2012  
(Continued)

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
LIABILITIES AND FUND BALANCES (Cont'd)					
Fund Balances:					
Restricted Fund Balance:					
Capital Reserve Account	\$ 527,557				\$ 527,557
Maintenance Reserve Account	75,000				75,000
Emergency Reserve Account	102,584				102,584
Tuition Reserve Account	800,000				800,000
Excess Surplus-Designated for Subsequent Year's Expenditures	412,968				412,968
Designated for Subsequent Year's Expenditures			\$ 266,634	\$ 100,342	366,976
Committed Fund Balance:					
Year-End Encumbrances	9,568				9,568
Assigned Fund Balance-Designated for Subsequent Year's Expenditures					
	208,677				208,677
Unassigned Fund Balance	49,839				49,839
Total Fund Balances	<u>2,186,193</u>	<u>\$ -</u>	<u>266,634</u>	<u>100,342</u>	<u>2,553,169</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,289,174</u>	<u>\$ 213,636</u>	<u>\$ 436,225</u>	<u>\$ 100,342</u>	

Amounts Reported for Governmental Activities in the Statement of Net Assets

(A-1) are Different Because:

Capital assets used in government activities are not financial resources & therefore are not reported in the funds. The cost of the assets is and the accumulated depreciation is

\$ 23,621,490  
6,403,820

17,217,670

Long-term liabilities, Including bonds payable, are not due & payable in the current period & therefore are not reported as liabilities in the funds

(15,416,195)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due

(300,042)

Bond issuance costs are reported as expenditures in the governmental funds. The cost is and the accumulated amortization is

351,851  
20,652

331,199

Total Net Assets of Governmental Activities

\$ 4,385,801

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 11,327,612			\$ 915,832	\$ 12,243,444
Tuition Charges-Individuals	35,451				35,451
Tuition Charges-Other LEAs	83,489				83,489
Interest Earned on Capital Reserve Funds	5,463				5,463
Interest Earned on Emergency Reserve Funds	1,067				1,067
Interest on Investments	14,670				14,670
Miscellaneous	30,739			1,723	32,462
<b>Total</b>	<b>11,498,491</b>	<b>\$ -</b>	<b>\$ -</b>	<b>917,555</b>	<b>12,416,046</b>
State Sources	4,143,694	5,233		235,532	4,384,459
Federal Sources	94,805	229,733			324,538
<b>Total Revenues</b>	<b>15,736,990</b>	<b>234,966</b>	<b>-</b>	<b>1,153,087</b>	<b>17,125,043</b>
<b>EXPENDITURES</b>					
Current :					
Instructional:					
Regular Instruction	3,923,841				3,923,841
Special Education Instruction	847,167	99,512			946,679
Other Special Instruction	551,087	11,576			562,663
Other Instruction	24,684				24,684
Support Service & Undistributed Costs:					
Tuition	3,499,860				3,499,860
Student and Instruction Related Services	963,842	123,878			1,087,720
General and Business Administrative Services	640,623				640,623
School Administrative Services	312,263				312,263
Plant Operations & Maintenance	988,146				988,146
Pupil Transportation	448,218				448,218
Unallocated Benefits	3,034,349				3,034,349

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Fund
EXPENDITURES (Cont'd)					
Capital Outlay	\$ 30,944		\$ 787,002		\$ 817,946
Debt Service:					
Principal				\$ 615,000	615,000
Interest & Other Charges	62			437,745	437,807
Total Expenditures	<u>15,265,086</u>	<u>\$ 234,966</u>	<u>787,002</u>	<u>1,052,745</u>	<u>17,339,799</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	471,904	-	(787,002)	100,342	(214,756)
Fund Balances, July 1	<u>1,714,289</u>	<u>-</u>	<u>1,053,636</u>	<u>-</u>	<u>2,767,925</u>
Fund Balances, June 30	<u>\$ 2,186,193</u>	<u>\$ -</u>	<u>\$ 266,634</u>	<u>\$ 100,342</u>	<u>\$ 2,553,169</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total Net Changes in Fund Balances-Governmental Fund (from B-2) \$ (214,756)

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 expenses. This is the amount by which capital outlays exceeds depreciation in the period:

Capital Outlays	\$ 821,269	
Depreciation Expenses	<u>495,184</u>	
		326,085

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and are not reported in the statement of activities:

Debt Principal Payments		615,000
-------------------------	--	---------

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities. The issuance of debt increase long-term liabilities in the statement of net assets:

Proceeds of Bond Refunding Issue

Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred & amortized in the statement of activities:

Amortization of Bond Issuance Costs	(18,357)	
Amortization of Bond Premium	<u>31,401</u>	
		13,044

In the statement of activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.

(119,204)

In the statement of activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.

26,740

Change in Net Assets of Governmental Activities

\$ 646,909

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	<u>Food Service Fund</u>
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 70,438
Receivables from Other Governments:	
State	418
Federal	14,144
Inventory	5,373
Total Current Assets	<u>90,373</u>
Noncurrent Assets:	
Capital Assets	254,430
Less: Accumulated Depreciation	151,725
Total Noncurrent Assets	<u>102,705</u>
Total Assets	<u>193,078</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	10,315
Due to Other Funds	6,670
Deferred Revenues	1,545
Total Liabilities	<u>18,530</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	102,705
Unrestricted	<u>71,843</u>
TOTAL NET ASSETS	<u>\$ 174,548</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUES EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Food Service Fund
Operating Revenues:	
Charges for Services:	
Daily Sales-Reimbursable Programs	\$ 131,845
Daily Sales-Nonreimbursable Programs	72,114
Total Operating Revenues	203,959
Other Expenses:	
Cost of Sales	124,386
Salaries	120,064
Employee Benefits	11,969
Management Fee	8,142
Repairs and Maintenance	6,915
Supplies and Materials	12,639
Insurance	7,328
Other Purchased Services	3,242
Miscellaneous	81
Depreciation	6,735
Office Expense	2,747
Total Operating Expenses	304,248
Operating Income (Loss)	(100,289)
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	3,347
Federal Sources:	
National School Lunch Program	58,126
National Milk Program	2,062
Food Donation Program	7,528
Interest Income	599
Total Nonoperating Revenues (Expenses)	71,662
Change in Net Assets	(28,627)
Net Assets, Beginning	203,175
Net Assets, Ending	\$ 174,548

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Food Service Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 203,959
Payments to Food Service Management Company	(239,582)
Payments to Vendors (Net)	(41,205)
Net Cash Provided by (Used For) Operating Activities	(76,828)
Cash Flows from Noncapital Financing Activities:	
State Sources	3,175
Federal Sources	49,935
Interfund Activity	(6,037)
Net Cash Provided by (Used For) Noncapital Financing Activities	47,073
Cash Flows from Investing Activities:	
Interest Earned on Investments	599
Net Cash Provided by (Used For) Investing Activities	599
Net Increase (Decrease) in Cash and Cash Equivalents	(29,156)
Cash and Cash Equivalents, Beginning	99,594
Cash and Cash Equivalents, Ending	\$ 70,438
Reconciliation of Operating Income (Loss) to Net Cash Provide by (Used For)	
Operating Activities:	
Operating Income (Loss)	\$ (100,289)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Depreciation	6,735
Federal Food Donation Program	7,528
(Increase) Decrease in Inventory	854
Increase (Decrease) in Accounts Payable	(3,656)
Increase (Decrease) in Deferred Revenue	(707)
Increase (Decrease) in Due to Other Funds	12,707
Net Cash Provided by (Used For) Operating Activities	\$ (76,828)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
ASSETS			
Cash & Cash Equivalents Due from Other Funds	\$ 61,608 11,112	\$ 39,811	\$ 84,568
TOTAL ASSETS	<u>72,720</u>	<u>\$ 39,811</u>	<u>\$ 84,568</u>
LIABILITIES			
Accounts Payable Due to Other Funds Due to Student Groups Payroll Deductions & Withholdings	9,051	\$ 39,811	\$ 15,807 68,761
TOTAL LIABILITIES	<u>9,051</u>	<u>\$ 39,811</u>	<u>\$ 84,568</u>
NET ASSETS	<u>\$ 63,669</u>		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Unemployment Compensation Fund
ADDITIONS	
Contributions:	
Employee Withholdings	\$ 11,757
Investment Earnings-Interest	496
Total Additions	12,253
DEDUCTIONS	
Unemployment Claims	25,200
Change in Net Assets	(12,947)
Net Assets, Beginning of the Year	76,616
Net Assets, End of the Year	\$ 63,669

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS**

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

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

The financial statements of the Board of Education (Board) of the Lopatcong Township School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local 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 accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Districts overall financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

**A. Reporting Entity**

The 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-12. The District had an approximate enrollment at June 30, 2012 of 895 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:

1. The organization is legally separate (can sue or be sued in their own name.)
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/ burden on the District.
6. There is a fiscal dependency by the organization on the District.

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its governmental funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post employment healthcare benefits, are recorded only when payment is due.

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted state aids.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

The District reports the following major governmental funds:

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

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 District accounts for the proceeds of specific revenue sources 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 in the Special Revenue Fund.

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

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

Additionally, the District reports the following fund types:

Proprietary Fund Types

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

Enterprise Fund - The Enterprise 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 cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund.

All proprietary funds are accounted for on a current financial resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

Equipment	12 Years
Light Trucks & Vehicles	4 Years
Heavy Trucks & Vehicles	6 Years

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

Fiduciary Fund Types

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/ or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the Trust and Agency Funds of the District.

Unemployment Compensation Trust Fund – This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the “Benefit Reimbursement Method.”

Student Activities Agency Fund – This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund – This fund accounts for the withholding and remittance of employee salary deductions.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's Proprietary Funds have elected not to apply the standards issued by FASB after November 30, 1989.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in NJAC 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2011 were insignificant.

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

D. Budgets/Budgetary Control (Cont'd)

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.

E. Encumbrances

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 yearend 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.

F. Tuition Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition Payable

Tuition charges for the fiscal years 2011-2012 and 2010-2011 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-Term Interfund Receivables/Payables

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

I. Inventories and Prepaid Items

Inventories and prepaid items, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as an expenditure during the year of purchase.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as a deferred revenue as title does not pass to the school district until the commodities are used. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

J. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements & Portable Classroom	50
Land Improvements	20
Furniture	20
Maintenance Equipment	15
Musical Instruments	10
Athletic Equipment	10
Audio Visual Equipment	10
Office Equipment	5 to 10
Computer Equipment	5 to 10
Vehicle	5

K. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board statement number 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 in accordance with the District's personnel policy. 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 Districts' agreements with the various employee unions.

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of social security and medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

L. Deferred Revenue

Deferred revenue in the General Fund and Special Revenue Fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the Special Revenue Fund.

Deferred revenue in the Enterprise Fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the Food Service Fund. Prepaid lunch debit card revenue balances at year-end are also included in deferred revenue.

M. Long-Term Obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

In the government-wide statements, net assets represent the difference between assets and liabilities. Invested in Capital Assets, Net of Related Debt consists of capital assets, net of accumulated depreciation, and reduced by the balance of long-term debt used to finance these assets. Net assets are reported as restricted when there are limitations externally imposed on their use either through enabling legislation or other restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's restricted net assets in the governmental activities as of June 30, 2012 consists of the following:

Capital Reserve	\$ 527,557
Emergency Reserve	102,584
Maintenance Reserve	75,000
Tuition Reserve	400,000
Debt Service Reserve	100,342
Capital Projects	<u>266,634</u>
	<u>\$ 1,472,117</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

O. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

P. Allocation of Indirect Expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF pension contributions, reimbursed TPAF social security contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

**NOTE 2. TAX ASSESSMENTS AND PROPERTY TAXES**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in NJSA 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the school district in accordance with the schedule of tax installments as certified by the school district's Board of Education on an annual basis.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 3. DEPOSITS AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. US Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at amortized cost. All other investments are stated at fair value.

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

Deposits at June 30, 2012 appear in the financial statements as summarized below:

Cash		<u>\$ 2,283,713</u>
	<u>Ref.</u>	
Unrestricted Cash:		
Governmental Funds, Statement of Net Assets	B-1	\$ 421,805
Enterprise Fund, Statement of Net Assets	B-4	70,438
Fiduciary Funds, Statement of Net Assets	B-7	185,987
Restricted Cash:		
Governmental Funds, Statement of Net Assets	B-1	<u>1,605,483</u>
Total Cash		<u>\$ 2,283,713</u>

Deposits – The District's carrying amount of bank deposits at June 30, 2012 is \$2,283,713 and the bank balance is \$3,079,163. Of the bank balance, \$250,000 is covered by federal depository insurance and \$2,829,163 is insured by GUDPA.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 3. DEPOSITS AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)**

Deposit and Investment Risk

GASB Statement No. 40 "Deposit and Investment Risk Disclosures" requires state and local governments to communicate key information about deposit and investment risks. Required disclosures are as follows:

1. Custodial credit risk disclosures for investments defined as category 3 assets under GASB Statement No. 3. Since all of the deposits and investments of the district are category 1 assets, these disclosures are not required.
2. Credit quality ratings for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. As the district has no such investments, this disclosure is not applicable.
3. Disclosure of investments by amount and issuer for any issuer that represents five percent of more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the US government and investments in mutual funds or pools. This disclosure is reported below under Concentration of Credit Risk.
4. Interest rate risk disclosures are required for all debt investments and non-money market like pools. As the district has no such investments, this disclosure is not applicable.
5. Investments that are exposed to foreign currency risk should be disclosed. As the district has no such investments this disclosure is not applicable.

Concentration of Credit Risk

The State of New Jersey does not place any limit on the amount that the district may invest with any one issuer. As of June 30, 2012, the district had no investments.

**NOTE 4. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being				
Depreciated:				
Land	\$ 144,255			\$ 144,255
Construction in Progress	36,927	\$ 787,002		823,929
Total	<u>181,182</u>	<u>787,002</u>	<u>\$ -0-</u>	<u>968,184</u>
Capital Assets, Being				
Depreciated:				
Land Improvements	342,900	22,142		365,042
Building & Improvements	21,774,097	8,426		21,782,523
Furniture & Equipment	502,042	3,699		505,741
Total	<u>22,619,039</u>	<u>34,267</u>	<u>-0-</u>	<u>22,653,306</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 4. CAPITAL ASSETS (Cont'd)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Accumulated Depreciation:				
Land Improvements	\$ 192,726	\$ 17,077		\$ 209,803
Building & Improvements	5,455,462	421,561		5,877,023
Furniture & Equipment	260,448	56,546		316,994
Total	<u>5,908,636</u>	<u>495,184</u>	<u>\$ -0-</u>	<u>6,403,820</u>
 Total Capital Assets, Being Depreciated, Net	 <u>16,710,403</u>	 <u>(460,917)</u>	 <u>-0-</u>	 <u>16,249,486</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 16,891,585</u>	 <u>\$ 326,085</u>	 <u>\$ -0-</u>	 <u>\$ 17,217,670</u>
 Business-Type Activities:				
Furniture & Equipment	\$ 254,430			\$ 254,430
Less: Accum Depreciation	<u>144,990</u>	<u>\$ 6,735</u>		<u>151,725</u>
Business-Type Activities Capital Assets, Net	<u>\$ 109,440</u>	<u>\$ (6,735)</u>	<u>\$ -0-</u>	<u>\$ 102,705</u>
 Depreciation expense was charged to governmental functions in the current year as follows:				
Instruction:				
Regular	\$ 255,852			
Special Education	61,728			
Other Special Instruction	36,688			
Co-Curricular Activities	1,610			
Support Services:				
Student & Instruction	70,924			
General & Business Admin	41,771			
School Administration	20,361			
Plant & Maintenance	<u>6,250</u>			
Total Depreciation Expense, Governmental Activities	<u>\$ 495,184</u>			

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 5. LONG-TERM DEBT**

Long-Term Liability Activity for the Year Ended June 30, 2012 is as Follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds Payable	\$ 15,330,000		\$ 615,000	\$ 14,715,000	\$ 510,000
Bond Premium	597,926		31,401	566,525	31,401
Compensated Absences Payable	<u>161,410</u>	<u>\$ 7,751</u>	<u>34,491</u>	<u>134,670</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 16,089,336</u>	<u>\$ 7,751</u>	<u>\$ 680,892</u>	<u>\$ 15,416,195</u>	<u>\$ 541,401</u>

Payments on the general obligation bonds are made in the debt service fund from property taxes and state aid. The other long-term debts are paid in the current expenditures budget of the District's general fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2012 including interest payments are listed as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 510,000	\$ 644,987	\$ 1,154,987
2014	520,000	626,937	1,146,937
2015	540,000	608,137	1,148,137
2016	565,000	588,437	1,153,437
2017	575,000	565,856	1,140,856
2018-2022	3,335,000	2,395,212	5,730,212
2023-2027	4,225,000	1,547,950	5,772,950
2028-2031	<u>4,445,000</u>	<u>458,125</u>	<u>4,903,125</u>
	<u>\$ 14,715,000</u>	<u>\$ 7,435,641</u>	<u>\$ 22,150,641</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 5. GENERAL LONG-TERM DEBT (Cont'd)**

General Obligation Bonds – General obligation school building bonds payable at June 30, 2012, with their outstanding balances are comprised of the following individual issues:

\$9,600,000-2011 general obligation school building/refunding bonds, due in annual installments of \$130,000 to \$905,000, beginning July 15, 2011 through July 15, 2026, interest of 2.00% to 4.00%	\$ 5,245,000
\$15,895,000-2001 general obligation school building/refunding bonds, due in annual installments of \$75,000 to \$1,195,000 beginning January 15, 2002 through July 15, 2030 Interest of 4.000% to 5.125%	9,470,000
	\$ 14,715,000

The general obligation bonded debt of the District is limited by state law to 4.00% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2012 is \$39,564,281. General obligation debt at June 30, 2012 is \$14,715,000, resulting in a legal debt margin of \$24,849,281.

**NOTE 6. PENSION PLANS**

Description of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system 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 Board and the system's other related non-contributing employers. The Public Employees Retirement System and Defined Contribution Retirement Program are considered cost sharing multiple-employer plans.

A. Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund was established in January, 1955 under the provisions of NJSA 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 6. PENSION PLANS** (Cont'd)

Description of Systems (cont'd)

B. Public Employees' Retirement System - The Public Employees' Retirement System was established in January, 1955 under the provisions of NJSA 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 55 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 55 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

C. Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch 92, PL 2007 and expanded under the provisions of Ch 89, PL 2008 and Ch 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$7,700 in 2011) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: [www.prudential.com/njdcrp](http://www.prudential.com/njdcrp).

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statement and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

Significant Legislation

During the year ended June 30, 1997, legislation was enacted authorizing the New Jersey Economic Development Authority (the "Authority") to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. On June 30, 1997, the Authority issued bonds pursuant to this legislation and \$1,547,688,633 and \$241,106,642 from the proceeds of the bonds were deposited into the investment account of TPAF and PERS, respectively.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 6. PENSION PLANS (Cont'd)**

Significant Legislation (Cont'd)

As a result of additional legislation enacted during the year ended June 30, 1997 (Ch 115, PL 1997), the asset valuation method was changed from market related value to full market value for the valuation reports dated March 31, 1996. The legislation also provides for a reduction in the normal contributions of the State to the systems from excess assets for FY's 1997 and 1998, and local employers for FY 1999, and, thereafter, authorizes the State Treasurer to reduce the normal contributions of State and local employers to the systems, to the extent possible, from up to 100% of excess assets through FY 2002, and on a declining maximum percentage of excess thereafter.

Due to the enactment of the legislation described above, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced.

Contribution Requirements

The contribution policy is set by state statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Significant legislation which became effective October 1, 2011 will gradually increase the employee contribution rate for PERS and TPAF members. Effective October 1, 2011 the rate increased from 5.50% to 6.50% of annual contractual compensation for employees enrolled in the TPAF and PERS pension plans. The rate will increase each year on the first of July over a seven year phase-in period until the withholding rate reaches 7.50% effective July 1, 2018. Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. Employers are required to contribute at an actuarially determined rate in TPAF, PERS and DCRP. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits and post-retirement medical premiums. Under current statute, the Board is a noncontributing employer of the TPAF.

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

Year Funding	Post Retirement Benefit Costs	Percentage of APC Contributed
06/30/12	\$ 568,091	100%
06/30/11	414,575	100%
06/30/10	383,834	100%

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed
06/30/12	\$ 112,011	100%
06/30/11	117,649	100%
06/30/10	80,535	100%

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 6. PENSION PLANS (Cont'd)**

During the year ended June 30, 2012, the State of New Jersey contributed \$379,373 to the TPAF for post-retirement medical benefits and \$18,289 for the non-contributory insurance premiums and \$170,429 for TPAF normal costs and accrued liability costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$423,591 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 27.

**NOTE 7. POST-RETIREMENT BENEFITS**

Chapter 384 of PL 1987 and Ch 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. PL 2007, Ch 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside 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 eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Ch 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

The State is also responsible for the cost attributable to Ch 126, PL 1992, 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. In fiscal year 2011, the State paid \$144 million toward Ch 126 benefits for 15,079 eligible retired members.

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's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The school district adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions/pdf/financial/gasb-43-july2011.pdf>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 7. POST-RETIREMENT BENEFITS (Cont'd)**

**Funding Policy**-Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

**NOTE 8. 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, permit 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:

AXA Equitable  
Ameriprise Financial  
Lincoln Investments

**NOTE 9. INVENTORY**

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

Food	\$	3,959
Supplies		<u>1,414</u>
Total	\$	<u>5,373</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) 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 10. CONTINGENT LIABILITIES**

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

**NOTE 11. INTERFUND RECEIVABLE AND PAYABLES**

The composition of interfund balances as of June 30, 2012 is as follows:

Fund	Receivable Fund	Payable Fund
General Fund	\$ 256,712	
Enterprise Fund		\$ 6,670
Special Revenue Fund		75,756
Payroll Agency Fund		15,807
Unemployment Compensation Fund	11,112	
Capital Projects Fund		<u>169,591</u>
	<u>\$ 267,824</u>	<u>\$ 267,824</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 11. INTERFUND RECEIVABLE AND PAYABLES (Cont'd)**

The balances due by the Special Revenue Fund and Capital Projects Fund in a total of \$185,398 represent required advances due to the delayed receipt of grant revenues. The amounts due by the Enterprise Fund and the Payroll Agency Fund represent miscellaneous interfund transactions to be cleared at year-end.

**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, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete schedule of insurance coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the NJ Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, and interest earnings, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's unemployment trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Board Contrib</u>	<u>Interest Earnings</u>	<u>Employee Contrib</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ -0-	\$ 496	\$ 11,757	\$ 25,200	\$ 63,669
2010-2011	-0-	52	11,544	44,619	76,616
2009-2010	-0-	165	15,155	35,879	109,639

**NOTE 13. LEGAL RESERVE ACCOUNTS**

A capital reserve account was established by the District 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 districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to NJAC 6:23A-5.1 (d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 13. LEGAL RESERVE ACCOUNTS (Cont'd)**

Beginning in fiscal year 2008, Districts are allowed as per NJSA 18A:7F-41(a) & 41(b) to deposit to the legal reserves by board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts.

The following schedule is a summarization of the Legal Reserve Accounts for the current year:

Reserve Type	Beginning Balance	District Contribution	Interest Earnings	Return Unused With- drawal	With- drawal	Ending Balance
Capital	\$ 522,094		\$ 5,463			\$ 527,557
Emergency	101,517		1,067			102,584
Maintenance	75,000					75,000
Tuition	657,687	\$ 400,000			\$ 257,687	800,000
Totals	<u>\$ 1,356,298</u>	<u>\$ 400,000</u>	<u>\$ 6,530</u>	<u>\$ -0-</u>	<u>\$ 257,687</u>	<u>\$ 1,505,141</u>

**NOTE 14. FUND BALANCES-BUDGETARY BASIS**

As described in Note 1 N-Fund Equity (Fund Balance) may be restricted, committed or assigned. An analysis of the General Fund Balance on June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Restricted:		
Excess Surplus-Represents amount in excess of allowable percentage of expenditures. In accordance with state statute, the excess surplus is designated for utilization in succeeding year's budgets	\$ 215,144	\$ 197,824
Excess Surplus-Designated for Subsequent Year's Expenditures-Represents amount appropriated in the succeeding Year's budget to reduce tax requirements	197,824	
Capital Reserve Account-Represents funds restricted to capital projects in the Districts Long Range Facilities Plan	527,557	522,094
Maintenance Reserve-Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (NJSA18A:76-9)	75,000	75,000
Emergency Reserve-Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education	102,584	101,517
Tuition Reserve-Represents funds accumulated to finance For a foreseeable future tuition adjustment pursuant to NJAC 6A:23A-17.1(f)	800,000	657,687
Committed:		
Year End Encumbrance-Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30,	9,568	69,453

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 14. FUND BALANCES-BUDGETARY BASIS (Cont'd)**

	2012	2011
Assigned:		
Designated Surplus-Designated for Subsequent Year's Expenditures –Represents amount appropriated in the succeeding Year's budget to reduce tax requirements	\$ 208,677	
Unassigned:		
Undesignated-Represents fund balance which has not been restricted or designated	355,938	\$ 358,393
Total Fund Balance	\$ 2,492,292	\$ 1,981,968

**NOTE 15. CALCULATION OF EXCESS SURPLUS**

In accordance with NJSA 18A:7F-7, as amended by PL 2004, Ch 73 (S1701), the designation for Reserved Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund, fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$215,144.

**NOTE 16. FUND BALANCE RESERVED FOR TUITION**

Pursuant to NJAC 6A:23-3.1 (f), the District has reserved fund balance for tuition applicable to a formal sending/receiving relationship. The following is a summary of the tuition reserve:

Year Ending	Balance 6/30/2012
06/30/2011	\$ 400,000
06/30/2012	400,000
	\$ 800,000

**REQUIRED SUPPLEMENTARY INFORMATION-PART II**

**BUDGETARY COMPARISON SCHEDULES**

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 11,327,612		\$ 11,327,612	\$ 11,327,612	
Tuition Charges-Individual Students	121,328		121,328	35,451	\$ (85,877)
Tuition Charges-Other LEAs				83,489	83,489
Interest Income				14,670	14,670
Interest on Emergency Reserve Funds				1,067	1,067
Interest on Capital Reserve Funds				5,463	5,463
Miscellaneous	5,000		5,000	30,739	25,739
<b>Total</b>	<b>11,453,940</b>	<b>\$ -</b>	<b>11,453,940</b>	<b>11,498,491</b>	<b>44,551</b>
State Sources:					
Categorical Special Education Aid	650,366		650,366	650,366	
Equalization Aid	2,324,435		2,324,435	2,469,596	145,161
Extraordinary Special Education Costs Aid				67,211	67,211
Nonpublic Transportation Aid				3,259	3,259
On-Behalf TPAF Payments				568,091	568,091
Reimb TPAF Social Security Contribution				423,591	423,591
<b>Total</b>	<b>2,974,801</b>	<b>-</b>	<b>2,974,801</b>	<b>4,182,114</b>	<b>1,207,313</b>
Federal Sources:					
Medicaid Reimbursement	9,061		9,061	6,958	(2,103)
Education Jobs Fund	117,802		117,802	87,847	(29,955)
<b>Total</b>	<b>126,863</b>	<b>-</b>	<b>126,863</b>	<b>94,805</b>	<b>(32,058)</b>
<b>TOTAL REVENUES</b>	<b>\$ 14,555,604</b>	<b>\$ -</b>	<b>\$ 14,555,604</b>	<b>\$ 15,775,410</b>	<b>\$ 1,219,806</b>
<b>EXPENDITURES</b>					
Current:					
Instruction-Regular Program:					
Salaries of Teachers:					
Preschool	\$ 64,184	\$ 55,511	\$ 119,695	\$ 119,146	\$ 549
Kindergarten	222,581	3,851	226,432	226,432	
Grades 1-5	1,822,323	(62,204)	1,760,119	1,728,081	32,038
Grades 6-8	1,427,230	(7,133)	1,420,097	1,410,861	9,236
Home Instruction:					
Salaries of Teachers	3,000	2,800	5,800	5,569	231
Purchased Professional-Educational Serv	2,500	6,000	8,500	6,628	1,872
Other Purchased Services		1,200	1,200	986	214
Regular Programs-Undistributed Instruction:					
Other Salaries for Instruction	34,679	14,538	49,217	49,217	
Purchased Professional-Educational Serv	4,260		4,260	1,037	3,223
Other Purchased Services	99,475	(21,769)	77,706	54,368	23,338
General Supplies	206,172	95,059	301,231	271,403	29,828
Textbooks	50,373	(158)	50,215	50,113	102
Other Objects	3,105	(925)	2,180		2,180
<b>Total</b>	<b>3,939,882</b>	<b>86,770</b>	<b>4,026,652</b>	<b>3,923,841</b>	<b>102,811</b>
Special Education:					
Behavioral Disabilities:					
Salaries of Teachers	60,600	1,913	62,513	62,513	
Other Salaries for Instruction	12,257	(1,913)	10,344	9,023	1,321
General Supplies	5,000		5,000	3,230	1,770
<b>Total</b>	<b>77,857</b>	<b>-</b>	<b>77,857</b>	<b>74,766</b>	<b>3,091</b>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Special Education:					
Multiple Disabilities:					
Salaries of Teachers	\$ 122,559	\$ 3,849	\$ 126,408	\$ 126,407	\$ 1
Other Salaries for Instruction		400	400	338	62
General Supplies	1,000	(49)	951	130	821
Total	<u>123,559</u>	<u>4,200</u>	<u>127,759</u>	<u>126,875</u>	<u>884</u>
Resource Room/Resource Center:					
Salaries of Teachers	540,906	3,138	544,044	532,171	11,873
Other Salaries for Instruction		6,365	6,365	3,868	2,497
General Supplies	2,900		2,900	2,250	650
Total	<u>543,806</u>	<u>9,503</u>	<u>553,309</u>	<u>538,289</u>	<u>15,020</u>
Preschool Disabilities-Part-Time:					
Salaries of Teachers	127,717	(55,090)	72,627	69,466	3,161
Other Salaries for Instruction	50,644	(9,693)	40,951	37,535	3,416
General Supplies	1,075	150	1,225	236	989
Total	<u>179,436</u>	<u>(64,633)</u>	<u>114,803</u>	<u>107,237</u>	<u>7,566</u>
Total Special Education	<u>924,658</u>	<u>(50,930)</u>	<u>873,728</u>	<u>847,167</u>	<u>26,561</u>
Basic Skills/Remedial:					
Salaries of Teachers	482,008	31,783	513,791	513,791	
Other Salaries for Instruction	36,566		36,566	36,566	
General Supplies	1,175	108	1,283	730	553
Total	<u>519,749</u>	<u>31,891</u>	<u>551,640</u>	<u>551,087</u>	<u>553</u>
Bilingual Education:					
General Supplies	250		250		250
Total	<u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
School Sponsored Co Curricular Activities:					
Salaries	35,660		35,660	24,540	11,120
Transfers to Cover Deficit		144	144	144	
Total	<u>35,660</u>	<u>144</u>	<u>35,804</u>	<u>24,684</u>	<u>11,120</u>
Total Instruction Regular	<u>\$ 5,420,199</u>	<u>\$ 67,875</u>	<u>\$ 5,488,074</u>	<u>\$ 5,346,779</u>	<u>\$ 141,295</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Undistributed Expenditures:					
Instruction Tuition:					
Other LEAs Within State-Regular	\$ 2,885,671	\$ 27,000	\$ 2,912,671	\$ 2,897,190	\$ 15,481
Other LEAs Within State-Special	248,889		248,889	161,900	86,989
County Vocational School District-Regular	85,473		85,473	85,473	
County Vocational School District-Special	39,000		39,000	39,000	
CSSD & Reg. Day School	38,300	(27,000)	11,300	1,212	10,088
Private Schools for the Disabled W/I State	338,647		338,647	315,085	23,562
Total	3,635,980	-	3,635,980	3,499,860	136,120
Attendance & Social Work:					
Salaries	14,976	16,000	30,976	30,697	279
Total	14,976	16,000	30,976	30,697	279
Health Services:					
Salaries	132,445		132,445	132,245	200
Purch Professional and Technical Services	1,500		1,500	1,200	300
Supplies & Materials	4,030	519	4,549	2,857	1,692
Other Objects	300	50	350	350	
Total	138,275	569	138,844	136,652	2,192
Speech, OT, PT, & Related Services					
Salaries	112,696	1,238	113,934	113,934	
Purchased Professional-Educational Services	36,000	(1,800)	34,200	26,998	7,202
Supplies & Materials	1,500	(1,238)	262	212	50
Total	150,196	(1,800)	148,396	141,144	7,252
Other Support Services-Students-Extra Serv:					
Salaries	46,069	(2,203)	43,866	40,484	3,382
Purchased Professional-Educational Services	53,000	2,300	55,300	55,300	
Total	99,069	97	99,166	95,784	3,382
Guidance:					
Salaries of Other Professional Staff	135,034	12,257	147,291	147,291	
Other Purchased Prof and Tech Services	7,825	5,429	13,254	13,254	
Total	142,859	17,686	160,545	160,545	-
Child Study Teams:					
Salaries of Other Professional Staff	226,793	(589)	226,204	225,399	805
Purchased Professional-Educational Serv	6,300	143	6,443	6,443	
Other Purchased Prof and Tech Services	3,895	120	4,015	4,015	
Miscellaneous Purchased Services	120		120	120	
Supplies & Materials	3,000	95	3,095	1,060	2,035
Other Objects	200		200	200	
Total	240,308	(231)	240,077	237,237	2,840

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 1,000		\$ 1,000		\$ 1,000
Total	1,000	\$ -	1,000	\$ -	1,000
Educational Media Services-School Library:					
Salaries	98,357	35,904	134,261	134,121	140
Supplies & Materials	8,575	939	9,514	7,555	1,959
Total	106,932	36,843	143,775	141,676	2,099
Instructional Staff Training Services:					
Other Purchased Services	8,000	10,500	18,500	14,058	4,442
Supplies & Materials	1,500	6,200	7,700	6,049	1,651
Total	9,500	16,700	26,200	20,107	6,093
Support Services General Administration:					
Salaries	195,864	14,304	210,168	210,092	76
Legal Services	55,000	20,870	75,870	75,870	
Audit Fees	18,500		18,500	17,750	750
Architectural/Engineering Services	13,000	(1,304)	11,696	11,113	583
Other Purchased Professional Services	21,000	(10,870)	10,130		10,130
Communications & Telephone	27,750		27,750	19,756	7,994
Bd of Education Other Purchased Services	2,500		2,500	2,293	207
Miscellaneous Purchased Services	42,971	(10,000)	32,971	23,559	9,412
General Supplies	2,000	430	2,430	1,600	830
Board of Education In-House Training/Mtg Supplies	250		250	70	180
Miscellaneous Expenditures	1,500		1,500	503	997
Board of Education Membership Due & Fees	11,500		11,500	9,518	1,982
Total	391,835	13,430	405,265	372,124	33,141
Support Services School Administration:					
Salaries of Principals & Assistant Principals	262,895	(22,757)	240,138	225,800	14,338
Salaries of Secretarial & Clerical Assistants	120,676	(52,000)	68,676	67,880	796
Other Purchased Services	300		300	226	74
Supplies & Materials	11,085	4,640	15,725	12,668	3,057
Other Objects	6,400	(483)	5,917	5,689	228
Totals	401,356	(70,600)	330,756	312,263	18,493

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
Central Services:					
Salaries	\$ 152,851	\$ 16,000	\$ 168,851	\$ 154,810	\$ 14,041
Purchased Professional Services	12,500		12,500	11,348	1,152
Purchased Technical Services	9,035		9,035	8,235	800
Miscellaneous Purchased Services	2,000		2,000		2,000
Supplies & Materials	2,500	(1,882)	618	318	300
Miscellaneous Expenditures	2,500	(1,922)	578	578	
Total	181,386	12,196	193,582	175,289	18,293
Administration Information Technology:					
Salaries	66,842		66,842	66,842	
Purchased Professional Services	10,495	1,479	11,974	11,901	73
Other Purchased Services	4,600		4,600	4,510	90
Supplies & Materials	3,000	3,803	6,803	6,803	
Other Objects	4,100		4,100	3,154	946
Total	89,037	5,282	94,319	93,210	1,109
Required Maintenance for School Facilities:					
Salaries	230,283		230,283	213,142	17,141
Cleaning, Repair & Maintenance Services	122,335	(12,886)	109,449	88,559	20,890
General Supplies	20,000	1,991	21,991	7,266	14,725
Total	372,618	(10,895)	361,723	308,967	52,756
Custodial Services:					
Salaries	330,576	330	330,906	327,873	3,033
Purchased Professional and Technical Services	8,100	(330)	7,770	4,603	3,167
Cleaning, Repair, & Maintenance Services	38,300		38,300	22,339	15,961
Other Purchased Property Services	27,280		27,280	23,849	3,431
Insurance	20,600		20,600	18,610	1,990
Miscellaneous Purchased Services	500		500	175	325
General Supplies	59,883	2,315	62,198	48,392	13,806
Energy (Gasoline)	2,400	(2,400)			
Energy (Electricity)	281,000	(94,099)	186,901	186,901	
Energy (Natural Gas)	110,000	(34,001)	75,999	46,437	29,562
Total	878,639	(128,185)	750,454	679,179	71,275
Student Transportation Services:					
Salaries for Pupil Transportation (Between Home & School)-Regular	23,723		23,723	21,000	2,723
Other Purchased Professional and Technical Services	3,000		3,000	3,000	
Contracted Services (Between Home & School)-Vendors	224,226	13,638	237,864	231,030	6,834
Contracted Service (Other than Between Home & School)-Vendors	4,600	10,000	14,600	12,893	1,707
Contracted Services (Between Home & School)-Joint Agreements	5,000		5,000	300	4,700
Contracted Services (Special Education Stds)-Vendors	202,749	(36,014)	166,735	166,735	
Contracted Services-Aid in Lieu Pymts-Nonpublic Sch	36,130	(22,838)	13,292	13,260	32
Total	499,428	(35,214)	464,214	448,218	15,996
Unallocated Benefits-Employee Benefits:					
Social Security Contribution	120,000	20,454	140,454	133,733	6,721
Other Retirement Contribution-PERS	120,944		120,944	113,007	7,937
Workmen's Compensation	50,000		50,000	47,098	2,902
Health Benefits	1,550,374	130,500	1,680,874	1,620,749	60,125
Tuition Reimbursement	55,000	(21,254)	33,746	30,723	3,023
Other Employee Benefits	101,200		101,200	97,357	3,843
Total	1,997,518	129,700	2,127,218	2,042,667	84,551

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (Cont'd)					
Current: (cont'd)					
On-Behalf TPAF Payments				\$ 568,091	\$ (568,091)
Reimb TPAF Social Security Contrib				423,591	(423,591)
Total	\$ -	\$ -	\$ -	991,682	(991,682)
Total Undistributed Expenditures	\$ 9,350,912	\$ 1,578	\$ 9,352,490	\$ 9,887,301	\$ (534,811)
TOTAL CURRENT	\$ 14,771,111	\$ 69,453	\$ 14,840,564	\$ 15,234,080	\$ (393,516)
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Instructional Equipment	\$ 4,100		\$ 4,100	\$ 376	\$ 3,724
Care & Upkeep of Grounds	7,450		7,450		7,450
Total	11,550	\$ -	11,550	376	11,174
Facilities Acquisition & Construction Services:					
Construction Services	30,568		30,568	30,568	
Assessment for Debt Service on SDA Funding	62		62	62	
Total	30,630	-	30,630	30,630	-
TOTAL CAPITAL OUTLAY	\$ 42,180	\$ -	\$ 42,180	\$ 31,006	\$ 11,174
TOTAL EXPENDITURES	\$ 14,813,291	\$ 69,453	\$ 14,882,744	\$ 15,265,086	\$ (382,342)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (257,687)	\$ (69,453)	\$ (327,140)	\$ 510,324	\$ 837,464
Fund Balances, July 1	1,981,968	-	1,981,968	1,981,968	-
Fund Balances, June 30	\$ 1,724,281	\$ (69,453)	\$ 1,654,828	\$ 2,492,292	\$ 837,464
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Adjustment for Prior Year Encumbrances		\$ (69,453)	\$ (69,453)	\$ (69,453)	
Increase in Capital Reserve				5,463	\$ 5,463
Increase in Emergency Reserve				1,067	1,067
Increase in Tuition Reserve		400,000	400,000	400,000	
Withdrawal from Tuition Reserve	\$ (257,687)		(257,687)	(257,687)	
Budgeted Fund Balance		(400,000)	(400,000)	430,934	830,934
TOTAL	\$ (257,687)	\$ (69,453)	\$ (327,140)	\$ 510,324	\$ 837,464

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
 (Continued)

	<u>Actual</u>
RECAPITULATION OF FUND BALANCE	
Restricted Fund Balance:	
Capital Reserve	\$ 527,557
Maintenance Reserve	75,000
Emergency Reserve	102,584
Tuition Reserve:	
Year 2010-2011	400,000
Year 2011-2012	400,000
Excess Surplus:	
Prior Year-Designated for 2012-2013 Budget	197,824
Current Year-Designated for 2013-2014 Budget	<u>215,144</u>
	\$ 1,918,109
Committed Fund Balance:	
Year-End Encumbrances	9,568
Assigned Fund Balance-Designated for Subsequent Year's Expenditures	208,677
Unassigned Fund Balance	<u>355,938</u>
	2,492,292
Reconciliation to Governmental Statements (GAAP):	
Last State Aid Payments not Recognized on GAAP Basis	<u>(306,099)</u>
Fund Balance Per Governmental Funds (GAAP)	<u>\$ 2,186,193</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
EDUCATION JOBS FUND-BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Federal Sources:					
Education Jobs Fund	\$ 117,802		\$ 117,802	\$ 87,847	\$ (29,955)
TOTAL REVENUES	\$ 117,802	\$ -	\$ 117,802	\$ 87,847	\$ (29,955)
EXPENDITURES					
Fund 18 Education Jobs Fund:					
Basic Skills/Remedial:					
Salaries of Teachers	\$ 5,000		\$ 5,000	\$ 5,000	
Guidance:					
Salaries of Other Professional Staff	82,847		82,847	82,847	
Employee Benefits:					
Social Security Contribution	6,721		6,721		\$ 6,721
Health Benefits	23,234		23,234		23,234
	117,802	\$ -	117,802	87,847	29,955
TOTAL EXPENDITURES	\$ 117,802	\$ -	\$ 117,802	\$ 87,847	\$ 29,955
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances, July 1	-	-	-	-	-
Fund Balances, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 SPECIAL REVENUE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
State Sources	\$ 11,166	\$ (1,711)	\$ 9,455	\$ 9,455	
Federal Sources	292,958	57,457	350,415	296,251	\$ (54,164)
<b>TOTAL REVENUES</b>	<b>\$ 304,124</b>	<b>\$ 55,746</b>	<b>\$ 359,870</b>	<b>\$ 305,706</b>	<b>\$ (54,164)</b>
EXPENDITURES					
Instruction:					
Salaries of Teachers	\$ 86,250	\$ 5,466	\$ 91,716	\$ 91,716	
Other Salaries for Instruction	56,384		56,384	40,169	\$ 16,215
General Supplies	1,500	15,509	17,009	17,009	
Other Purchased Services	100		100		100
Textbooks	1,711	(1,711)			
Other Objects		192	192	192	
<b>Totals</b>	<b>145,945</b>	<b>19,456</b>	<b>165,401</b>	<b>149,086</b>	<b>16,315</b>
Support Services:					
Salaries of Other Professional Staff	42,972	10,690	53,662	28,590	25,072
Salaries of Secretarial and Clerical Assistants	35,597		35,597	29,338	6,259
Employee Benefits	1,831	1,275	3,106	3,106	
Purchased Professional Educational Services	61,994	13,351	75,345	71,918	3,427
Other Purchased Professional Services	2,444		2,444	2,444	
Purchased Technical Services	12,000	9,719	21,719	19,428	2,291
Other Purchased Services	800		800		800
General Supplies	541	1,255	1,796	1,796	
<b>Total</b>	<b>158,179</b>	<b>36,290</b>	<b>194,469</b>	<b>156,620</b>	<b>37,849</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 304,124</b>	<b>\$ 55,746</b>	<b>\$ 359,870</b>	<b>\$ 305,706</b>	<b>\$ 54,164</b>

**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 15,775,410	\$ 305,706
Difference-Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding Encumbrances Prior Year		11,264
Outstanding Encumbrances Current Year		(82,004)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State Aid Receivable Prior Year	267,679	
State Aid Receivable Current Year	(306,099)	
Total Revenues (GAAP Basis)	<u>\$ 15,736,990</u>	<u>\$ 234,966</u>
<u>Uses/Outflows of Resources</u>		
Actual Amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 15,265,086	\$ 305,706
Differences-Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding Encumbrances Prior Year		11,264
Outstanding Encumbrances Current Year		(82,004)
Total Expenditures (GAAP Basis)	<u>\$ 15,265,086</u>	<u>\$ 234,966</u>

**OTHER SUPPLEMENTAL INFORMATION**

**SCHOOL LEVEL SCHEDULES**

(NOT APPLICABLE TO THIS REPORT)

**SPECIAL REVENUE FUND**

**DETAIL STATEMENTS**

The special revenue fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted expenditures for specific purposes.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES-BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	ARRA IDEA Basic	ARRA IDEA Pre School	IDEA Basic	IDEA Pre School	NCLB Title I	NCLB Title IIA	Non Public Nursing	Chapter 192/193	Total
REVENUES									
State Sources							\$ 2,444	\$ 7,011	\$ 9,455
Federal Sources	\$ 24,078	\$ 882	\$ 231,148	\$ 6,344	\$ 23,549	\$ 10,250			296,251
<b>TOTAL REVENUES</b>	<b>\$ 24,078</b>	<b>\$ 882</b>	<b>\$ 231,148</b>	<b>\$ 6,344</b>	<b>\$ 23,549</b>	<b>\$ 10,250</b>	<b>\$ 2,444</b>	<b>\$ 7,011</b>	<b>\$ 305,706</b>
EXPENDITURES									
Instruction:									
Salaries of Teachers	\$ 556		\$ 79,584		\$ 11,576				\$ 91,716
Other Salaries for Instruction			40,169						40,169
General Supplies	12,356	\$ 882	3,771						17,009
Other Objects	192								192
<b>Total</b>	<b>13,104</b>	<b>882</b>	<b>123,524</b>	<b>\$ -</b>	<b>11,576</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>149,086</b>
Support Services:									
Salaries of Other Professional Staff			9,606		11,973			7,011	28,590
Salaries of Secretarial and Clerical Assistants			29,338						29,338
Employee Benefits			3,106						3,106
Purchased Professional Education Services			65,574	6,344					71,918
Other Purchased Professional Services							2,444		2,444
Purchased Technical Services	9,719					9,709			19,428
General Supplies	1,255					541			1,796
<b>Total</b>	<b>10,974</b>	<b>-</b>	<b>107,624</b>	<b>6,344</b>	<b>11,973</b>	<b>10,250</b>	<b>2,444</b>	<b>7,011</b>	<b>156,620</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 24,078</b>	<b>\$ 882</b>	<b>\$ 231,148</b>	<b>\$ 6,344</b>	<b>\$ 23,549</b>	<b>\$ 10,250</b>	<b>\$ 2,444</b>	<b>\$ 7,011</b>	<b>\$ 305,706</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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE-BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Expenditures and Other Financing Uses:	
Purchased Professional & Technical Services	\$ 36,978
Construction Services	<u>750,024</u>
Total Expenditures	<u>787,002</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(787,002)
Fund Balance-Beginning	<u>1,053,636</u>
Fund Balance-Ending	<u>\$ 266,634</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,  
AND PROJECT STATUS-BUDGETARY BASIS  
ELEMENTARY SCHOOL UPGRADES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
State Sources-SCC Grant	\$ 436,225		\$ 436,225	\$ 436,225
Local Sources:				
Operating Transfer In	654,338		654,338	654,338
Total Revenues	<u>1,090,563</u>	<u>\$ -</u>	<u>1,090,563</u>	<u>1,090,563</u>
Expenditures and Other Financing Uses:				
Legal Fees	4,081	504	4,585	5,000
Architect Fees	16,251	36,474	52,725	60,000
Constructions Services	16,595	750,024	766,619	1,025,563
Total Expenditures	<u>36,927</u>	<u>787,002</u>	<u>823,929</u>	<u>1,090,563</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,053,636</u>	<u>\$ (787,002)</u>	<u>\$ 266,634</u>	<u>\$ -</u>

Additional Project Information:

Project Number	SDA2790-050-09-00BM
Grant Date	8/20/10
Bond Authorized Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,090,563
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 1,090,563
Percentage Completion	75.55%

## **PROPRIETARY FUND**

### **DETAIL STATEMENTS**

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FUND NET ASSETS  
FOOD SERVICE ENTERPRISE FUND  
JUNE 30, 2012

	<u>Food Service Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 70,438
Receivables from Other Governments:	
State	418
Federal	14,144
Inventory	5,373
Total Current Assets	<u>90,373</u>
Noncurrent Assets:	
Capital Assets	254,430
Less: Accumulated Depreciation	151,725
Total Noncurrent Assets	<u>102,705</u>
Total Assets	<u>193,078</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	10,315
Due to Other Funds	6,670
Deferred Revenues	1,545
Total Liabilities	<u>18,530</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	102,705
Unrestricted	71,843
<b>TOTAL NET ASSETS</b>	<u><u>\$ 174,548</u></u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUES EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
FOOD SERVICE ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Food Service Fund
Operating Revenues:	
Charges for Services:	
Daily Sales-Reimbursable Programs	\$ 131,845
Daily Sales-Nonreimbursable Programs	72,114
Total Operating Revenues	203,959
Other Expenses:	
Cost of Sales	124,386
Salaries	120,064
Employee Benefits	11,969
Management Fee	8,142
Repairs and Maintenance	6,915
Supplies and Materials	12,639
Insurance	7,328
Other Purchased Services	3,242
Miscellaneous	81
Depreciation	6,735
Office Expense	2,747
Total Operating Expenses	304,248
Operating Income (Loss)	(100,289)
Nonoperating Revenues (Expenses):	
State Sources:	
State School Lunch Program	3,347
Federal Sources:	
National School Lunch Program	58,126
National Milk Program	2,062
Food Donation Program	7,528
Interest Income	599
Total Nonoperating Revenues (Expenses)	71,662
Change in Net Assets	(28,627)
Net Assets, Beginning	203,175
Net Assets, Ending	\$ 174,548

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
FOOD SERVICE ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Food Service Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 203,959
Payments to Food Service Management Company	(239,582)
Payments to Vendors (Net)	(41,205)
Net Cash Provided by (Used For) Operating Activities	(76,828)
Cash Flows from Noncapital Financing Activities:	
State Sources	3,175
Federal Sources	49,935
Interfund Activity	(6,037)
Net Cash Provided by (Used For) Noncapital Financing Activities	47,073
Cash Flows from Investing Activities:	
Interest Earned on Investments	599
Net Cash Provided by (Used For) Investing Activities	599
Net Increase (Decrease) in Cash and Cash Equivalents	(29,156)
Cash and Cash Equivalents, Beginning	99,594
Cash and Cash Equivalents, Ending	\$ 70,438
Reconciliation of Operating Income (Loss) to Net Cash Provide by (Used For)	
Operating Activities:	
Operating Income (Loss)	\$ (100,289)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:	
Depreciation	6,735
Federal Food Donation Program	7,528
(Increase) Decrease in Inventory	854
Increase (Decrease) in Accounts Payable	(3,656)
Increase (Decrease) in Deferred Revenue	(707)
Increase (Decrease) in Due to Other Funds	12,707
Net Cash Provided by (Used For) Operating Activities	\$ (76,828)

**FIDUCIARY FUND**  
**DETAIL STATEMENTS**

Fiduciary Fund are used to account for funds received by the school district as an agent for individuals, private organizations, other governments and/or other funds.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2012

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 61,608	\$ 39,811	\$ 84,568	\$ 185,987
Due from Other Funds	11,112			11,112
<b>TOTAL ASSETS</b>	<u>72,720</u>	<u>39,811</u>	<u>84,568</u>	<u>197,099</u>
<b>LIABILITIES</b>				
Accounts Payable	9,051			9,051
Due to Other Funds			15,807	15,807
Due to Student Groups		39,811		39,811
Payroll Deductions & Withholdings			68,761	68,761
<b>TOTAL LIABILITIES</b>	<u>9,051</u>	<u>39,811</u>	<u>84,568</u>	<u>133,430</u>
<b>NET ASSETS</b>				
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 63,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,669</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unemployment Compensation Fund</u>
ADDITIONS	
Contributions:	
Employee Withholdings	\$ 11,757
Investment Earnings-Interest	<u>496</u>
Total Additions	12,253
DEDUCTIONS	
Unemployment Claims	<u>25,200</u>
Change in Net Assets	(12,947)
Net Assets, Beginning of the Year	<u>76,616</u>
Net Assets, End of the Year	<u><u>\$ 63,669</u></u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance 07/01/11	Additions	Deletions	Balance 06/30/12
ASSETS				
Cash & Cash Equivalents	\$ 42,347	\$ 90,555	\$ 93,091	\$ 39,811
<b>TOTAL ASSETS</b>	<b>\$ 42,347</b>	<b>\$ 90,555</b>	<b>\$ 93,091</b>	<b>\$ 39,811</b>
LIABILITIES				
Due to Student Groups	\$ 42,347	\$ 90,555	\$ 93,091	\$ 39,811
<b>TOTAL LIABILITIES</b>	<b>\$ 42,347</b>	<b>\$ 90,555</b>	<b>\$ 93,091</b>	<b>\$ 39,811</b>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance 07/01/11	Additions	Deletions	Balance 06/30/12
ASSETS				
Cash & Cash Equivalents	\$ 25,003	\$ 10,597,524	\$ 10,537,959	\$ 84,568
<b>TOTAL ASSETS</b>	<b>\$ 25,003</b>	<b>\$ 10,597,524</b>	<b>\$ 10,537,959</b>	<b>\$ 84,568</b>
LIABILITIES				
Payroll Deductions & Withholdings	\$ 18,575	\$ 5,275,083	\$ 5,233,362	\$ 60,296
Due to Other Funds	3,963	24,385	12,541	15,807
Net Payroll	2,465	5,298,056	5,292,056	8,465
<b>TOTAL LIABILITIES</b>	<b>\$ 25,003</b>	<b>\$ 10,597,524</b>	<b>\$ 10,537,959</b>	<b>\$ 84,568</b>

## **LONG-TERM DEBT SCHEDULES**

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 LONG-TERM DEBT  
 SCHEDULE OF SERIAL BONDS  
 JUNE 30, 2012

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/2011	Issued	Retired	Balance 06/30/2012
			Date	Amount					
Construction of Middle School and Refunding of 2000 School Bonds	09/01/01	\$ 15,895,000	07/15/12	\$ 800,000	5.000%	\$ 5,730,000		\$ 485,000	\$ 5,245,000
			07/15/27	1,030,000	5.000%				
			07/15/28	1,085,000	5.000%				
			07/15/29	1,135,000	5.000%				
			07/15/30	1,195,000	5.000%				
Refunding School Bonds of 2011	05/11/11	9,600,000	07/15/12	510,000	3.000%	9,600,000		130,000	9,470,000
			07/15/13	520,000	4.000%				
			07/15/14	540,000	4.000%				
			07/15/15	565,000	4.000%				
			07/15/16	575,000	4.000%				
			07/15/17	605,000	4.500%				
			07/15/18	635,000	5.000%				
			07/15/19	665,000	5.000%				
			07/15/20	695,000	5.000%				
			07/15/21	735,000	5.000%				
			07/15/23	805,000	4.000%				
			07/15/24	840,000	4.000%				
			07/15/25	875,000	4.000%				
			07/15/26	905,000	4.000%				
						<u>\$ 15,330,000</u>	<u>\$ -</u>	<u>\$ 615,000</u>	<u>\$ 14,715,000</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources:					
Local Tax Levy	\$ 915,832		\$ 915,832	\$ 915,832	
State Sources:					
Debt Service Aid Type II	235,532		235,532	235,532	
Total Revenues	<u>1,151,364</u>	<u>\$ -</u>	<u>1,151,364</u>	<u>1,151,364</u>	<u>\$ -</u>
EXPENDITURES					
Regular Debt Service:					
Interest	536,364		536,364	437,745	(98,619)
Redemption of Principal	615,000		615,000	615,000	
Total Expenditures	<u>1,151,364</u>	<u>-</u>	<u>1,151,364</u>	<u>1,052,745</u>	<u>(98,619)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	98,619	98,619
Other Financing Sources:					
Refund-Bond Sale Excess	-	-	-	1,723	1,723
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	100,342	100,342
Fund Balance, July 1	-	-	-	-	-
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,342</u>	<u>\$ 100,342</u>
Recapitulation of Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures: Budgeted Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,342</u>	<u>\$ 100,342</u>

**STATISTICAL SECTION**

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
STATISTICAL SECTION J SERIES

CONTENTS	PAGE
<b>FINANCIAL TRENDS</b>	
These Schedules Contain Trend Information to Help the Reader Understand how the District's Financial Performance and Well Being have Changed Over Time.	J-1 to J-5
<b>REVENUE CAPACITY</b>	
These Schedules Contain Trend Information to Help the Reader Assess the District's most Significant Local Revenue Sources, the Property Tax.	J-6 to J-9
<b>DEBT CAPACITY</b>	
These Schedules Contain Trend 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.	J-10 to J-13
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b>	
These Schedules Offer Demographic and Economic Indicators to Help the Reader Understand the Environment Within Which the District's Financial Activities Take Place.	J-14 to J-15
<b>OPERATING INFORMATION</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.	J-16 to J-20

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, 2004; Schedules Presenting District-Wide Information Include Information Beginning in That Year.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>GOVERNMENT ACTIVITIES</b>									
Invested in Capital Assets, Net of Related Debt	\$ 1,992,096	\$ 1,804,624	\$ 1,466,817	\$ 1,504,383	\$ 1,737,793	\$ 1,681,236	\$ 1,218,768	\$ 1,561,585	\$ 2,502,670
Restricted	332,786	561,081	480,929	329,391	521,144	888,708	1,532,914	2,409,934	1,872,117
Unrestricted	(133,198)	(197,257)	(133,814)	177,038	(361,540)	(490,819)	(605,275)	(232,627)	11,014
<b>TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS</b>	<b>\$ 2,191,684</b>	<b>\$ 2,168,448</b>	<b>\$ 1,813,932</b>	<b>\$ 2,010,812</b>	<b>\$ 1,897,397</b>	<b>\$ 2,079,125</b>	<b>\$ 2,146,407</b>	<b>\$ 3,738,892</b>	<b>\$ 4,385,801</b>
<b>BUSINESS-TYPE ACTIVITIES</b>									
Invested in Capital Assets, Net of Related Debt	\$ 8,024	\$ 148,093	\$ 134,946	\$ 121,799	\$ 108,653	\$ 95,505	\$ 116,175	\$ 109,440	\$ 102,705
Unrestricted	190,987	42,068	49,474	58,354	72,046	84,106	72,293	93,735	71,843
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 199,011</b>	<b>\$ 190,161</b>	<b>\$ 184,420</b>	<b>\$ 180,153</b>	<b>\$ 180,699</b>	<b>\$ 179,611</b>	<b>\$ 188,468</b>	<b>\$ 203,175</b>	<b>\$ 174,548</b>
<b>DISTRICT-WIDE</b>									
Invested in Capital Assets, Net of Related Debt	\$ 2,000,120	\$ 1,952,717	\$ 1,601,763	\$ 1,626,182	\$ 1,846,446	\$ 1,776,741	\$ 1,334,943	\$ 1,671,025	\$ 2,605,375
Restricted	332,786	561,081	480,929	329,391	521,144	888,708	1,532,914	2,409,934	1,872,117
Unrestricted	57,789	(155,189)	(84,340)	235,392	(289,494)	(406,713)	(532,982)	(138,892)	82,857
<b>TOTAL DISTRICT-WIDE</b>	<b>\$ 2,390,695</b>	<b>\$ 2,358,609</b>	<b>\$ 1,998,352</b>	<b>\$ 2,190,965</b>	<b>\$ 2,078,096</b>	<b>\$ 2,258,736</b>	<b>\$ 2,334,875</b>	<b>\$ 3,942,067</b>	<b>\$ 4,560,349</b>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>EXPENSES</b>									
Governmental Activities:									
Instruction:									
Regular	\$ 4,186,865	\$ 4,331,499	\$ 4,812,525	\$ 5,381,683	\$ 5,694,750	\$ 5,868,171	\$ 5,438,877	\$ 5,283,440	\$ 5,747,351
Special Education	858,189	964,235	896,294	1,003,151	994,923	1,065,729	1,405,873	1,349,239	1,387,983
Other Special Instruction	171,506	215,212	384,678	555,106	853,136	779,496	1,157,361	1,002,992	853,052
Support Services:									
Tuition	2,996,926	3,653,166	3,603,940	3,461,884	3,320,628	3,131,326	2,660,298	2,793,682	3,499,860
Student & Instruction Related Services	859,354	764,510	1,063,572	1,282,849	1,424,781	1,480,577	1,370,998	1,381,180	1,533,950
General and School Administrative Services	873,083	971,833	1,093,163	1,243,489	1,450,531	1,234,099	1,378,989	1,339,569	1,266,289
Plant Operations & Maintenance	1,131,472	1,176,347	1,301,332	1,526,965	1,542,533	1,427,388	1,364,199	1,315,993	1,189,193
Pupil Transportation	433,805	433,262	453,071	438,928	393,288	511,519	461,882	452,095	456,489
Special Schools						7,999			
Interest on Long-Term Debt	871,530	864,066	853,238	838,494	819,817	799,893	776,314	586,814	543,967
Unallocated Depreciation	58,593	58,593	58,593	48,036	48,036	48,036			
Total Governmental Activities Expenses	<u>12,441,323</u>	<u>13,432,723</u>	<u>14,520,406</u>	<u>15,780,585</u>	<u>16,542,423</u>	<u>16,354,233</u>	<u>16,014,791</u>	<u>15,505,004</u>	<u>16,478,134</u>
Business-Type Activities:									
Food Services	189,087	201,506	217,520	229,551	235,040	235,967	246,507	267,644	304,248
Total Business-Type Activities	<u>189,087</u>	<u>201,506</u>	<u>217,520</u>	<u>229,551</u>	<u>235,040</u>	<u>235,967</u>	<u>246,507</u>	<u>267,644</u>	<u>304,248</u>
<b>TOTAL DISTRICT EXPENSES</b>	<u>\$ 12,630,410</u>	<u>\$ 13,634,229</u>	<u>\$ 14,737,926</u>	<u>\$ 16,010,136</u>	<u>\$ 16,777,463</u>	<u>\$ 16,590,200</u>	<u>\$ 16,261,298</u>	<u>\$ 15,772,648</u>	<u>\$ 16,782,382</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(Continued)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>PROGRAM REVENUES</b>									
Governmental Activities:									
Charges for Services:									
Regular Instruction	\$ 2,500			\$ 10,350	\$ 8,100	\$ 10,050	\$ 11,850	\$ 90,302	\$ 118,940
Operating Grants & Contributions						269,594	452,606	371,193	234,966
Capital Grants & Contributions		\$ 9,838					24,717	436,225	
<b>Total Governmental Activities Program Revenues</b>	<b>2,500</b>	<b>9,838</b>	<b>\$ -</b>	<b>10,350</b>	<b>8,100</b>	<b>279,644</b>	<b>489,173</b>	<b>897,720</b>	<b>353,906</b>
Business-Type Activities:									
Charges for Services:									
Food Service	143,141	158,493	170,284	176,117	180,735	181,908	179,085	208,755	203,959
Operating Grants & Contributions	31,947	33,351	39,356	46,300	52,434	51,704	67,013	73,358	71,063
<b>Total Business-Type Activities Program Revenues</b>	<b>175,088</b>	<b>191,844</b>	<b>209,640</b>	<b>222,417</b>	<b>233,169</b>	<b>233,612</b>	<b>246,098</b>	<b>282,113</b>	<b>275,022</b>
<b>TOTAL DISTRICT-PROGRAM REVENUES</b>	<b>\$ 177,588</b>	<b>\$ 201,682</b>	<b>\$ 209,640</b>	<b>\$ 232,767</b>	<b>\$ 241,269</b>	<b>\$ 513,256</b>	<b>\$ 735,271</b>	<b>\$ 1,179,833</b>	<b>\$ 628,928</b>
<b>NET (EXPENSE) REVENUES</b>									
Governmental Activities	\$ (12,438,823)	\$ (13,422,885)	\$ (14,520,406)	\$ (15,770,235)	\$ (16,534,323)	\$ (16,074,589)	\$ (15,525,618)	\$ (14,607,284)	\$ (16,124,228)
Business-Type Activities	(13,999)	(9,662)	(7,880)	(7,134)	(1,871)	(2,355)	(409)	14,469	(29,226)
<b>TOTAL DISTRICT-WIDE NET EXPENSES</b>	<b>\$ (12,452,822)</b>	<b>\$ (13,432,547)</b>	<b>\$ (14,528,286)</b>	<b>\$ (15,777,369)</b>	<b>\$ (16,536,194)</b>	<b>\$ (16,076,944)</b>	<b>\$ (15,526,027)</b>	<b>\$ (14,592,815)</b>	<b>\$ (16,153,454)</b>
<b>GENERAL REVENUES &amp; OTHER CHANGES IN NET ASSETS</b>									
Governmental Activities:									
Property Taxes Levied for General Purposes	\$ 7,799,212	\$ 8,995,257	\$ 9,502,046	\$ 10,693,264	\$ 11,009,595	\$ 11,018,756	\$ 10,775,728	\$ 11,105,502	\$ 11,327,612
Taxes Levied for Debt Service	753,399	790,040	830,007	808,051	792,570	900,885	953,625	991,213	915,832
Unrestricted Grants & Contributions	3,462,111	3,599,615	3,775,033	4,309,599	4,551,154	4,307,798	4,542,227	4,076,644	4,467,073
Investment Earnings	38,473	13,827	56,216	130,047	66,099	26,881	15,458	8,045	21,200
Miscellaneous Income	68,616	910	2,588	11,755	1,490	1,997	8,534	18,365	39,420
<b>Total Governmental Activities</b>	<b>12,121,811</b>	<b>13,399,649</b>	<b>14,165,890</b>	<b>15,952,716</b>	<b>16,420,908</b>	<b>16,256,317</b>	<b>16,295,572</b>	<b>16,199,769</b>	<b>16,771,137</b>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST NINE FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(Continued)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS (Cont'd)									
Business-Type Activities:									
Miscellaneous Income	\$ 481	\$ 812	\$ 2,139	\$ 2,867	\$ 2,417	\$ 1,267	\$ 491	\$ 238	\$ 599
Total Business-Type Activities	481	812	2,139	2,867	2,417	1,267	491	238	599
TOTAL DISTRICT-WIDE	<u>\$ 12,122,292</u>	<u>\$ 13,400,461</u>	<u>\$ 14,168,029</u>	<u>\$ 15,955,583</u>	<u>\$ 16,423,325</u>	<u>\$ 16,257,584</u>	<u>\$ 16,296,063</u>	<u>\$ 16,200,007</u>	<u>\$ 16,771,736</u>
CHANGE IN NET ASSETS									
Governmental Activities	\$ (317,012)	\$ (23,236)	\$ (354,516)	\$ 182,481	\$ (113,415)	\$ 181,728	\$ 769,954	\$ 1,592,485	\$ 646,909
Business-Type Activities	(13,518)	(8,850)	(5,741)	(4,267)	546	(1,088)	82	14,707	(28,627)
TOTAL DISTRICT	<u>\$ (330,530)</u>	<u>\$ (32,086)</u>	<u>\$ (360,257)</u>	<u>\$ 178,214</u>	<u>\$ (112,869)</u>	<u>\$ 180,640</u>	<u>\$ 770,036</u>	<u>\$ 1,607,192</u>	<u>\$ 618,282</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 FUND BALANCES, GOVERNMENTAL FUNDS,  
 LAST NINE FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:									
Reserved	\$ 256,605	\$ 362,590	\$ 425,721	\$ 695,029	\$ 512,257	\$ 877,133	\$ 1,605,402	\$ 1,623,575	\$ 2,136,354
Unreserved	191,901	341,318	341,582	328,191	272,828	130,333	(44,895)	90,714	49,839
Total General Fund	<u>\$ 448,506</u>	<u>\$ 703,908</u>	<u>\$ 767,303</u>	<u>\$ 1,023,220</u>	<u>\$ 785,085</u>	<u>\$ 1,007,466</u>	<u>\$ 1,560,507</u>	<u>\$ 1,714,289</u>	<u>\$ 2,186,193</u>
All Other Governmental Funds:									
Reserved, Reported In:									
Capital Projects Fund	\$ 224,708	\$ 76,840	\$ 76,840	\$ 107,855				\$ 1,053,636	\$ 266,634
Unreserved, Reported In:									
Capital Projects Fund	169,025	96,097	93,630	9,579	\$ 693				
Debt Service Fund	1	1				\$ 694	\$ 694		100,342
Total All Other Governmental Funds	<u>\$ 393,734</u>	<u>\$ 172,938</u>	<u>\$ 170,470</u>	<u>\$ 117,434</u>	<u>\$ 693</u>	<u>\$ 694</u>	<u>\$ 694</u>	<u>\$ 1,053,636</u>	<u>\$ 366,976</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Tax Levy	\$ 6,971,963	\$ 8,552,611	\$ 9,785,297	\$ 10,332,053	\$ 11,501,315	\$ 11,802,165	\$ 11,919,641	\$ 11,729,353	\$ 12,096,715	\$ 12,243,444
Tuition Charges	30,287	2,500			10,350	8,100	10,050	11,850	89,152	118,940
Interest Earnings	41,415	231	131	3,391	3,054	1,418	5,042	15,458	8,045	21,200
Miscellaneous	11,378	106,858	14,606	55,413	138,748	66,171	23,836	8,534	19,515	32,462
State Sources	2,876,893	3,279,056	3,406,217	3,539,705	4,086,927	4,240,745	4,318,157	4,063,092	4,508,409	4,384,459
Federal Sources	170,182	183,055	203,236	235,328	222,672	310,409	259,235	956,458	375,653	324,538
<b>Total Revenues</b>	<b>10,102,118</b>	<b>12,124,311</b>	<b>13,409,487</b>	<b>14,165,890</b>	<b>15,963,066</b>	<b>16,429,008</b>	<b>16,535,961</b>	<b>16,784,745</b>	<b>17,097,489</b>	<b>17,125,043</b>
<b>Expenditures:</b>										
Instruction:										
Regular Instruction	2,407,164	2,818,402	2,832,990	3,138,431	3,570,092	3,811,113	4,070,207	3,796,344	3,726,675	3,923,841
Special Education Instruction	637,463	685,782	748,043	682,720	746,055	744,093	817,713	821,806	849,031	847,167
Other Special Instruction	134,628	137,051	166,959	293,015	412,839	638,052	598,092	756,101	663,773	575,771
Support Services:										
Tuition	2,688,364	2,996,926	3,653,166	3,603,940	3,461,884	3,320,628	3,131,326	2,591,191	2,762,789	3,499,860
Student & Instruction Related Services	412,551	686,713	593,098	810,138	954,070	1,065,580	1,136,018	871,757	869,153	963,842
General and School Administrative Services	614,171	697,684	753,937	832,678	924,797	1,084,838	946,901	1,038,755	1,001,129	952,886
Plant Operations & Maintenance	423,569	904,164	912,597	991,243	1,135,622	1,153,645	1,095,207	1,140,099	1,070,140	988,146
Pupil Transportation	394,115	433,805	433,262	453,071	438,928	393,288	511,519	461,882	452,095	448,218
Employee Benefits	1,303,906	1,612,134	1,958,601	2,121,831	2,767,040	3,014,813	2,765,744	2,823,149	2,769,938	3,034,349
Transfer to Charter Schools				13,969			7,999			
Capital Outlay	10,175,387	2,213,873	319,682	110,662	238,531	394,382	68,807	221,104	126,886	817,946
Special Revenue Funds	187,242							477,323	371,193	234,966
Debt Service:										
Principal	75,000	80,000	135,000	195,000	265,000	335,000	355,000	445,000	465,000	615,000
Interest & Other Charges	877,952	873,593	867,546	858,265	845,327	828,452	809,046	787,193	762,963	437,807
<b>Total Expenditures</b>	<b>20,331,512</b>	<b>14,140,127</b>	<b>13,374,881</b>	<b>14,104,963</b>	<b>15,760,185</b>	<b>16,783,884</b>	<b>16,313,579</b>	<b>16,231,704</b>	<b>15,890,765</b>	<b>17,339,799</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,229,394)	(2,015,816)	34,606	60,927	202,881	(354,876)	222,382	553,041	1,206,724	(214,756)
Other Financing Sources (Uses):										
Proceeds From Refinancing Bond Issue									10,201,851	
Payments to Refunding Bond Escrow Agent									(10,201,851)	
<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>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ (10,229,394)</b>	<b>\$ (2,015,816)</b>	<b>\$ 34,606</b>	<b>\$ 60,927</b>	<b>\$ 202,881</b>	<b>\$ (354,876)</b>	<b>\$ 222,382</b>	<b>\$ 553,041</b>	<b>\$ 1,206,724</b>	<b>\$ (214,756)</b>
Debt Service as a Percentage of Non-capital Expenditures	10.35%	8.69%	8.32%	8.14%	7.70%	7.64%	7.72%	8.34%	8.45%	6.81%

Source: District Records

NOTE: Noncapital expenditures are total expenditures less capital outlay, capital projects fund and debt service.  
Central Service and Administrative Information Technology account classifications were added beginning with year end June 30, 2005  
Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 GENERAL FUND-OTHER LOCAL REVENUES BY SOURCE  
 LAST TEN FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Description	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Interest Income	\$ 7,479	\$ 38,473	\$ 13,827	\$ 56,216	\$ 81,136	\$ 66,099	\$ 5,042	\$ 15,458	\$ 8,045	\$ 21,200
Tuition	30,287	2,500			10,350	8,100	10,050	11,850	89,152	118,940
Prior Year Refunds	790	1,289		713	45			211	16,992	12,427
Miscellaneous	1,112	5,300	910	1,875	2,960	1,127	23,835	538	609	258
Old Outstanding Checks Voided								7,785	13	
Facility Rentals									250	
Emergency Management Training Fees									900	
Contributions									658	250
Book Fees									93	49
Application Fees										500
Accounts Payable Cancelled										17,255
Sale of Assets		62,027								
Annual Totals	<u>\$ 39,668</u>	<u>\$ 109,589</u>	<u>\$ 14,737</u>	<u>\$ 58,804</u>	<u>\$ 94,491</u>	<u>\$ 75,326</u>	<u>\$ 38,927</u>	<u>\$ 35,842</u>	<u>\$ 116,712</u>	<u>\$ 170,879</u>

Source: District Records

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
 LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vacant Land	\$ 14,912,340	\$ 20,468,140	\$ 14,863,240	\$ 15,314,240	\$ 67,346,600	\$ 60,018,600	\$ 55,445,600	\$ 42,028,620	\$ 35,700,520	\$ 21,599,020
Residential	310,785,261	363,274,711	383,696,011	402,876,756	758,686,424	772,071,256	784,580,256	808,976,846	827,794,246	661,096,274
Farm Regular	5,981,600	6,505,900	6,266,000	5,597,100	11,464,600	11,464,600	11,468,300	13,137,400	12,801,700	10,568,700
Qualified Farm	1,722,370	816,190	743,760	722,140	698,131	694,191	695,122	702,046	704,552	702,478
Commercial	80,756,400	80,958,500	87,568,300	90,167,800	132,729,561	133,529,311	137,140,971	135,035,724	135,544,724	124,171,875
Industrial	11,729,600	11,729,600	11,758,400	11,611,500	20,708,500	20,708,500	19,067,400	19,067,400	19,067,400	18,036,200
Apartment	11,787,600	11,787,600	11,787,600	11,787,600	18,230,400	18,230,400	18,230,400	18,230,400	18,230,400	16,320,000
<b>Total Assessed Value</b>	<b>437,675,171</b>	<b>495,540,641</b>	<b>516,683,311</b>	<b>538,077,136</b>	<b>1,009,864,216</b>	<b>1,016,716,858</b>	<b>1,026,628,049</b>	<b>1,037,178,436</b>	<b>1,049,843,542</b>	<b>852,494,547</b>
Public Utilities (a)	1,575,380	1,600,140	1,398,328	1,199,680	1,004,809	1,666,228	1,748,462	1,845,675	1,538,797	1,509,258
<b>Net Valuation Taxable</b>	<b>\$ 439,250,551</b>	<b>\$ 497,140,781</b>	<b>\$ 518,081,639</b>	<b>\$ 539,276,816</b>	<b>\$ 1,010,869,025</b>	<b>\$ 1,018,383,086</b>	<b>\$ 1,028,376,511</b>	<b>\$ 1,039,024,111</b>	<b>\$ 1,051,382,339</b>	<b>\$ 854,003,805</b>
Estimated Actual County Equalized Value	\$ 491,877,070	\$ 577,176,535	\$ 655,356,780	\$ 761,836,987	\$ 882,502,369	\$ 978,286,112	\$ 1,022,833,671	\$ 1,033,453,429	\$ 1,002,056,801	\$ 963,949,507
Percentage of Net Valuation to Estimated Actual County Equalized Value	89.30%	86.13%	79.05%	70.79%	114.55%	104.10%	100.54%	100.54%	104.92%	88.59%
<b>Total Direct School Tax Rate (b)</b>	<b>\$ 1.589</b>	<b>\$ 1.721</b>	<b>\$ 1.890</b>	<b>\$ 1.914</b>	<b>\$ 1.140</b>	<b>\$ 1.159</b>	<b>\$ 1.159</b>	<b>\$ 1.165</b>	<b>\$ 1.164</b>	<b>\$ 1.462</b>

\*

\*

Source: 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 the County Board of Taxation requests Treasury to order a reassessment
- (a) Taxable Value of Machinery, Implements and Equipments of Telephone and Messenger System Companies
  - (b) Tax rates are per \$100
  - \* Revalued/Reassessed

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST TEN FISCAL YEARS  
 (RATE PER \$100 OF ASSESSED VALUE)

Assessment Year	School District Direct Rate						Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6)		Overlapping Rates		
			Direct	School Tax Rate	Municipality	County Library	
2003	\$ 1.40	\$ 0.19	\$ 1.59	\$ 0.27	\$ 0.07	\$ 0.73	\$ 2.65
2004	1.597	0.124	1.721	0.274	0.062	0.723	2.78
2005	1.745	0.145	1.890	0.259	0.067	0.774	2.99
2006	1.768	0.146	1.914	0.277	0.072	0.818	3.08
2007	* 1.060	0.080	1.140	0.192	0.046	0.502	1.88
2008	1.081	0.078	1.159	0.200	0.050	0.535	1.94
2009	1.071	0.088	1.159	0.224	0.052	0.550	1.99
2010	1.075	0.090	1.165	0.267	0.049	0.558	2.04
2011	1.077	0.087	1.164	0.276	0.047	0.562	2.05
2012	* 1	0	1.462	0.403	0.054	1	2.55

Sources: 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 by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, 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.

\* Revalued/Reassessed

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 PRINCIPAL PROPERTY TAXPAYERS,  
 CURRENT YEAR AND NINE YEARS AGO

	2012			2003		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
PREIT	\$ 25,082,500	1	2.94%			
Brakeley Associates, Inc	16,320,000	2	1.91%			
Genesis/Brakeley	8,314,600	3	0.97%			
Strykers Golf, LLC	7,845,000	4	0.92%			
Genesis/Lopatcong	5,151,100	5	0.60%			
Stowaway Self Storage	4,693,560	6	0.55%			
Stag GI New Jersey, LLC	4,570,900	7	0.54%			
Hillcrest Medical Plaza	4,444,700	8	0.52%			
Lopatcong Corner Associate, LLC	3,666,700	9	0.43%			
JT Baker c/o Mallinckrodt Baker, Inc	3,476,600	10	0.41%	\$ 4,069,000	6	0.93%
Crown American				16,062,400	1	3.66%
Geriatric & Medical Centers, Inc				9,398,900	2	2.14%
KR Hillcrest Mall, Inc				8,983,600	3	2.05%
ET Sub-Lopatcong, LLC				5,352,500	4	1.22%
Segal & Morel of Lopatcong, LLC				4,500,000	5	1.02%
Captive Realty of NJ, LLC				2,550,000	7	0.58%
LDLJ Associates				2,260,300	8	0.51%
OPT Industries Inc				1,800,000	9	0.41%
Bell Atlantic				1,592,061	10	0.36%
	<u>\$ 83,565,660</u>		<u>9.79%</u>	<u>\$ 56,568,761</u>		<u>12.88%</u>

Source: Municipal Tax Assessor

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Year Ending December 31,	Taxes Levied for the Year	Collected Within the Fiscal Year of the Levy (a)	
		Amount	Percentage of Levy
2002	N/A	N/A	
2003	N/A	N/A	
2004	N/A	N/A	
2005	\$ 17,100,510	\$ 16,691,923	97.61%
2006	19,229,451	18,712,169	97.31%
2007	20,059,143	19,522,354	97.32%
2008	20,591,198	20,041,668	97.33%
2009	20,719,160	20,254,443	97.76%
2010	21,365,659	20,869,570	97.68%
2011	21,784,172	21,090,781	96.82%

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

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

Information prior to 2005 unavailable.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2003	\$ 17,855,000					\$ 17,855,000	7.59%	\$ 2,570
2004	17,775,000		\$ 113,759			17,888,759	6.67%	2,303
2005	17,640,000		57,537			17,697,537	6.26%	2,231
2006	17,445,000					17,445,000	1.58%	2,143
2007	17,180,000					17,180,000	1.36%	2,068
2008	16,845,000					16,845,000	1.40%	2,019
2009	16,490,000					16,490,000	1.40%	1,968
2010	16,045,000					16,045,000	1.40%	1,914
2011	15,330,000					15,330,000	1.40%	1,914
2012	14,715,000					14,715,000	N/A	1,842

**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

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
 LAST TEN FISCAL YEARS

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		% of Actual Taxable Value (a) of Property	Per Capita (a)	
	General Obligation Bonds	Deductions			Net General Bonded Debt Outstanding
2003	\$ 17,855,000		\$ 17,855,000	4.06%	\$ 2,299
2004	17,775,000		17,775,000	3.58%	2,240
2005	17,640,000		17,640,000	3.40%	2,167
2006	17,445,000		17,445,000	3.23%	2,100
2007	17,180,000		17,180,000	1.70%	2,059
2008	16,845,000		16,845,000	1.65%	2,010
2009	16,490,000		16,490,000	1.60%	1,967
2010	16,045,000		16,045,000	1.54%	2,003
2011	15,330,000		15,330,000	1.46%	1,919
2012	14,715,000		14,715,000	1.72%	1,842

**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.

\* Revalued/Reassessed

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2011

	Debt Outstanding	Estimated % Applicable (a)	Estimated Share of Overlapping Debt
GOVERNMENTAL UNIT			
Debt Repaid with Property Taxes:			
Municipality	\$ 7,729,500	100.00	\$ 7,729,500
County General Obligation Debt	19,726,201	7.80	1,538,064
Subtotal, Overlapping Debt			9,267,564
School District Direct Debt			14,715,000
Total Direct and Overlapping Debt			\$ 23,982,564

Sources: Assessed Value Data Used to Estimate Applicable Percentages  
 Provided by the County Board of Taxation. Debt Outstanding Data  
 Provided by Each Governmental Unit.

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 Municipality. 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 LEGAL DEBT MARGIN INFORMATION,  
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized Valuation Basis

2011	\$	956,490,108
2010		988,447,952
2009		1,022,382,998
		<u>\$ 2,967,321,058</u>

Average Equalized Valuation of Taxable Property \$ 989,107,019

Debt Limit (4.0% of Average Equalization Value) 39,564,281 (a)

Total Net Debt Applicable to Limit 14,715,000

Legal Debt Margin \$ 24,849,281

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 17,584,309	\$ 20,872,645	\$ 24,766,821	\$ 29,437,448	\$ 34,002,660	\$ 37,739,092	\$ 40,099,195	\$ 40,842,238	\$ 40,586,237	\$ 39,564,281
Total Net Debt Applicable	<u>17,930,000</u>	<u>17,775,000</u>	<u>17,640,000</u>	<u>17,445,000</u>	<u>17,180,000</u>	<u>16,845,000</u>	<u>16,490,000</u>	<u>16,045,000</u>	<u>15,330,000</u>	<u>14,715,000</u>
Legal Debt Margin	<u>\$ (345,691)</u>	<u>\$ 3,097,645</u>	<u>\$ 7,126,821</u>	<u>\$ 11,992,448</u>	<u>\$ 16,822,660</u>	<u>\$ 20,894,092</u>	<u>\$ 23,609,195</u>	<u>\$ 24,797,238</u>	<u>\$ 25,256,237</u>	<u>\$ 24,849,281</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	101.97%	85.16%	71.22%	59.26%	50.53%	44.64%	41.12%	39.29%	37.77%	37.19%

Source: Equalized Valuation Bases were Obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

(a) Limit Set by NJSA 18A:24-19

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS

Year	Population ( a )	Personal Income ( b )	Per Capita Personal Income ( c )	Unemployment Rate ( d )
2003	7,767	\$ 268,380,918	\$ 34,554	3.8%
2004	7,934	282,537,674	35,611	3.1%
2005	8,139	300,679,077	36,943	2.1%
2006	8,308	328,099,536	39,492	2.2%
2007	8,342	349,229,488	41,864	2.1%
2008	8,381	367,314,087	43,827	2.8%
2009	8,383	361,064,193	43,071	5.0%
2010	8,011	353,950,013	44,183	5.1%
2011	7,989	N/A	N/A	4.8%
2012	N/A	N/A	N/A	N/A

Sources:

- ( a ) Population Information Provided by the NJ Dept of Labor and Workforce Development
- ( b ) Personal Income has Been Estimated Based Upon the Municipal Population and Per Capita Personal Income Presented
- ( c ) Per Capita Personal Income by County Estimated Based Upon the 2000 Census Published by the US Bureau of Economic Analysis.
- ( d ) Unemployment Data Provided by the NJ Dept of Labor and Workforce Development

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Employer	2012			2003		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction:										
Regular	49.5	51.5	51.0	52.0	52.5	54.0	56.0	57.2	54.2	60.6
Special Education	10.5	10.5	12.0	12.0	21.0	16.0	17.0	13.4	18.5	24.4
Other Instruction	3.0	3.0	3.0	4.0						
Support Services:										
Student and Instruction Related Services	5.6	7.6	5.0	7.5	12.4	20.8	20.2	23.5	22.9	17.4
General Administration	3.1	3.1	3.1	3.1	2.0	2.0	2.0	2.0	2.7	2.7
School Administration Services	2.0	4.0	4.0	4.0	6.0	7.0	7.0	6.7	5.8	7.7
Central Services	1.8	2.0	2.0	2.0	3.0	3.0	3.5	3.6	3.4	4.2
Plant Operations and Maintenance	4.0	8.0	8.0	8.0	10.2	10.2	10.2	10.2	13.0	10.0
Transportation Services								0.3	0.3	0.3
Total	<u>79.5</u>	<u>89.7</u>	<u>88.1</u>	<u>92.6</u>	<u>107.1</u>	<u>113.0</u>	<u>115.9</u>	<u>116.9</u>	<u>120.8</u>	<u>127.3</u>

Sources: District Personnel Records

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 OPERATING STATISTICS  
 LAST TEN FISCAL YEARS

Fiscal Year	Enrollment	Operating Expenditures ( a )	Cost Per Pupil	Percentage Change	Teaching Staff ( b )	Teacher Ratio		Average Daily Enrollment ( ADE ) ( c )	Average Daily Attendance ( ADA ) ( c )	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary Schools	Middle School				
2003	832	\$ 9,203,173	\$ 11,062	-6.01%	68.0	1 to 13.60		831.5	794.9	10.96%	95.60%
2004	868	10,972,661	12,641	14.28%	76.0	1 to 14.25	1 to 12.30	850.3	818.6	2.26%	96.27%
2005	851	12,052,653	14,163	12.04%	73.0	1 to 12.95	1 to 14.43	841.6	808.4	-1.02%	96.06%
2006	890	12,927,067	14,525	2.56%	73.0	1 to 14.85	1 to 12.13	889.4	855.6	5.68%	96.20%
2007	912	14,411,327	15,802	8.79%	77.0	1 to 12.61	1 to 10.97	918.9	884.3	3.32%	96.23%
2008	894	15,226,050	17,031	7.78%	79.0	1 to 12.04	1 to 10.57	902.4	868.7	-1.80%	96.27%
2009	873	15,072,727	17,265	1.37%	79.0	1 to 11.04	1 to 11.05	877.5	843.2	-2.76%	96.09%
2010	940	14,778,407	15,722	-8.94%	97.0	1 to 13.14	1 to 11.08	934.7	899.9	6.52%	96.28%
2011	917	14,535,916	15,852	0.83%	86.0	1 to 11.62	1 to 11.40	917.5	879.7	-1.84%	95.88%
2012	895	15,469,046	17,284	9.04%	85.0	1 to 9.33	1 to 10.92	885.9	853.8	-3.44%	96.38%

Source: District Records

- ( a ) Operating Expenditures Equal Total Expenditures Less Debt Service and Capital Outlay.
- ( b ) Teaching Staff Includes Only Full-Time Equivalents or Certificated Staff.
- ( c ) Average Daily Enrollment and Average Daily Attendance are Obtained from the School Register Summary (SRS).

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 SCHOOL BUILDING INFORMATION  
 LAST TEN FISCAL YEARS

DISTRICT BUILDING	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Deleware Park Elementary School (1924)</u>										
Square Feet	10,920	10,920	10,920	10,920	10,920	10,920	10,920	10,920	10,920	10,920
Capacity (Students)	75	75	75	75	75	75	75	75	75	75
Enrollment	97									
<u>Lopatcong Elementary School (1960/1975)</u>										
Square Feet	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240
Capacity (Students)	500	500	500	500	539	539	539	539	539	539
Enrollment	737	456	440	490	507	500	475	519	480	491
<u>Lopatcong Middle School (2003)</u>										
Square Feet		99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000
Capacity (Students)		512	512	512	512	512	512	512	512	512
Enrollment		406	408	400	405	413	398	421	435	404
Number of Schools at June 30, 2012:										
Elementary	1									
Middle School	1									
High School	0									
Other	0									

District Facilities Office

Year of Original Construction is shown in Parentheses. Increase in Square Footage and Capacity are the Result of Renovations and Additions. Enrollment is Based on the Annual October District Court.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST TEN FISCAL YEARS

UNDISTRIBUTED EXPENDITURES - REQUIRED  
MAINTENANCE FOR SCHOOL FACILITIES

Fiscal Year	*School Facilities			Total
	Delaware Park School	Lopatcong Elementary School	Lopatcong Middle School	
2003	\$ 11,522	\$ 60,490		\$ 72,012
2004	7,312	38,342	\$ 66,326	111,980
2005	9,974	52,296	90,464	152,734
2006	9,412	49,353	85,373	144,138
2007	11,470	60,141	104,034	175,645
2008	11,211	58,783	101,685	171,679
2009	6,020	31,565	54,602	92,187
2010	83	43,091	50,783	93,957
2011	459	137,674	199,919	338,052
2012	463	134,623	173,881	308,967
Total School Facilities	<u>\$ 67,926</u>	<u>\$ 666,358</u>	<u>\$ 927,067</u>	<u>\$ 1,661,351</u>

\* School Facilities as Defined Under EFCFA.  
(NJAC 6A:26-1.2 and NJAC 6A:26A-1.3)

Source: District Records

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2012  
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy-School Alliance Ins Fund:		
Property-Blanket Building & Contents (Policy Limit)	\$ 250,000,000	\$ 1,000
Comprehensive General Liability	100,000	1,000
Comprehensive Automobile Liability	100,000	1,000
School Board Legal Liability-School Alliance Ins Fund:		
Directors and Officers Policy	100,000	10,000
Worker's Compensation-School Alliance Ins Fund:		
Per Accident, Disease and Disease Limit	100,000	
Public Employees' Faithful Performance-Selective Ins Co:		
Blanket Position Bond	100,000	1,000
Treasurer of School Monies Bond	205,000	1,000
School Board Secretary Bond	35,000	1,000

Source: District Records

**SINGLE AUDIT SECTION**

Certified Public Accountant  
Public School Accountant  
Registered Municipal Accountant

100 Route 31 North  
Washington, NJ 07882 - 1530  
Fax # (908) 689-8388  
(908) 689-5002

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

November 30, 2012

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

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

Internal Control Over Financial Reporting

Management of the Board of Education is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered the 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 Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Education's internal control over financial reporting.

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 these 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 Office of School Finance, Department of Education, State of New Jersey.

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



---

William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128

Certified Public Accountant  
Public School Accountant  
Registered Municipal Accountant

100 Route 31 North  
Washington, NJ 07882 - 1530  
Fax # (908) 689-8388  
(908) 689-5002

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 OMB  
CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04

November 30, 2012

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

Compliance

We have audited the compliance of the Board of Education of the Lopatcong School District in the County of Warren, with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. The Board of Education's major federal and 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 federal and state programs is the responsibility of the Board of Education's management. Our responsibility is to express an opinion on the Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School 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;" and OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations". Those Standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the 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 of the Board of Education's compliance with those requirements.

In our opinion the Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012.

#### Internal Control Over Compliance

The management of the Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our audit procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04 but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 management, the Board of Education, others within the entity, the New Jersey Department of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS SCHEDULE A  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Grantor/Program Title	Federal CFDA Number	Project Number	Program or Award Amount	Grant Period From To	Balance June 30, 2011		Cash Received	Budgetary Expenditure	Adjustment	Repay of Prior Year Balance	Balance June 30, 2012			
					(Acct Rec) Def Revenue	Carryover Amount					Accounts Receivable	Deferred Revenue	Due to Grantor	
US Department of Education Passed Through State Department of Education General Fund														
Education Jobs Fund	84.410A	ARRA-279011	\$ 117,802	8/10/2010-9/30/2012			\$ 84,204	\$ 87,847				\$ (3,643)		
Medicaid Assistance Program	93.778	N/A	6,958	7/01/2011-6/30/2012			6,958	6,958						
Total General Fund							91,162	94,805	\$ -	\$ -		(3,643)	\$ -	\$ -
US Department of Education Passed Through State Department of Education Special Revenue Fund														
NCLB Title I														
NCLB Title I	84.010A	NCLB-279012	41,203	9/01/11-8/31/2012			7,806	23,549				(33,397)	17,654	
NCLB Title II A	84.367A	NCLB-279011	13,741	9/01/11-8/31/2011	(22,114)		22,114							
NCLB Title II A	84.367A	NCLB-279012	18,085	9/01/11-8/31/2012			541	10,250				(13,200)	3,491	
NCLB Title II D	84.318X	NCLB-279011	98	9/01/10-8/31/2011	(11,355)		11,355							
ARRA Title I	84.389	ARRA-Title I 279010	11,126	7/01/09-8/31/2011	(98)		98							
ARRA IDEA Basic	84.391	ARRA-IDEA 279010	268,657	7/01/09-8/31/2011	(648)		648							
ARRA IDEA Pre School	84.392	ARRA-IDEA 279010	9,717	7/01/09-8/31/2011	(24,650)		48,728	24,078						
IDEA Basic	84.027	IDEA-279012	231,670	9/01/11-8/31/2012	(688)		1,570	882						
IDEA Basic	84.027	IDEA-279011	224,558	9/01/10-8/31/2011	(78,901)		108,767	198,650				(167,039)	33,020	
IDEA Basic	84.027	IDEA-279010	214,946	9/01/09-8/31/2010	1		2,631	2,632						
IDEA Pre School	84.173	IDEA-279012	6,344	9/01/11-8/31/2012			6,344	6,344						
Total Special Revenue Fund					(138,453)	-	275,233	296,251	-	-		(213,636)	54,165	-
US Department of Agriculture Passed Through State Department of Education Enterprise Fund														
Food Distribution Program														
Food Distribution Program	10.550-	N/A	11,981	7/01/2010-6/30/2011	2,253			2,253						
Food Distribution Program	10.550-	N/A	6,820	7/01/2011-6/30/2012			6,820	5,275					1,545	
Special Milk Program for Children	10.556-	N/A	1,710	7/01/2010-6/30/2011	(101)							(101)		
Special Milk Program for Children	10.556-	N/A	2,062	7/01/2011-6/30/2012			1,941	2,062				(121)		
National School Lunch Program	10.555-	N/A	56,674	7/01/2010-6/30/2011	(3,791)							(3,791)		
National School Lunch Program	10.555-	N/A	58,126	7/01/2011-6/30/2012			47,994	58,126				(10,132)		
Total Enterprise Fund					(1,639)	-	56,755	67,716	-	-		(14,145)	1,545	-
TOTAL FEDERAL FINANCIAL ASSISTANCE					\$ (140,092)	\$ -	\$ 423,150	\$ 458,772	\$ -	\$ -		\$ (231,424)	\$ 55,710	\$ -

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE SCHEDULE B  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From To	Balance 6/30/2011 (Acct Rec) Def Revenue	Cash Received	Budgetary Expenditure	Repay of Prior Year Balance	Balance June 30, 2012			Memo	
								Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education</b>												
<b>General Fund:</b>												
Special Education Categorical Aid	11-495-034	\$ 650,366	7/01/2010-									
	-5120-089		6/30/2011	\$ (61,523)	\$ 61,523							
Special Education Categorical Aid	12-495-034	650,366	7/01/2011-									
	-5120-089		6/30/2012		586,559	\$ 650,366		\$ (63,807)			\$ (63,807)	\$ 650,366
Equalization Aid	11-495-034	2,179,275	7/01/2010-									
	-5120-078		6/30/2011	(206,156)	206,156							
Equalization Aid	12-495-034	2,469,596	7/01/2011-									
	-5120-078		6/30/2012		2,227,304	2,469,596		(242,292)			(242,292)	2,469,596
Extraordinary Aid	11-100-034	71,175	7/01/2010-									
	5120-473		6/30/2011	(71,175)	71,175							
Extraordinary Aid	12-495-034	67,211	7/01/2011-									
	-5095-044		6/30/2012			67,211		(67,211)			(67,211)	67,211
NP School Transportation	11-495-034	5,942	7/01/2010-									
	-5120-014		6/30/2011	(5,942)	5,942							
NP School Transportation	12-495-034	3,259	7/01/2011-									
	-5120-014		6/30/2012			3,259		(3,259)			(3,259)	3,259
Reimbursement TPAF Social Security Contribution	11-495-034	430,749	7/01/2010-									
	-5095-002		6/30/2011	(21,509)	21,509							
Reimbursement TPAF Social Security Contribution	12-495-034	423,591	7/01/2011-									
	-5095-002		6/30/2012		423,591	423,591						423,591
On-Behalf TPAF Pension Contribution- Teachers' Pension and Annuity Fund	12-495-034	170,429	7/01/2011-									
	-5095-006		6/30/2012		170,429	170,429						170,429
On-Behalf TPAF Pension Contribution- Non-Contributory Insurance	12-495-034	18,289	7/01/2011-									
	-5095-007		6/30/2012		18,289	18,289						18,289
On-Behalf TPAF Pension Contribution- Post Retirement Medical	12-495-034	379,373	7/01/2011-									
	-5095-001		6/30/2012		379,373	379,373						379,373
<b>Total General Fund</b>				<u>(366,305)</u>	<u>4,171,850</u>	<u>4,182,114</u>	<u>\$ -</u>	<u>(376,569)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(376,569)</u>	<u>4,182,114</u>
<b>Debt Service Fund:</b>												
Debt Service Aid	12-495-034	235,532	7/01/2011-									
	-5120-017		6/30/2012		235,532	235,532						100,342
<b>Total Debt Service Fund</b>				<u>-</u>	<u>235,532</u>	<u>235,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,342</u>
<b>Special Revenue Fund:</b>												
Nonpublic Textbook Aid	12-100-034	1,711	7/01/2011-									
	-5120-064		6/30/2012		1,711						1,711	
Nonpublic Textbook Aid	11-100-034	2,330	7/01/2010-									
	-5120-064		6/30/2011	29			29					
Nonpublic Nursing Services	12-100-034	2,444	7/01/2011-									
	-5120-070		6/30/2012		2,444	2,444						2,444

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE SCHEDULE B  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From To	Balance 6/30/2011 (Acct Rec) Def Revenue	Cash Received	Budgetary Expenditure	Repay of Prior Year Balance	Balance June 30, 2012			Memo	
								Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
Special Revenue Fund: (Continued)												
Nonpublic Handicapped Services Aid:												
Chapter 193 Services:												
Initial Examination & Classification	11-100-034	\$ 3,347	7/01/2010-									
	-5120-066		6/30/2011	\$ 1,731			\$ 1,731					
Annual Examination & Classification	11-100-034	320	7/01/2010-									
	-5120-066		6/30/2011	275			275					
Corrective Speech	11-100-034	2,347	7/01/2010-									
	-5120-066		6/30/2011	877			877					
Supplemental Instruction	11-100-034	695	7/01/2010-									
	-5120-066		6/30/2011	695			695					
Initial Examination & Classification	12-100-034	2,253	7/01/2011-									
	-5120-066		6/30/2012		\$ 2,253	\$ 2,253						\$ 2,253
Annual Examination & Classification	12-100-034	968	7/01/2011-									
	-5120-066		6/30/2012		968	968						968
Corrective Speech	12-100-034	3,159	7/01/2011-									
	-5120-066		6/30/2012		3,159	3,159						3,159
Supplemental Instruction	12-100-034	631	7/01/2011-									
	-5120-066		6/30/2012		631	631						631
<b>Total Special Revenue Fund</b>				<u>3,607</u>	<u>11,166</u>	<u>9,455</u>	<u>3,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,711</u>	<u>\$ -</u>	<u>9,455</u>
Capital Projects Fund:												
NJSDA Grant-Elementary School Upgrades	SDA2790-050-09-00BM	436,225	N/A									
				(14,771)		314,801		(436,225)	106,653			329,572
				(14,771)	-	314,801	-	(436,225)	106,653	-	-	329,572
State Department of Agriculture Enterprise Fund:												
National School Lunch Program (St Share)	11-100-010	3,394	7/01/2010-									
	-3350-023		6/30/2011	(246)				(246)				3,394
National School Lunch Program (St Share)	12-100-010	3,347	7/01/2011-									
	-3350-023		6/30/2012		3,175	3,347		(172)				3,347
<b>Total Enterprise Fund</b>				<u>(246)</u>	<u>3,175</u>	<u>3,347</u>	<u>-</u>	<u>(418)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,741</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>				<u>\$ (377,715)</u>	<u>\$ 4,421,723</u>	<u>\$ 4,745,249</u>	<u>\$ 3,607</u>	<u>\$ (813,212)</u>	<u>\$ 106,653</u>	<u>\$ 1,711</u>	<u>\$ (376,569)</u>	<u>\$ 4,628,224</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE  
JUNE 30, 2012

**NOTE 1. GENERAL**

The accompanying schedules of financial assistance present the activity of all federal and state financial assistance programs of the Board of Education, Lopatcong Township School District. The Board of Education is defined in Note 1 (A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule of federal financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the Board's general-purpose financial statements.

**NOTE 3. RELATIONSHIP OF FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to PL 2004, Ch 97 (A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferred 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 net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$38,420) for the general fund and (\$70,740) for the special revenue fund and (\$421,454) for the Capital Projects 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.

Financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 94,805	\$ 4,143,694	\$ 4,238,499
Special Revenue Fund	229,733	5,233	234,966
Debt Service Fund		235,532	235,532
Food Service Fund	67,716	3,347	71,063
Capital Projects Fund		314,801	314,801
	<u>\$ 392,254</u>	<u>\$ 4,702,607</u>	<u>\$ 5,094,861</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE  
JUNE 30, 2012  
(Continued)

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

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

**NOTE 5. OTHER**

Revenues and expenditures reported under the USDA Commodities Program represent 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 Contribution represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION I-SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unqualified

Internal Control Over Financial Reporting:

1. Material weakness(es) identified?

           Yes      X   No

2. Reportable conditions identified  
that are not considered to be material  
weaknesses?

           Yes      X   No

Noncompliance Material to General Purpose  
Financial Statements Noted?

           Yes      X   No

Federal Awards

NOT APPLICABLE

Internal Control Over Major Programs:

1. Material weakness(es) identified?

           Yes               No

2. Reportable conditions identified  
that are not considered to be material  
weaknesses?

           Yes               No

Type of Auditor's Report Issued on Compliance  
for Major Programs?

NOT APPLICABLE

Any Audit Findings Disclosed that are Required  
to be Reported in Accordance with Section .510  
(a) of Circular A-133

           Yes      X   No

Identification of Major Programs:

           CFDA Numbers                                 Amount                                 Name of Federal Program

NOT APPLICABLE

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

SECTION I-SUMMARY OF AUDITOR'S RESULTS

Federal Awards (Cont'd)

Dollar Threshold used to Distinguish Between  
Type A and Type B Programs:

NOT APPLICABLE

Auditee qualified as a low-risk auditee

       Yes           No

State Awards

Dollar Threshold used to Distinguish Between  
Type A and Type B Programs:

\$300,000

Auditee Qualified as low-risk auditee

  X   Yes           No

Type of Auditor's Report Issued on Compliance  
for Major Programs:

Unqualified

Internal Control Over Major Programs:

1. Material weakness(es) identified?

       Yes      X   No

2. Reportable conditions identified  
that are not considered to be material  
weaknesses?

       Yes      X   No

Any Audit Findings Disclosed That are Required  
to be Reported in Accordance with NJ OMB  
Circular Letter 98-07?

       Yes      X   No

Identification of Major Programs:

<u>GMIS Numbers</u>	<u>Amount</u>	<u>Name of State Program</u>
12-495-034-5120-089	\$ 650,366	Special Education Aid
12-495-034-5120-078	2,469,596	Equalization Aid
12-495-034-5095-002	423,591	TPAF Social Security
12-495-034-5120-017	235,532	Debt Service Aid
27900500900BM	314,801	NJ SDA Aid

LOPATCONG TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION II-FINANCIAL STATEMENT FINDINGS

There were no findings or questioned costs for the year ended June 30, 2012.

SECTION III-FEDERAL AWARDS AND STATE FINANCIAL  
ASSISTANCE FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs for the year ended June 30, 2012.

LOPATCONG TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings or questioned costs.