

NETCONG BOROUGH SCHOOL DISTRICT

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

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

**Comprehensive Annual
Financial Report**

of the

Netcong Borough School District

Netcong, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

**Netcong Borough School District
Board of Education**

NETCONG BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION



Netcong Elementary School

26 Collège Road • Netcong • New Jersey 07857
Telephone (973) 347-0020 • Fax (973) 347-3676

November 30, 2012

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Netcong Borough School District (the "District") for the fiscal year ended June 30, 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 (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations 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, a roster of officials and a list of principal consultants and advisors. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 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 auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Netcong Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Netcong Borough School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre K through 8. The educational services provided include regular as well as special education for handicapped children. The District completed the 2011-2012 fiscal year with an enrollment of 284 students, which is a decrease of 1 student from the previous year's enrollment. The following details the changes in the student enrollment of the District over the past five years:

The Honorable President and Members of
the Board of Education of the
Netcong Borough School District
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1) REPORTING ENTITY AND ITS SERVICES:

<u>Average Daily Enrollment</u>		
<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-2012	284	-0.35%
2010-2011	285	0.35%
2009-2010	284	-4.38%
2008-2009	297	6.07%
2007-2008	280	-0.71%

2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Netcong is primarily residential and a few commercial ratable with little space remaining to be developed. As state and federal aid to education declines, the local tax levy has assumed a larger percentage of the school budget in 2011-12.

Families with young children choose Netcong Borough School District for its excellent schools. The school system is expected to continue to maintain enrollment at approximately 285 students for the next ten years.

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

The results of these tests indicate that Netcong students score at or above national level on these commercial tests. Grades three through eight proficiency results also reflect acceptable levels of achievement. Upon graduation, Netcong students attend Lenape Valley Regional High School. Most students appear to achieve suitable levels of success at Lenape. In addition, a fair representation of former Netcong students proceed on to higher education after graduation.

During the 2011-2012 school year the Netcong Public School Administration and Board of Education made a commitment to invest in educational resources and professional development. Additional funds were set aside to support a new language arts program and Response to Intervention training. The Board of Education also approved an application to the New Jersey Department of Education in order for the district to participate in the Interdistrict Public School Choice Program.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are 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 that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The Honorable President and Members of
the Board of Education of the
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As a recipient of federal and state awards, the District is also responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

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

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. Project-length budgets are approved for the capital improvements accounted for in the capital projects 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 restrictions, commitments and assignments 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 GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: As of June 30, 2012, the District's outstanding debt includes \$1,962,000 of serial bonds and \$78,274 of capital leases payable.

8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from 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.

9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board oversees Risk Management for the District. A schedule of insurance coverage is found in J-20.

10) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB 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*. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

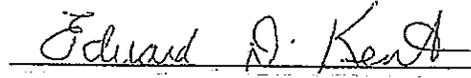
The Honorable President and Members of
the Board of Education of the
Netcong Borough School District
County of Morris, New Jersey
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11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Netcong Borough School District Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

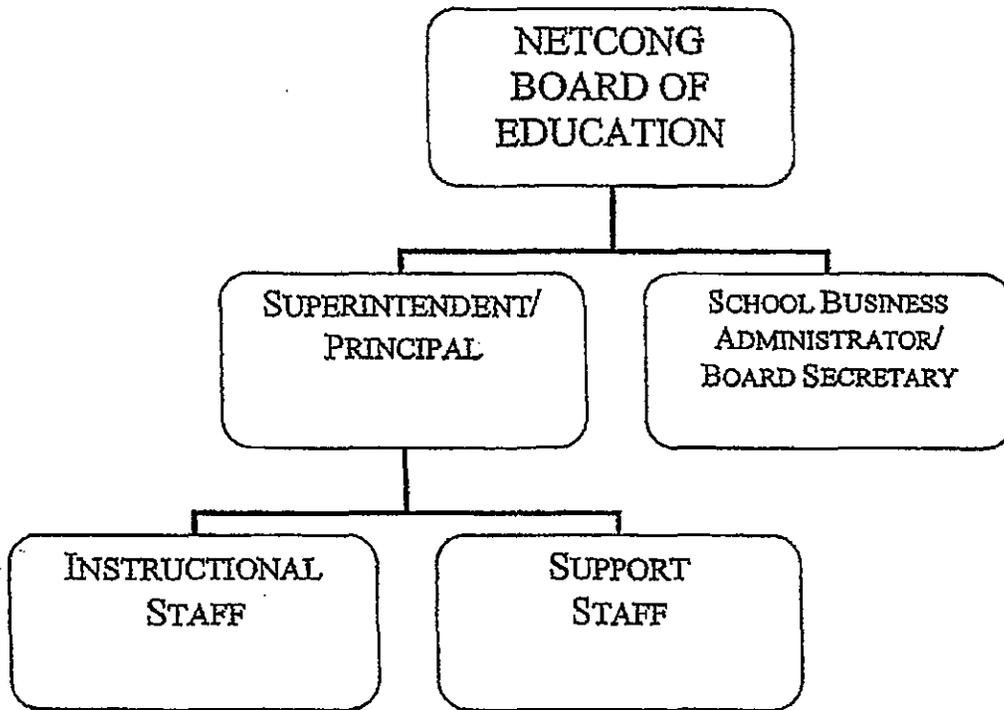


Kevin J. Carroll
Chief School Administrator



Edward Kent
Interim Business Administrator/Board Secretary

NETCONG PUBLIC SCHOOLS
ORGANIZATIONAL CHART



**NETCONG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Todd Morton, President	2013
Robert Olivio, Vice President	2012
Marianne Callahan	2013
Joseph Coldarci III	2012
Bernadette Dalesandro	2013
Patricia McQueeny	2014
Lynn Popelka	2012
Colleen Sufly	2012
Frank Tranor IV	2012

<u>Other Officers</u>	<u>Title</u>
Kevin J. Carroll	Chief School Administrator
Christine Werner	Business Administrator/Board Secretary (through 6/30/12)
Edward Kent	Interim Business Administrator/Board Secretary (7/1/12 through Present)
Theresa A. Vervaet	Treasurer

NETCONG BOROUGH SCHOOL DISTRICT

Consultants and Advisors

Architect

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Rockaway, New Jersey 07866

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MBIA Municipal Investors Service Corporation
113 King Street
Armonk, New York 10504

FINANCIAL SECTION



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 200 Valley Road, Suite 300
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Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education of the
 Netcong Borough School District
 County of Morris, 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 Netcong Borough School District in the County of Morris as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these basic financial statements based on our audit. The financial statements of the Netcong Borough School District as of June 30, 2011 were audited by another auditor whose report dated March 16, 2012 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of the Board of Education of the Netcong Borough School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable President and Members
of the Board of Education of the
Netcong Borough School District
Page 2

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report, and Budgetary Comparison Information in Exhibits C-1 through C-3 and I-3 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 Netcong Borough School District's basic financial statements. The accompanying supplementary information schedules such as the combining and individual non-major fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, 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 accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is 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.

November 30, 2012
Mount Arlington, New Jersey

Nisivoccia, CP

NISIVOCCIA LLP

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

This section of the Netcong Borough Board of Education's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- Total net assets have increased by \$248,097 or 13.15%.
- Overall revenue was \$4,717,084.
- Overall expenditures were \$4,468,987.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services, provisional teacher, Saturday music, and Summer programs.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of District's Financial Report**

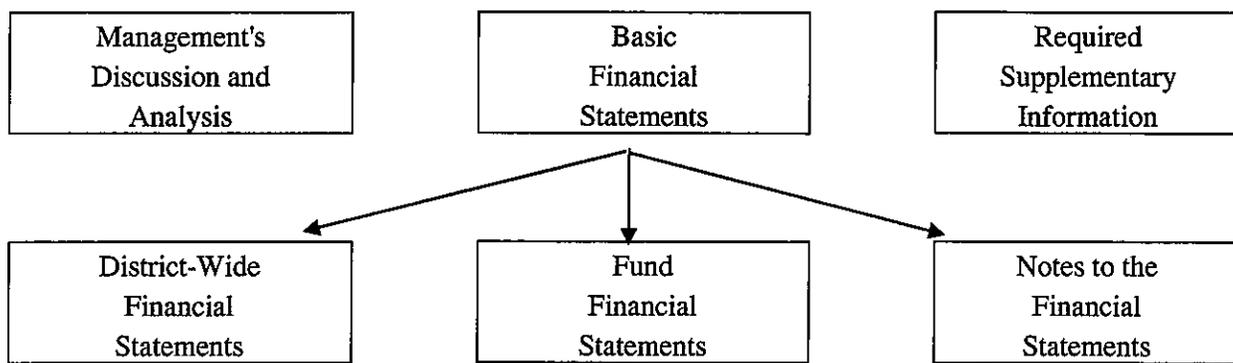


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Activities the district operates similar to private businesses, food services program	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

District-wide Statements

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service and special programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.
- *Notes to the basic financial statements:* The notes provide information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The District's *combined* net assets were \$2,134,505 on June 30, 2012, \$248,097 or 13.15% more than they were the year before. (See Figure A-3).

Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2011/2012	2010/2011 *	2011/2012	2010/2011 *	2011/2012	2010/2011 *	
Current and Other Assets	\$ 282,703	\$ 2,115,712	\$ 17,554	\$ 8,910	\$ 300,257	\$ 2,124,622	-85.87%
Capital Assets	4,431,927	2,062,908	31,084	31,941	4,463,011	2,094,849	113.05%
Total Assets	<u>4,714,630</u>	<u>4,178,620</u>	<u>48,638</u>	<u>40,851</u>	<u>4,763,268</u>	<u>4,219,471</u>	12.89%
Long-Term Liabilities	2,109,434	2,226,328			2,109,434	2,226,328	-5.25%
Other Liabilities	508,041	106,582	11,288	153	519,329	106,735	386.56%
Total Liabilities	<u>2,617,475</u>	<u>2,332,910</u>	<u>11,288</u>	<u>153</u>	<u>2,628,763</u>	<u>2,333,063</u>	12.67%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	2,391,653	(66,243)	31,084	31,941	2,422,737	(34,302)	-7162.96%
Restricted	348,805	1,814,214			348,805	1,814,214	-80.77%
Unrestricted/(Deficit)	<u>(643,303)</u>	<u>97,739</u>	<u>6,266</u>	<u>8,757</u>	<u>(637,037)</u>	<u>106,496</u>	-698.18%
Total Net Assets	<u>\$ 2,097,155</u>	<u>\$ 1,845,710</u>	<u>\$ 37,350</u>	<u>\$ 40,698</u>	<u>\$ 2,134,505</u>	<u>\$ 1,886,408</u>	13.15%

* - Restated

Changes in Net Assets. The District's combined net assets increased \$248,097 or 13.15%. Net assets from governmental activities increased \$251,446 and net assets from business-type activities decreased by \$3,349. Net assets invested in capital assets increased \$2,388,435 due to an increase in capital assets due from the construction of renovations to the Netcong Elementary School offset by current year depreciation. Restricted net assets decreased \$1,465,409 primarily due to Capital Projects expenditures and increases in excess surplus. Unrestricted net assets decreased by \$743,533 primarily as a result of restrictions for excess surplus.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

**Figure A-4
Changes in Net Assets from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	
Revenue:							
Program Revenue:							
Charges for Services		\$ 20,154	\$ 34,263	\$ 40,902	\$ 34,263	\$ 61,056	-43.88%
Operating Grants & Contributions	\$ 1,614,389	934,484	46,227	41,135	1,660,616	975,619	70.21%
General Revenue:							
Property Taxes	2,857,682	2,718,432			2,857,682	2,718,432	5.12%
Unrestricted Federal & State Aid	96,099	761,650			96,099	761,650	-87.38%
Other	68,374	101,314	50	32	68,424	101,346	-32.48%
Total Revenue	4,636,544	4,536,034	80,540	82,069	4,717,084	4,618,103	2.14%
Expenses:							
Instruction	3,123,366	2,992,761			3,123,366	2,992,761	4.36%
Pupil and Instruction Services	414,900	492,531			414,900	492,531	-15.76%
Administrative and Business	412,796	415,211			412,796	415,211	-0.58%
Maintenance and Operations	287,218	275,380			287,218	275,380	4.30%
Transportation	29,545	55,140			29,545	55,140	-46.42%
Other	117,273	8,989	83,889	78,822	201,162	87,811	129.09%
Total Expenses	4,385,098	4,240,012	83,889	78,822	4,468,987	4,318,834	3.48%
Increase/(Decrease) in Net Assets	\$ 251,446	\$ 296,022	\$ (3,349)	\$ 3,247	\$ 248,097	\$ 299,269	-17.10%

Revenue Sources. The District's total revenue for the 2011-2012 school year was \$4,717,084. (See Figure A-4). Property taxes accounted for most of the District's revenue with local taxes accounting for \$2,857,682 of the total, or 60.58%. (See Figure A-5). Another 37.24% came from state and federal aid and the remainder from miscellaneous sources. The Netcong Borough Board of Education basically conducts its operations from the revenues it receives from its local taxpayers.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2012**

	Amount	Percentage
Sources of Income:		
Property Taxes	\$ 2,857,682	60.58%
Federal and State Categorical Grants	1,756,715	37.24%
Charges for Services	34,263	0.73%
Other	68,424	1.45%
	\$ 4,717,084	100.00%

The total cost of all programs and services was \$4,468,987. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.83 percent). (See Figure A-6). The District's administrative and business activities accounted for 9.24%. The Netcong Borough Board of Education operates a school and an administration building which results in maintenance costs of 6.43 percent.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

**Figure A-6
Sources of School District Expenses - Fiscal Year 2012**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 3,123,366	69.89%
Pupil and Instruction Services	414,900	9.28%
Administrative and Business	412,796	9.24%
Maintenance and Operations	287,218	6.43%
Transportation	29,545	0.66%
Other	201,162	4.50%
	<u>\$ 4,468,987</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District has improved. However, maintaining existing programs with a slight decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Cost comparisons are made on a continuous basis by the Business Administrator in order to assure savings in major expense areas.
- Efforts are made to keep purchase increases within the 2% cap.
- Cash flow is carefully monitored due to tight budgetary guidelines.

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for activities, small class sizes and programs must be evaluated thoroughly. District resources are at their tightest level in a decade. Figure A-7 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, capital outlay and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

**Figure A-7
Net Cost of Governmental Activities**

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2011/2012</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2010/2011</u>
Instruction	\$ 3,123,366	\$ 2,992,761	\$ 1,526,864	\$ 2,174,086
Pupil and Instruction Services	414,900	492,531	414,900	410,680
Administrative and Business	412,796	415,211	394,909	380,197
Maintenance and Operations	287,218	275,380	287,218	275,380
Transportation	29,545	55,140	29,545	55,140
Other	117,273	8,989	117,273	8,989
	<u>\$ 4,385,098</u>	<u>\$ 4,240,012</u>	<u>\$ 2,770,709</u>	<u>\$ 3,304,472</u>

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Business-Type Activities

- Net assets from the District's business-type activity decreased \$3,349 - \$2,492 from operations and \$857 net reduction in capital assets. (Refer to Figure A-4).

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

Capital Asset and Debt Administration

**Figure A-8
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2011/2012	2010/2011*	2011/2012	2010/2011*	2011/2012	2010/2011*	
Land	\$ 892	\$ 892			\$ 892	\$ 892	0.00%
Buildings and Improvements	1,184,118	1,211,048			1,184,118	1,211,048	-2.22%
Machinery and Equipment	38,700	31,189	\$ 31,084	\$ 31,941	69,784	63,130	10.54%
Construction in Progress	3,208,217	819,779			3,208,217	819,779	291.35%
Total Capital Assets	\$ 4,431,927	\$ 2,062,908	\$ 31,084	\$ 31,941	\$ 4,463,011	\$ 2,094,849	113.05%

* Restated

The District's capital assets increased by \$2,369,019. Capital acquisitions were \$2,410,738 offset by depreciation of \$40,178 from its governmental activities and \$3,807 from its business type activities. Major acquisitions of the District were mainly continued construction of renovations to the Netcong Elementary School. (More detailed information regarding the District's Capital Assets is presented in Note 6 to the basic financial statements.)

Long-term Debt

The District continued to paydown its Serial Bonds and Capital Leases during the year. At year-end, the District had \$69,160 in Compensated Absences Payable outstanding – a decrease of \$28,018 from the prior year - as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

**Figure A-9
Outstanding Long-Term Debt**

	Total School District		Percentage Change
	2011/2012	2010/2011	
Serial Bonds	\$ 1,962,000	\$ 2,027,000	-3.21%
Compensated Absences Payable	69,160	97,178	-28.83%
Capital Leases Payable	78,274	102,151	-23.37%
	\$ 2,031,160	\$ 2,124,178	-28.83%

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)**

Factors Bearing on the District's Future Revenue/Expense Changes

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Keeping within the 2% cap levy is challenging but is viewed as an opportunity to review resource allocation and structure.
- Shared services where possible are being used where cost savings are realized without impact to the importance of continuity, certification and performance.
- State Aid to the District is subject to decrease as enrollment decreases and State Adjustment Aid is eliminated.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 26 College Road, Netcong, New Jersey 07857.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Receivables from Federal Government	\$ 9,895	\$ 2,339	\$ 12,234
Receivables from State Government	266,717	64	266,781
Internal Balances	(14,549)	14,549	
Other Accounts Receivable	15,928	143	16,071
Inventory		459	459
Restricted Assets:			
Capital Reserve Account - Cash	4,712		4,712
Capital Assets, Net:			
Sites (Land) and Construction in Progress	3,209,109		3,209,109
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	1,222,818	31,084	1,253,902
Total Assets	<u>4,714,630</u>	<u>48,638</u>	<u>4,763,268</u>
LIABILITIES			
Accrued Interest Payable	9,391		9,391
Payable to State Government	22,280		22,280
Bond Anticipation Notes Payable	325,000		325,000
Accounts Payable	125,504	11,242	136,746
Deferred Revenue	25,866	46	25,912
Noncurrent Liabilities:			
Due Within One Year	94,952		94,952
Due Beyond One Year	2,014,482		2,014,482
Total Liabilities	<u>2,617,475</u>	<u>11,288</u>	<u>2,628,763</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,391,653	31,084	2,422,737
Restricted for:			
Capital Projects	4,712		4,712
Other Purposes	344,093		344,093
Unrestricted/(Deficit)	(643,303)	6,266	(637,037)
Total Net Assets	<u>\$ 2,097,155</u>	<u>\$ 37,350</u>	<u>\$ 2,134,505</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,365,805		\$ 435,445		\$ (1,930,360)		\$ (1,930,360)
Special Education	685,609		1,151,597		465,988		465,988
Other Instruction	36,689		5,233		(31,456)		(31,456)
School-Sponsored Instruction	35,263		4,227		(31,036)		(31,036)
Support services:							
Tuition	42,550				(42,550)		(42,550)
Student & Instruction Related Services	372,350				(372,350)		(372,350)
General Administrative Services	135,467				(135,467)		(135,467)
School Administrative Services	151,594		17,887		(133,707)		(133,707)
Central Services	117,723				(117,723)		(117,723)
Administration Information Technology	8,012				(8,012)		(8,012)
Plant Operations and Maintenance	287,218				(287,218)		(287,218)
Pupil Transportation	29,545				(29,545)		(29,545)
Unallocated Depreciation	32,558				(32,558)		(32,558)
Capital Outlay	10,063				(10,063)		(10,063)
Interest on Long-Term Debt	74,652				(74,652)		(74,652)
Total Governmental Activities	4,385,098		1,614,389		(2,770,709)		(2,770,709)

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	83,889	\$ 34,263	46,227			\$ (3,399)	(3,399)
Total Business-Type Activities	83,889	34,263	46,227			(3,399)	(3,399)
Total Primary Government	\$ 4,468,987	\$ 34,263	\$ 1,660,616			(2,770,709)	(2,774,108)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 2,718,432		\$ 2,718,432
Taxes Levied for Debt Service					139,250		139,250
Federal and State Aid Not Restricted					96,099		96,099
Investment Earnings					2	\$ 50	52
Miscellaneous Income					68,372		68,372
Total General Revenues					3,022,155	50	3,022,205
Change in Net Assets					251,446	(3,349)	248,097
Net Assets - Beginning (As Restated)					1,845,709	40,699	1,886,408
Net Assets - Ending					\$ 2,097,155	\$ 37,350	\$ 2,134,505

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

NETCONG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Interfund Receivable	\$ 630,049	\$ 39,717			\$ 669,766
Receivables from Federal Government		9,895			9,895
Receivables from State Government	112,209		\$ 154,508		266,717
Other Accounts Receivable			15,928		15,928
Restricted Cash and Cash Equivalents	4,712				4,712
Total Assets	\$ 746,970	\$ 49,612	\$ 170,436	\$ -0-	\$ 967,018
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	\$ 54,266		\$ 630,049		\$ 684,315
Payable to State Government		\$ 22,280			22,280
Bond Anticipation Notes Payable			325,000		325,000
Accounts Payable	107,870	1,466	16,168		125,504
Deferred Revenue		25,866			25,866
Total Liabilities	162,136	49,612	971,217		1,182,965
Fund Balances:					
Restricted					
Capital Reserve Account	4,712				4,712
Excess Surplus - 2012-2013	126,827				126,827
Excess Surplus - 2013-2014	217,266				217,266
Assigned:					
Year End Encumbrances	76,590				76,590
Unassigned/(Deficit)	159,439		(800,781)		(641,342)
Total Fund Balances/(Deficit)	584,834		(800,781)		(215,947)
Total Liabilities and Fund Balances	\$ 746,970	\$ 49,612	\$ 170,436	\$ -0-	

Amounts Reported for *Governmental Activities* in the Statement of Net Assets (A-1) are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The cost of the assets is \$5,746,998 and the accumulated depreciation is \$1.315,071	4,431,927
Interest on long term debt is not accrued in government funds, but rather is recognized as expenditure when due.	(9,391)
Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds.	(2,109,434)
Net Assets of Governmental Activities	\$ 2,097,155

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, 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 Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 2,718,432			\$ 139,250	\$ 2,857,682
Tuition	17,750				17,750
Interest Earned on Capital Reserve Funds	2				2
Miscellaneous	50,622				50,622
Total - Local Sources	2,786,806			139,250	2,926,056
State Sources	1,451,761	\$ 61,742			1,513,503
Federal Sources	21,538	175,447			196,985
Total Revenues	4,260,105	237,189		139,250	4,636,544
EXPENDITURES					
Current:					
Regular Instruction	1,617,709	138,076			1,755,785
Special Education Instruction	429,021	99,113			528,134
Other Instruction	29,531				29,531
School Sponsored Instruction	30,552				30,552
Support Services and Undistributed Costs:					
Tuition	42,550				42,550
Student & Instruction Related Services	333,489				333,489
General Administrative Services	120,142				120,142
School Administrative Services	104,294				104,294
Central Services	121,973				121,973
Administrative Information Technology	8,012				8,012
Plant Operations and Maintenance	278,434				278,434

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, 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 Funds
EXPENDITURES					
Current:					
Pupil Transportation	\$ 29,545				\$ 29,545
Allocated Benefits	496,991				496,991
Unallocated Benefits	432,668				432,668
Capital Outlay	30,822		\$ 2,388,438		2,419,260
Debt Service:					
Principal				\$ 65,000	65,000
Interest and Other Charges				74,250	74,250
Total Expenditures	<u>4,105,733</u>	<u>\$ 237,189</u>	<u>2,388,438</u>	<u>139,250</u>	<u>6,870,610</u>
Net Change in Fund Balances	154,372		(2,388,438)		(2,234,066)
Fund Balance—July 1	<u>430,462</u>		<u>1,587,657</u>		<u>2,018,119</u>
Fund Balance/(Deficit)—June 30	<u>\$ 584,834</u>	<u>\$ -0-</u>	<u>\$ (800,781)</u>	<u>\$ -0-</u>	<u>\$ (215,947)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH 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 Change in Fund Balances - Governmental Funds (from B-2) \$ (2,234,066)

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

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

	Depreciation expense	\$ (40,178)	
	Disposal of Assets with Carrying Value	(1,541)	
	Capital outlays	<u>2,410,738</u>	
			2,369,019

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) 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 (+). 28,018

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). (402)

Capital leases are a financing source in the governmental funds. They are not revenue in the statement of activities; capital leases increase long-term liabilities in the statement of net assets. 23,877

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+) 65,000

Change in Net Assets of Governmental Activities \$ 251,446

Exhibit B-4

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
ASSETS:	
Current Assets:	
Accounts Receivable	\$ 143
Intergovernmental Receivable:	
Federal	2,339
State	64
Interfund Receivable	14,549
Inventory	459
	<hr/>
Total Current Assets	17,554
	<hr/>
Non-Current Assets:	
Capital Assets:	
Depreciable Furniture and Equipment, Net	31,084
	<hr/>
Total Non-Current Assets	31,084
	<hr/>
Total Assets	48,638
	<hr/>
LIABILITIES:	
Accounts Payable	11,242
Deferred Revenue	46
	<hr/>
Total Liabilities	11,288
	<hr/>
NET ASSETS:	
Investment in Capital Assets Net of Related Debt	31,084
Unrestricted	6,266
	<hr/>
Total Net Assets	\$ 37,350
	<hr/> <hr/>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 25,572
Daily Sales - Non-Reimbursable Programs	8,604
Miscellaneous	87
Total Operating Revenue	<u>34,263</u>
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	29,365
Cost of Sales	41,296
Supplies, Insurance & Other Costs	5,326
Purchased Professional Services	4,095
Depreciation Expense	3,807
Total Operating Expenses	<u>83,889</u>
Operating Loss	<u>(49,626)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	36,977
National School Breakfast Program	2,328
Food Distribution Program	5,833
State Sources	
State School Lunch Program	1,089
Interest Income	50
Total Non-Operating Revenue	<u>46,277</u>
Change in Net Assets	(3,349)
Net Assets - Beginning of Year (As Restated)	<u>40,699</u>
Net Assets - End of Year	<u>\$ 37,350</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds
	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 21,622
Payments to Employees	(29,365)
Payments to Food Service Vendor	(33,613)
Net Cash Used for Operating Activities	(41,356)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(2,950)
Net Cash Used for Capital and Related Financing Activities	(2,950)
Cash Flows from Investing Activities:	
Interest on Investments	50
Net Cash Provided by Investing Activities	50
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	37,991
Net Cash Provided by Noncapital Financing Activities	37,991
Net Decrease in Cash and Cash Equivalents	(6,265)
Cash and Cash Equivalents, July 1	6,265
Cash and Cash Equivalents, June 30	\$ -0-
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (49,626)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	3,807
Food Distribution Program	5,833
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	2,060
(Increase) in Inventory	(17)
(Increase) in Interfund Receivable	(14,701)
Increase in Accounts Payable	11,242
Increase in Deferred Revenue	46
Net Cash Used for Operating Activities	\$ (41,356)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$5,879 and utilized U.S.D.A. Commodities valued at \$5,833.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	<u>Agency</u>
ASSETS:	
Cash and Cash Equivalents	\$ 31,508
Total Assets	<u>31,508</u>
LIABILITIES:	
Payroll Deductions and Withholdings	16,605
Due to Student Groups	<u>14,903</u>
Total Liabilities	<u>\$ 31,508</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District includes an elementary school located in Netcong Borough. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

B. Basis of Presentation (Cont'd)

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. 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 expenses by board resolution.

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (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, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

Enterprise Funds: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the 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.

Additionally, the District reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resource and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Reports for the District's Food Service Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and voted upon at the school election on the fourth Wednesday in April, 2011. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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 Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the two last state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized as revenue on the budgetary basis in full at the time of award; however, they are only recognized to the extent of grant expenditures during the fiscal year on the GAAP basis.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 4,274,724	\$ 260,255
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, whereas the GAAP Basis does not		(23,066)
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	76,782	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(91,401)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 4,260,105</u>	<u>\$ 237,189</u>

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 4,105,733	\$ 260,255
Differences - Budget to GAAP		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, whereas the GAAP Basis does not		(23,066)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 4,105,733	\$ 237,189
		Capital Projects Fund
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per F-1)		\$ 716,059
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended.		(1,516,840)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per B-2)		\$ (800,781)

E. Cash and Cash Equivalents

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type 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.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a 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 savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of government units. If a public depository fails, the collateral it has a pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the governmental units.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

F. Interfund Transactions

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts

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

H. 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 restricted, committed and/or assigned fund balances at the fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenue 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.

I. Short-term Interfund Receivables/Payables

Short-term interfund receivables/payables represent 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.

J. Inventories and Prepaid Expenses

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

K. Capital Assets

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Accrued Salaries and Wages

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2012.

M. Long Term Liabilities

In the District-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond issuance costs, as expenditures in 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

N. Compensated Absences

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

N. Compensated Absences (Cont'd)

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

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

O. Deferred Revenue

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

P. Fund Balance Appropriated

General Fund: Of the \$584,834 General Fund fund balance at June 30, 2012, \$76,590 is assigned for encumbrances; \$4,712 is restricted in the capital reserve account; \$217,266 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) and will be appropriated and included as anticipated revenue for the year ending June 30, 2014; \$126,827 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the year ending June 30, 2013, and \$159,439 is unassigned, which is \$91,401 less on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

Capital Projects Fund: The Capital Projects Fund has a deficit in unassigned fund balance of \$800,781 at June 30, 2012 (due to SDA grants receivable not being recognized on the GAAP Basis).

Calculation of Excess Surplus: The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess fund balance at June 30, 2012 as indicated above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$91,401 as reported in the fund financial statements (modified accrual basis). P.L. 2004, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

Q. Deficit Fund Balances/Net Assets:

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

The District has a deficit in fund balance in the Capital Projects fund of \$800,781 as a result of SDA grants receivable which have not been submitted for reimbursement and a \$643,303 deficit in Unrestricted Net Assets at June 30, 2012. These deficits are not an indication that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, a maintenance reserve, and an adult education reserve and Capital Project Fund.

The District's Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2012.

The assignment of resources is generally made by the District's Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned \$76,590 for year-end encumbrances in the General Fund at June 30, 2012.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

S. Revenue - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

T. Operating Revenue and Expenses

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

U. Management Estimates

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents, and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

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

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

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and in addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (Continued)

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

Investments (Cont' d)

- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking and Savings Accounts	\$ 31,508	\$ 4,712	\$ 36,220

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2012, was a \$36,220 and the bank balance was \$118,113. The District has \$97,836 in cash deficits reflected as accounts payable in the financial statements.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Netcong Borough School District by inclusion of \$1 on October 1, 2001 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 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.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

Balance July 1, 2011	\$	4,710
Interest Earnings		2
Balance June 30, 2012	\$	4,712

The balance in the capital reserve at June 30, 2012 did not exceed the balance of the local support costs of uncompleted capital projects in the District's approved LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2012, the District made no transfers to Capital Outlay.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 892			\$ 892
Construction in Progress	819,779	\$ 2,388,438		3,208,217
Total Capital Assets Not Being Depreciated	820,671	2,388,438		3,209,109
Capital Assets Being Depreciated:				
Buildings and Building Improvements	2,182,769	3,600		2,186,369
Machinery and Equipment	394,385	18,700	\$ (61,565)	351,520
Total Capital Assets Being Depreciated	2,577,154	22,300	(61,565)	2,537,889
Governmental Activities Capital Assets	3,397,825	2,410,738	(61,565)	5,746,998
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(971,721)	(30,530)		(1,002,251)
Machinery and Equipment	(363,196)	(9,648)	60,024	(312,820)
	(1,334,917)	(40,178)	60,024	(1,315,071)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 2,062,908	\$ 2,370,560	\$ (1,541)	\$ 4,431,927
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 56,300	\$ 2,950		\$ 59,250
Less Accumulated Depreciation	(24,359)	(3,807)		(28,166)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 31,941	\$ (857)	\$ -0-	\$ 31,084

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	4,042
Support/Administration		2,852
Maintenance/Custodial		726
Unallocated		32,558
	<u>\$</u>	<u>40,178</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2011	Accrued	Retired	Balance 6/30/2012
Serial Bonds Payable	\$ 2,027,000		\$ 65,000	\$ 1,962,000
Capital Leases Payable	102,151		23,877	78,274
Compensated Absences Payable	97,178		28,018	69,160
	<u>\$ 2,226,329</u>	<u>\$ -0-</u>	<u>\$ 116,895</u>	<u>\$ 2,109,434</u>

A. Bonds and Loans Payable:

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

The District had bonds outstanding as of June 30, 2012 as follows:

Maturity Date	Interest Rate	Amount
5/15/2031	2.25% - 4.50%	<u>\$ 1,962,000</u>

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

Year	Bonds		Total
	Principal	Interest	
2013	\$ 70,000	\$ 75,127	\$ 145,127
2014	70,000	73,552	143,552
2015	75,000	71,978	146,978
2016	80,000	70,290	150,290
2017	85,000	68,390	153,390
2018-2022	480,000	301,519	781,519
2023-2027	590,000	196,425	786,425
2028-2031	512,000	57,735	569,735
	<u>\$ 1,962,000</u>	<u>\$ 915,016</u>	<u>\$ 2,877,016</u>

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. Bonds Authorized But Not Issued:

The District had \$162 of authorized but not issued bonds as of June 30, 2012.

C. Capital Leases Payable:

The District has one capital lease. The lease is a 5 year lease, for the replacement of boilers at the elementary school, with the final payment occurring in fiscal year 2015.

<u>Year</u>	<u>Amount</u>
2013	\$ 28,474
2014	28,474
2015	28,474
	<u>85,422</u>
Less: Amount representing interest	<u>(7,148)</u>
Present value of net minimum lease payments	<u>\$ 78,274</u>

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. There is no current portion of the compensated absences balance of the governmental funds in the current year; therefore, the entire \$69,160 represents the long-term liability balance of compensated absences and will be liquidated through the General Fund.

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

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF 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 non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. 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.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective with the first payroll on or after October 1, 2011 the employer contributions for PERS and TPAF went from 5.5% to 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the TPAF and PERS.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District Contributions to PERS amounted to \$29,020, \$33,815, and \$26,776 for the fiscal years ended June 30, 2012, 2011, and 2010 respectively.

During the fiscal years ended June 30, 2012, 2011, and 2010 the State of New Jersey contributed \$70,838, \$-0-, and \$-0-, respectively, to the TPAF for pension benefits on-behalf of the District.

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126 of Public Laws 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State's on behalf Post Retirement Medical Contributions for TPAF for the District amount to \$142,404, \$146,906 and \$143,766, for 2012, 2011, and 2010, respectively.

NOTE 10. 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. The District obtains its health and dental coverage through the New Jersey State Health Benefits Plan.

Property and Liability Insurance

The Netcong Borough School District is a member of School Alliance Insurance Fund ("SAIF") and the New Jersey School Boards Association Insurance Group ("NJSBAIG"). The SAIF provides the District with comprehensive general liability, automobile liability, and property insurance. The NJSBAIG provides the District with workers' compensation, umbrella liability, school board legal liability, and crime policy insurance.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The SAIF and NJSBAIG are risk-sharing public entity risk pools that are insured and self-administered groups of school boards established for the purpose of providing low-cost insurance for its respective members in order to tuition to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the SAIF and NJSBAIG are elected.

As a member of the SAIF and NJSBAIG, the Commission could be subject to supplemental assessments in the event of deficiencies. If the assets of the SAIF and NJSBAIG were to be exhausted, members would become responsible for their respective shares of the SAIF and NJSBAIG's liabilities. The SAIF and NJSBAIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The financial statements for the SAIF and NJSBAIG for the fiscal year ended June 30, 2012 were not available as of the date of this report.

Selected financial information for the SAIF and NJSBAIG as of June 30, 2011 is as follows:

	<u>School Alliance Insurance Fund</u>	<u>New Jersey School Boards Association Insurance Group</u>
Total Assets	\$ 36,448,099	\$ 253,890,161
Net Assets	\$ 12,502,179	\$ 62,802,257
Total Revenue	\$ 29,577,140	\$ 83,993,678
Total Expenses	\$ 28,589,235	\$ 79,175,491
Change in Net Assets	\$ 987,905	\$ 4,818,187
Net Assets Distribution to Participating Members	\$ 1,223,485	\$ -0-

Financial Statements for the SAIF and NJSBAIG are available at their respective Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive Suite B-40
West Windsor, NJ 08550
(609) 275-1155

New Jersey School Boards' Association Insurance Group
450 Veterans Drive
Burlington, NJ 08016
(609) 386-6060

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District submits all New Jersey Unemployment Collections and they are not billed for unemployment claims.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 630,049	\$ 54,266
Special Revenue Fund	39,717	
Capital Projects Fund		630,049
Proprietary Funds	14,549	
	<u>\$ 684,315</u>	<u>\$ 684,315</u>

The interfund between the General Fund and the Special Revenue fund and Capital Projects Fund represents cash advanced to the various funds awaiting the receipt of federal and state grant awards. The interfund between the General Fund and the Proprietary Funds represents the balance of the grants receivable collected but not turned over to the Proprietary Fund as of June 30, 2012.

NOTE 12. 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). These 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	Lincoln Investments
Aflac	Prudential
MetLife Investors	

NOTE 13. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined mutually agreed-upon schedule.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 17. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to correct the value of Capital Assets and Net Assets – Invested in Capital Assets, Net of Related Debt reported in its Governmental and Business-type activities as of June 30, 2011. The financial statements for June 30, 2011 have been restated as follows:

	<u>Balance 6/30/11</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/11</u> <u>as Restated</u>
<u>Statement of Net Assets - Governmental Funds</u>			
Assets:			
Capital Assets, Net:	\$ 2,127,804	\$ (2,127,804)	\$ -0-
Sites (Land)and Construction in Progress	-0-	820,671	820,671
Depreciable Building and Building			
Improvements and Furniture, Machinery			
and Equipment	-0-	1,242,237	1,242,237
	<u>2,127,804</u>	<u>(64,896)</u>	<u>2,062,908</u>
Net Assets:			
Invested in Capital Assets, Net of			
Related Debt	(1,347)	(64,896)	(66,243)
Total Net Assets	1,910,605	(64,896)	1,845,709
<u>Statement of Net Assets - Business Type Activities/Proprietary Funds:</u>			
Assets:			
Capital Assets, Net:			
Depreciable Building and Building			
Improvements and Furniture, Machinery			
and Equipment	5,119	26,822	31,941
Net Assets:			
Invested in Capital Assets, Net of			
Related Debt	5,119	26,822	31,941
Total Net Assets	13,877	26,822	40,699

BUDGETARY COMPARISON SCHEDULES

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,718,432		\$ 2,718,432	\$ 2,718,432	
Tuition	20,000		20,000	17,750	\$ (2,250)
Interest on Capital Reserve	20		20	2	(18)
Miscellaneous	53,011		53,011	50,622	(2,389)
Total - Local Sources	2,791,463		2,791,463	2,786,806	(4,657)
State Sources:					
Equalization Aid	795,012		795,012	835,075	40,063
Special Education Categorical Aid	155,673		155,673	155,673	
Extraordinary Aid	125,000		125,000	95,229	(29,771)
NonPublic Transportation Aid				870	870
Nonbudgeted:					
On-Behalf TPAF Pension Contributions				70,838	70,838
On-Behalf Post Retirement Benefit Contributions				142,404	142,404
Reimbursed TPAF FICA Contributions				166,291	166,291
Total State Sources	1,075,685		1,075,685	1,466,380	390,695
Federal Sources:					
Education Jobs Fund	23,314		23,314	21,538	(1,776)
Total Federal Sources	23,314		23,314	21,538	(1,776)
TOTAL REVENUES	3,890,462		3,890,462	4,274,724	384,262

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

EXPENDITURES:	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 138,712		\$ 138,712	\$ 135,862	\$ 2,850
Grades 1-5 - Salaries of Teachers	833,168		833,168	805,113	28,055
Grades 6-8 - Salaries of Teachers	504,010		504,010	507,680	(3,670)
Regular Programs - Home Instruction:					
Salaries of Teachers	2,500		2,500	490	2,010
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	77,557		77,557	95,277	(17,720)
Purchased Professional - Educational Services	250		250	250	250
Other Purchased Services (400-500 series)	3,130	\$ 860	3,990	3,320	670
General Supplies	75,000	(4,936)	70,064	50,892	19,172
Textbooks	15,000	4,076	19,076	19,075	1
Other Objects	200		200	200	200
Total Regular Programs - Instruction	<u>1,649,527</u>		<u>1,649,527</u>	<u>1,617,709</u>	<u>31,818</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	220,549		220,549	213,648	6,901
General Supplies	1,000		1,000	784	216
Total Learning and/or Language Disabilities	<u>221,549</u>		<u>221,549</u>	<u>214,432</u>	<u>7,117</u>
Resource Room/Resource Center:					
Salaries of Teachers	220,549		220,549	213,728	6,821
General Supplies	1,000		1,000	721	279
Total Resource Room/Resource Center	<u>221,549</u>		<u>221,549</u>	<u>214,449</u>	<u>7,100</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Home Instruction:					
Salaries of Teachers	\$ 2,500		\$ 2,500	\$ 140	\$ 2,360
Total Home Instruction	2,500		2,500	140	2,360
Total Special Education Instruction	445,598		445,598	429,021	16,577
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	23,314		23,314	29,298	(5,984)
General Supplies	250		250	233	17
Total Basic Skills/Remedial - Instruction	23,564		23,564	29,531	(5,967)
Bilingual Education - Instruction:					
Salaries of Teachers	25,000		25,000		25,000
General Supplies	250		250		250
Total Bilingual Education - Instruction	25,250		25,250		25,250
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	20,000		20,000	19,269	731
Purchased Services (300-500 series)	5,000	\$ 490	5,490	5,490	
Total School-Sponsored Cocurricular Activities - Instruction	25,000	490	25,490	24,759	731

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 4,500		\$ 4,500	\$ 4,394	\$ 106
Purchased Services (300-500 series)	2,100	\$ (490)	1,610	1,100	510
Supplies and Materials	1,200		1,200	299	901
Other Objects	500		500		500
Total School-Sponsored Cocurricular Athletics - Instruction	8,300	(490)	7,810	5,793	2,017
Community Services Program:					
Supplies and Materials	250		250		250
Total Community Services Program	250		250		250
Total Instruction	2,177,489		2,177,489	2,106,813	70,676
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special		5,510	5,510	5,510	
Tuition to Private Schools for the Disabled - Within the State	15,000	18,093	33,093	37,040	(3,947)
Total Undistributed Expenditures - Instruction:	15,000	23,603	38,603	42,550	(3,947)
Attendance and Social Work Services:					
Supplies and Materials	100		100		100
Total Attendance and Social Work Services	100		100		100

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 64,005	\$ 425	\$ 64,430	\$ 63,682	\$ 748
Purchased Professional and Technical Services	2,500		2,500	2,500	
Supplies and Materials	2,000	(450)	1,550	1,213	337
Other Objects	500		500	130	370
Total Health Services	69,005	(25)	68,980	67,525	1,455
Speech, OT, PT and Related Services:					
Salaries	42,000		42,000	41,923	77
Purchased Professional - Educational Services	12,500	4,406	16,906	16,906	
Supplies and Materials	750		750	447	303
Total Speech, OT, PT and Related Services	55,250	4,406	59,656	59,276	380
Other Support Services - Students - Extraordinary					
Purchased Professional - Educational Services	80,000	17,992	97,992	91,405	6,587
Total Other Support Services - Students - Extraordinary	80,000	17,992	97,992	91,405	6,587
Guidance:					
Salaries of Other Professional Staff	35,000		35,000	31,964	3,036
Salaries of Secretarial and Clerical Assistants	16,313	273	16,586	16,586	
Other Purchased Services (400-500 series)	3,000	(1,486)	1,514	1,514	
Supplies and Materials	2,000		2,000	2,000	
Total Guidance	56,313	(1,213)	55,100	52,064	3,036

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 83,520		\$ 83,520	\$ 60,515	\$ 23,005
Purchased Professional - Educational Services	5,000		5,000	1,255	3,745
Miscellaneous Purchased Services (400-500 Series)	500		500	161	339
Supplies and Materials	1,500		1,500	956	544
Total Child Study Teams	90,520		90,520	62,887	27,633
Educational Media Services/School Library:					
Salaries	2,000		2,000		2,000
Supplies and Materials	1,000		1,000	102	898
Total Educational Media Services/School Library	3,000		3,000	102	2,898
Instructional Staff Training Services:					
Purchased Professional - Educational Services	1,000		1,000	230	770
Purchased Professional and Technical Services	250		250		250
Total Instructional Staff Training Services	1,250		1,250	230	1,020
General Administration:					
Salaries	83,895	\$ (55,140)	28,755	26,737	2,018
Legal Services	18,000		18,000	14,454	3,546
Audit Fees	13,000		13,000	12,500	500
Other Purchased Professional Services		50,000	50,000	48,354	1,646
Purchased Technical Services	3,950	(3,950)			
Communications/Telephone	12,000	(1,875)	10,125	5,150	4,975

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
General Administration: (Cont'd)					
Board of Education Other Purchased Services	\$ 750	\$ (750)			
Miscellaneous Purchased Services (400-500 series)	5,000	6,575	\$ 11,575	\$ 6,153	\$ 5,422
General Supplies	4,000		4,000	2,688	1,312
Miscellaneous Expenditures	2,650		2,650	639	2,011
Board of Education Membership Dues and Fees	3,500		3,500	3,467	33
Total General Administration	146,745	(5,140)	141,605	120,142	21,463
School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	55,000	6,058	61,058	61,058	
Salaries of Secretarial and Clerical Assistants	38,069	1,025	39,094	39,094	
Supplies and Materials	4,000		4,000	2,553	1,447
Other Objects	2,000		2,000	1,589	411
Total School Administration	99,069	7,083	106,152	104,294	1,858
Central Services:					
Salaries	85,104		85,104	85,539	(435)
Purchased Professional Services	200	4,300	4,500	3,535	965
Other Purchased Services (400-500 series)	325	2,840	3,165	2,976	189
Sale/Lease Back Payments	22,849	1,028	23,877	23,877	
Supplies and Materials	2,141		2,141	1,124	1,017
Interest on Lease Purchase Agreements	4,597		4,597	4,597	
Miscellaneous Expenditures	350		350	325	25
Total Central Services	115,566	8,168	123,734	121,973	1,761

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Administrative Information Technology:					
Purchased Professional Services	\$ 6,500	\$ 900	\$ 7,400	\$ 7,395	\$ 5
Supplies and Materials	500	120	620	617	3
Total Administrative Information Technology	7,000	1,020	8,020	8,012	8
Required Maintenance of School Facilities:					
Salaries	15,000		15,000	21,084	(6,084)
Cleaning, Repair and Maintenance Services	31,000		31,000	18,875	12,125
General Supplies	5,000		5,000	942	4,058
Total Required Maintenance of School Facilities	51,000		51,000	40,901	10,099
Custodial Services:					
Salaries	111,721	(440)	111,281	120,191	(8,910)
Cleaning, Repair and Maintenance Services	13,700	582	14,282	8,860	5,422
Insurance	30,000	(4,168)	25,832	25,831	1
General Supplies	21,000	4,606	25,606	24,226	1,380
Energy (Natural Gas)	60,000	(60,000)			
Energy (Electricity)	64,000	11,602	75,602	58,345	17,257
Other Objects	500		500	80	420
Total Custodial Services	300,921	(47,818)	253,103	237,533	15,570

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Contracted Services:					
Other than Between Home and School - Vendors	\$ 9,500	\$ (2,964)	\$ 6,536	\$ 5,536	\$ 1,000
Special Education Students - ESCs & CTSA's	12,000	5,900	17,900	17,841	59
Aid in Lieu Payments - Charter School	5,250	918	6,168	6,168	
Miscellaneous Purchased Services - Transportation	100		100		100
Total Student Transportation Services	26,850	3,854	30,704	29,545	1,159
Allocated Benefits - Employee Benefits:					
Regular Programs:					
Social Security Contributions	12,500	10,050	22,550	25,024	(2,474)
Other Retirement Contributions - PERS	10,000	10,000	20,000	20,000	
Health Benefits	294,588	30,500	325,088	274,879	50,209
Other Employee Benefits	6,685		6,685	6,685	
Total Allocated Benefits - Regular Programs	323,773	50,550	374,323	326,588	47,735
Special Programs:					
Health Benefits	85,829		85,829	72,380	13,449
Total Allocated Benefits - Special Programs	85,829		85,829	72,380	13,449
Other Instructional Programs - Instruction					
Social Security Contributions	2,500		2,500	1,326	1,174
Total Allocated Benefits - Other Instructional Programs	2,500		2,500	1,326	1,174

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Allocated Benefits - Employee Benefits: (Cont'd)					
Health Services:					
Health Benefits	\$ 23,052	\$ (1,134)	\$ 21,918	\$ 18,341	\$ 3,577
Total Allocated Benefits - Health Services	<u>23,052</u>	<u>(1,134)</u>	<u>21,918</u>	<u>18,341</u>	<u>3,577</u>
Guidance:					
Social Security Contributions	1,400		1,400	1,339	61
Health Benefits	16,081	(2,900)	13,181	3,193	9,988
Total Allocated Benefits - Guidance	<u>17,481</u>	<u>(2,900)</u>	<u>14,581</u>	<u>4,532</u>	<u>10,049</u>
Child Study Team:					
Health Benefits	20,000	(4,468)	15,532	11,547	3,985
Total Allocated Benefits - Child Study Team	<u>20,000</u>	<u>(4,468)</u>	<u>15,532</u>	<u>11,547</u>	<u>3,985</u>
General Administration					
Social Security Contributions	3,500		3,500	2,796	704
Other Retirement Contributions - PERS	8,154		8,154	6,775	1,379
Health Benefits	12,000		12,000	5,200	6,800
Total Allocated Benefits - General Administration	<u>23,654</u>		<u>23,654</u>	<u>14,771</u>	<u>8,883</u>
School Administration					
Social Security Contributions	3,200		3,200	4,681	(1,481)
Other Retirement Contributions - PERS	6,245		6,245	2,245	4,000
Health Benefits	22,000		22,000	17,587	4,413
Total Allocated Benefits - School Administration	<u>31,445</u>		<u>31,445</u>	<u>24,513</u>	<u>6,932</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Allocated Benefits - Employee Benefits: (Cont'd)					
Central Services:					
Social Security Contributions	\$ 1,000		\$ 1,000	\$ 454	\$ 546
Other Retirement Contributions - PERS	3,600	\$ (3,428)	172		172
Health Benefits	23,000		23,000	17,403	5,597
Total Allocated Benefits - Central Services	27,600	(3,428)	24,172	17,857	6,315
Administrative Information Technology:					
Social Security Contributions	10,050	(10,050)			
Other Retirement Contributions - PERS	10,000	(10,000)			
Health Benefits	40,000	(40,000)			
Total Allocated Benefits - Administrative Information Technology	60,050	(60,050)			
Operation and Maintenance of Plant Services:					
Social Security Contributions	1,150	3,850	5,000	5,136	(136)
Unemployment Compensation	100	(100)			
Workmen's Compensation	750	(750)			
Health Benefits	3,000	(3,000)			
Total Allocated Benefits - Operation/Maintenance of Plant	5,000		5,000	5,136	(136)
Total Allocated Benefits	620,384	(21,430)	598,954	496,991	101,963

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits - Employee Benefits:					
Unemployment Compensation	\$ 8,000		\$ 8,000	\$ 9,060	\$ (1,060)
Workmen's Compensation	26,000		26,000	23,427	2,573
Tuition Reimbursement	11,500	\$ 9,500	21,000	20,534	466
Other Employee Benefits	500		500	114	386
Total Unallocated Benefits - Employee Benefits	46,000	9,500	55,500	53,135	2,365
Nonbudgeted:					
On-Behalf TPAF Pension Contributions				70,838	(70,838)
On-Behalf Post Retirement Benefit Contributions				142,404	(142,404)
Reimbursed TPAF FICA Contributions				166,291	(166,291)
Total On-Behalf Payments				379,533	(379,533)
Total Personal Services - Employee Benefits	666,384	(11,930)	654,454	929,659	(275,205)
Total Undistributed Expenditures	1,783,973		1,783,973	1,968,098	(184,125)
TOTAL GENERAL CURRENT EXPENSE	3,961,462		3,961,462	4,074,911	(113,449)
CAPITAL OUTLAY					
Equipment:					
Other Support Services - Instructional Staff	20,000	(20,000)			
General Administration		24,000	24,000	27,538	(3,538)
Administration Information Technology	4,000	(4,000)			
Total Equipment	24,000		24,000	27,538	(3,538)

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Other Objects				\$ 3,284	\$ (3,284)
Total Facilities Acquisition and Construction Services				3,284	(3,284)
TOTAL CAPITAL OUTLAY	\$ 24,000		\$ 24,000	30,822	(6,822)
TOTAL EXPENDITURES	3,985,462		3,985,462	4,105,733	(120,271)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(95,000)		(95,000)	168,991	263,991
Fund Balance, July 1	507,244		507,244	507,244	
Fund Balance, June 30	<u>\$ 412,244</u>	<u>\$ -0-</u>	<u>\$ 412,244</u>	<u>\$ 676,235</u>	<u>\$ 263,991</u>
Analysis of Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 4,712	
Excess Surplus				217,266	
Excess Surplus - Designated for Subsequent Years				126,827	
Assigned Fund Balance:					
Year-End Encumbrances				76,590	
Unassigned Fund Balance				<u>250,840</u>	
Fund Balance per Governmental Funds (Budgetary Basis)				676,235	
Reconciliation to Governmental Funds Statements (GAAP):					
Less: Last state aid payment not recognized on a GAAP basis				<u>91,401</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 584,834</u>	

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 2,800	\$ 2,800		\$ (2,800)
State Sources	\$ 150,000	(65,997)	84,003	\$ 61,742	(22,261)
Federal Sources	113,000	111,701	224,701	198,513	(26,188)
Total Revenues	<u>\$ 263,000</u>	<u>\$ 48,504</u>	<u>\$ 311,504</u>	<u>\$ 260,255</u>	<u>\$ (51,249)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	\$ 33,000	\$ 103,808	\$ 136,808	\$ 115,445	\$ 21,363
Other Salaries for Instruction	65,000	(61,545)	3,455	3,455	
Other Purchased Services	120,000	(44,111)	75,889	53,912	21,977
General Supplies		54,390	54,390	50,090	4,300
Textbooks	20,000	(11,886)	8,114	7,830	284
Total Instruction	<u>238,000</u>	<u>40,656</u>	<u>278,656</u>	<u>230,732</u>	<u>47,924</u>
Support Services					
Salaries of Other Professional Staff					
Purchased Professional - Educational Services	5,000	19,966	24,966	24,441	525
Personal Services - Employee Benefits	10,000	(10,000)			
Other Purchased Professional Services		5,082	5,082	5,082	
General Supplies		2,800	2,800		2,800
Total Support Services	<u>15,000</u>	<u>17,848</u>	<u>32,848</u>	<u>29,523</u>	<u>3,325</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	10,000	(10,000)			
Total Facilities Acquisition and Construction Services	<u>10,000</u>	<u>(10,000)</u>			
Total Expenditures	<u>\$ 263,000</u>	<u>\$ 48,504</u>	<u>\$ 311,504</u>	<u>\$ 260,255</u>	<u>\$ 51,249</u>

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 4,274,724	\$ 260,255
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not.		(23,066)
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(91,401)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	76,782	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 4,260,105	\$ 237,189
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 4,105,733	\$ 260,255
Differences - Budget to GAAP		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not.		(23,066)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 4,105,733	\$ 237,189

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the school on the fourth Wednesday in April 2011. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The general fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last state aid payments for the current year. Since the State is recording the last state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

NETCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	No Child Left Behind			
	Title I	Title II Part A	Title III	Title II Part A Carryover
REVENUE:				
State Sources				
Federal Sources	\$ 52,916	\$ 10,003	\$ 12,034	\$ 1,381
Total Revenue	<u>52,916</u>	<u>10,003</u>	<u>12,034</u>	<u>1,381</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	52,916	1,380	6,091	1,381
Other Salaries for Instruction				
Other Purchased Services				
General Supplies		3,233	5,943	
Textbooks				
Total Instruction	<u>52,916</u>	<u>4,613</u>	<u>12,034</u>	<u>1,381</u>
Support Services:				
Purchased Professional/Educational Services		308		
Other Purchased Professional Services		5,082		
Total Support Services		<u>5,390</u>		
Total Expenditures	<u>\$ 52,916</u>	<u>\$ 10,003</u>	<u>\$ 12,034</u>	<u>\$ 1,381</u>

NETCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	IDEA Part B			Nonpublic Textbook
	Basic	Basic Carryover	Preschool	
REVENUE:				
State Sources				\$ 7,830
Federal Sources	\$ 99,367	\$ 17,300	\$ 5,512	
Total Revenue	<u>99,367</u>	<u>17,300</u>	<u>5,512</u>	<u>7,830</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	53,677			
Other Salaries for Instruction	3,455			
Other Purchased Services				
General Supplies	18,102	17,300	5,512	
Textbooks				7,830
Total Instruction	<u>75,234</u>	<u>17,300</u>	<u>5,512</u>	<u>7,830</u>
Support Services:				
Purchased Professional/Educational Services	24,133			
Other Purchased Professional Services				
Total Support Services	<u>24,133</u>			
Total Expenditures	<u>\$ 99,367</u>	<u>\$ 17,300</u>	<u>\$ 5,512</u>	<u>\$ 7,830</u>

NETCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Chapter 192</u> <u>Compensatory</u> <u>Education</u>	<u>Examination/</u> <u>Classification</u>	<u>Chapter 193</u> <u>Corrective</u> <u>Speech</u>	<u>Supplementary</u> <u>Instruction</u>
REVENUE:				
State Sources	\$ 15,046	\$ 10,624	\$ 10,900	5,752
Federal Sources				
Total Revenue	<u>15,046</u>	<u>10,624</u>	<u>10,900</u>	<u>5,752</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				
Other Salaries for Instruction				
Other Purchased Services	15,046	10,624	10,900	5,752
General Supplies				
Textbooks				
Total Instruction	<u>15,046</u>	<u>10,624</u>	<u>10,900</u>	<u>5,752</u>
Support Services:				
Purchased Professional/Educational Services				
Other Purchased Professional Services				
Total Support Services				
Total Expenditures	<u>\$ 15,046</u>	<u>\$ 10,624</u>	<u>\$ 10,900</u>	<u>\$ 5,752</u>

NETCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Nonpublic Nursing	Total
REVENUE:		
State Sources	\$ 11,590	\$ 61,742
Federal Sources		198,513
	11,590	260,255
Total Revenue	11,590	260,255
EXPENDITURES:		
Instruction:		
Salaries of Teachers		115,445
Other Salaries for Instruction		3,455
Other Purchased Services	11,590	53,912
General Supplies		50,090
Textbooks		7,830
	11,590	230,732
Total Instruction	11,590	230,732
Support Services:		
Purchased Professional/Educational Services		24,441
Other Purchased Professional Services		5,082
		29,523
Total Support Services		29,523
Total Expenditures	\$ 11,590	\$ 260,255

NETCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

CAPITAL PROJECTS FUND

Exhibit F-1

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

<u>Expenditures:</u>	
Purchased Professional and Technical Services	\$ 103,031
Construction Services	2,285,407
Total Expenditures	<u>2,388,438</u>
Excess/(Deficiency) of Revenues and Other Financing Sources	
Over/(Under) Expenditures and Other Financing (Uses)	(2,388,438)
Fund Balance - Beginning Balance	<u>3,104,497</u>
Fund Balance - Ending Balance	<u>\$ 716,059</u>
<u>Recapitulation:</u>	
Restricted Fund Balance	\$ 716,059
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	<u>(1,516,840)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ (800,781)</u>

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
BOILER REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
SDA Grant	\$ 154,508		\$ 154,508	\$ 154,508
Lease Purchase Proceeds	140,928		140,928	140,928
Transfer from Capital Reserve	85,000		85,000	85,000
Total Revenues and Other Financing Sources:	380,436		380,436	380,436
Expenditures:				
Purchased Professional and Technical Services	58,350		58,350	60,000
Construction Services	315,104		315,104	320,436
Total Expenditures	373,454		373,454	380,436
Excess of Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Sources	<u>\$ 6,982</u>	<u>\$ -0-</u>	<u>\$ 6,982</u>	<u>\$ -0-</u>

Additional Project Information:

Project Numbers	3520-060-09-1001
Grant Date	01/15/09
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 386,058
SDA Grant Cancelled	\$ (5,622)
Revised Authorized Cost	\$ 380,436
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	September 2009
Revised Target Completion Date	September 2010

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
RENOVATIONS TO THE NETCONG ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
SDA Grant	\$ 1,516,840		\$ 1,516,840	\$ 1,516,840
Bond Proceeds	2,027,000		2,027,000	2,027,162
Total Revenues and Other Financing Sources:	<u>3,543,840</u>		<u>3,543,840</u>	<u>3,544,002</u>
Expenditures:				
Purchased Professional and Technical Services	287,650	\$ 103,031	390,681	384,100
Construction Services	158,675	2,285,407	2,444,082	3,159,740
Total Expenditures	<u>446,325</u>	<u>2,388,438</u>	<u>2,834,763</u>	<u>3,543,840</u>
Excess of Revenue and Other Financing Sources Over/Under Expenditures and Other Financing Sources	<u>\$ 3,097,515</u>	<u>\$ (2,388,438)</u>	<u>\$ 709,077</u>	<u>\$ 162</u>

Additional Project Information:

Project Number:	3520-090-10-1001, 3520-060-10-1002, and 3520-060-10-1003
Grant Date:	07/23/10
Bond Authorization Date:	9/28/2010
Bonds Authorized:	\$ 2,027,162
Bonds Issued:	\$ 2,027,000
Original Authorized Cost:	\$ 3,544,002
Revised Authorized Cost:	\$ 3,544,002
Percentage Increase over Original Authorized Cost:	N/A
Percentage Completion:	79.99%
Original Target Completion Date:	September 1, 2012
Revised Target Completion Date:	September 1, 2012

PROPRIETARY FUNDS

Exhibit G-1

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS:

Current Assets:

Accounts Receivable	\$ 143
Intergovernmental Receivable:	
Federal	2,339
State	64
Interfund Receivable	14,549
Inventory	459
	<hr/>
Total Current Assets	17,554
	<hr/>

Non-Current Assets:

Capital Assets	
Depreciable Furniture and Equipment, Net	31,084
	<hr/>
Total Non-Current Assets	31,084
	<hr/>

Total Assets	48,638
	<hr/>

LIABILITIES:

Accounts Payable	11,242
Deferred Revenue	46
	<hr/>
Total Current Liabilities	11,288
	<hr/>

Total Liabilities	11,288
	<hr/>

NET ASSETS:

Investment in Capital Assets Net of Related Debt	31,084
Unrestricted	6,266
	<hr/>
Total Net Assets	\$ 37,350
	<hr/> <hr/>

Exhibit G-2

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 25,572
Daily Sales - Non-Reimbursable Programs	8,604
Miscellaneous	87
	<hr/>
Total Operating Revenue	34,263
	<hr/>
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	29,365
Cost of Sales	41,296
Supplies, Insurance & Other Costs	5,326
Purchased Professional Services	4,095
Depreciation Expense	3,807
	<hr/>
Total Operating Expenses	83,889
	<hr/>
Operating Loss	(49,626)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	36,977
National School Breakfast Program	2,328
Food Distribution Program	5,833
State Sources	
State School Lunch Program	1,089
Interest and Investment Revenue	50
	<hr/>
Total Non-Operating Revenue	46,277
	<hr/>
Change in Net Assets	(3,349)
	<hr/>
Net Assets - Beginning of Year (As Restated)	40,699
	<hr/>
Net Assets - End of Year	\$ 37,350
	<hr/> <hr/>

Exhibit G-3

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 21,622
Payments to Employees	(29,365)
Payments to Food Service Vendor	(33,613)
Net Cash Used for Operating Activities	<u>(41,356)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(2,950)
Net Cash Used for Capital and Related Financing Activities	<u>(2,950)</u>
Cash Flows from Investing Activities:	
Interest on Investments	50
Net Cash Provided by Investing Activities	<u>50</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	37,991
Net Cash Provided by Noncapital Financing Activities	<u>37,991</u>
Net Decrease in Cash and Cash Equivalents	(6,265)
Cash and Cash Equivalents, July 1	<u>6,265</u>
Cash and Cash Equivalents, June 30	<u>\$ -0-</u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (49,626)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	3,807
Food Distribution Program	5,833
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	2,060
(Increase) in Inventory	(17)
(Increase) in Interfund Receivable	(14,701)
Increase in Accounts Payable	11,242
Increase in Deferred Revenue	46
Net Cash (Used for) Operating Activities	<u>\$ (41,356)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$5,879 and utilized U.S.D.A. Commodities valued at \$5,833.

FIDUCIARY FUNDS

Exhibit H-1

NETCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Agency</u>		
	<u>Student Activity</u>	<u>Payroll</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 14,903	\$ 16,605	\$ 31,508
Total Assets	<u>14,903</u>	<u>16,605</u>	<u>31,508</u>
LIABILITIES:			
Payroll Deductions and Withholdings		16,605	16,605
Due to Student Groups	<u>14,903</u>		<u>14,903</u>
Total Liabilities	<u>\$ 14,903</u>	<u>\$ 16,605</u>	<u>\$ 31,508</u>

NETCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

Exhibit H-3

NETCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 12,205	\$ 40,570	\$ 37,872	\$ 14,903
Total Assets	<u>\$ 12,205</u>	<u>\$ 40,570</u>	<u>\$ 37,872</u>	<u>\$ 14,903</u>
LIABILITIES:				
Due to Student Groups	\$ 12,205	\$ 40,570	\$ 37,872	\$ 14,903
Total Liabilities	<u>\$ 12,205</u>	<u>\$ 40,570</u>	<u>\$ 37,872</u>	<u>\$ 14,903</u>

NETCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Netcong Elementary School	<u>\$ 12,205</u>	<u>\$ 40,570</u>	<u>\$ 37,872</u>	<u>\$ 14,903</u>
Total All Schools	<u>\$ 12,205</u>	<u>\$ 40,570</u>	<u>\$ 37,872</u>	<u>\$ 14,903</u>

Exhibit H-5

NETCONG BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ (5,187)	\$ 2,994,356	\$ 2,972,564	\$ 16,605
Total Assets	<u>\$ (5,187)</u>	<u>\$ 2,994,356</u>	<u>\$ 2,972,564</u>	<u>\$ 16,605</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ (5,189)	\$ 1,165,650	\$ 1,143,856	\$ 16,605
Net Salaries and Wages	2	1,828,706	1,828,708	
Total Liabilities	<u>\$ (5,187)</u>	<u>\$ 2,994,356</u>	<u>\$ 2,972,564</u>	<u>\$ 16,605</u>

LONG-TERM DEBT

NETCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2012		Interest Rate	Balance June 30, 2011	Matured	Balance June 30, 2012
			Date	Amount				
School Bonds	05/12/11	\$ 2,027,000	5/15/2013	\$ 70,000	2.250%			
			5/15/2014	70,000	2.250%			
			5/15/2015	75,000	2.250%			
			5/15/2016	80,000	2.375%			
			5/15/2017	85,000	2.750%			
			5/15/2018	85,000	3.000%			
			5/15/2019	95,000	3.125%			
			5/15/2020	95,000	3.125%			
			5/15/2021	100,000	3.250%			
			5/15/2022	105,000	4.500%			
			5/15/2023	110,000	4.500%			
			5/15/2024	115,000	4.500%			
			5/15/2025	120,000	4.500%			
			5/15/2026	120,000	4.500%			
			5/15/2027	125,000	4.500%			
			5/15/2028	125,000	4.500%			
			5/15/2029	130,000	4.500%			
			5/15/2030	130,000	4.500%			
			5/15/2031	127,000	4.500%			
						\$ 2,027,000	\$ 65,000	\$ 1,962,000
						<u>\$ 2,027,000</u>	<u>\$ 65,000</u>	<u>\$ 1,962,000</u>

Exhibit I-2

NETCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2011</u>	<u>Matured</u>	<u>Balance June 30, 2012</u>
Boiler Replacement	4.50%	\$ 125,000	\$ 102,151	\$ 23,877	\$ 78,274
			<u>\$ 102,151</u>	<u>\$ 23,877</u>	<u>\$ 78,274</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 139,250		\$ 139,250	\$ 139,250	
Total Revenues	<u>139,250</u>		<u>139,250</u>	<u>139,250</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	74,250		74,250	74,250	
Redemption of Principal	<u>65,000</u>		<u>65,000</u>	<u>65,000</u>	
Total Regular Debt Service	<u>139,250</u>		<u>139,250</u>	<u>139,250</u>	
Total Expenditures	<u>139,250</u>		<u>139,250</u>	<u>139,250</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures					
Fund Balance, July 1					
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION
(UNAUDITED)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The District implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

NETCONG BOROUGH SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:									
Invested in Capital Assets, Net of Related Debt	\$ 675,675	\$ 1,339,732	\$ 1,314,824	\$ 1,443,594	\$ 1,386,165	\$ 1,369,758	\$ 1,565,309	\$ (1,347)	\$ 2,391,653
Restricted	1,111,221	319,874	261,869	95,988	44,578	510,150	12,626	1,814,214	348,805
Unrestricted/(Deficit)	(2,408)	(16,109)	(27,395)	72,796	106,647	(90,507)	36,649	97,739	(643,303)
Total Governmental Activities	\$ 1,784,488	\$ 1,643,497	\$ 1,549,298	\$ 1,612,378	\$ 1,537,390	\$ 1,789,401	\$ 1,614,584	\$ 1,910,606	\$ 2,097,155
Business-type Activities:									
Invested in Capital Assets, Net of Related Debt	\$ 1,335	\$ 2,154	\$ 1,924	\$ 1,694	\$ 1,464	\$ 2,909	\$ 2,539	\$ 5,119	\$ 31,084
Unrestricted/ (Deficit)	8,668	8,350	12,651	10,564	11,737	16,484	8,091	8,757	6,266
Total Business-Type Activities	\$ 10,003	\$ 10,504	\$ 14,575	\$ 12,258	\$ 13,201	\$ 19,393	\$ 10,630	\$ 13,876	\$ 37,350
District-wide:									
Invested in Capital Assets, Net of Related Debt	\$ 677,010	\$ 1,341,886	\$ 1,316,748	\$ 1,445,288	\$ 1,387,629	\$ 1,372,667	\$ 1,567,848	\$ 3,772	\$ 2,422,737
Restricted	1,111,221	319,874	261,869	95,988	44,578	510,150	12,626	1,814,214	348,805
Unrestricted	6,260	(7,759)	(14,744)	83,360	118,384	(74,023)	44,740	106,496	(637,037)
Total District-Wide Net Assets	\$ 1,794,491	\$ 1,654,001	\$ 1,563,873	\$ 1,624,636	\$ 1,550,591	\$ 1,808,794	\$ 1,625,214	\$ 1,924,482	\$ 2,134,505

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:									
Governmental Activities:									
Instruction:									
Regular	\$ 1,905,904	\$ 1,812,305	\$ 2,198,141	\$ 2,211,072	\$ 2,216,848	\$ 2,152,490	\$ 2,180,516	\$ 2,108,316	\$ 2,365,805
Special Education	497,830	620,449	516,867	685,686	761,135	740,473	723,124	833,346	685,609
Other Instruction	117,402	166,679	109,824	111,639	123,526	127,915	142,052	51,099	36,689
School Sponsored Instruction									35,263
Support Services:									
Tuition		7,673	5,488	2,526	4,508	71,737	11,576	61,629	42,550
Student & Instruction Related Services	483,429	466,024	412,849	454,973	449,480	454,521	499,572	430,902	372,350
General Administrative Services	359,425	316,291	349,931	331,466	287,639	286,479	302,516	285,703	135,467
School Administrative Services	160,698	129,549	99,501	109,290	106,015	122,394	122,261	129,509	151,594
Central Services									117,723
Administration Information Technology									8,012
Plant Operations and Maintenance	302,848	281,599	361,122	359,914	379,865	393,255	409,875	275,380	287,218
Pupil Transportation	32,778	56,891	43,678	36,517	28,745	55,873	54,437	55,140	29,545
Unallocated Depreciation									32,558
Capital Outlay									10,063
Interest on Long-Term Debt								8,989	74,652
Total Governmental Activities	3,860,314	3,857,460	4,107,701	4,311,089	4,357,761	4,405,137	4,445,929	4,240,013	4,385,098
Business-Type Activities:									
Food Service	18,486	34,954	72,901	77,636	78,920	76,316	79,596	78,818	83,889
After Care Program						22,228	8,313		
Total Business-Type Activities	18,486	34,954	72,901	77,636	78,920	98,544	87,909	78,818	83,889
Total District-wide Expenses	3,878,800	3,892,414	4,180,602	4,388,725	4,436,681	4,503,681	4,533,838	4,318,831	4,468,987
Program Revenues:									
Governmental Activities:									
Operating Grants and Contributions	755,962	766,733	810,592	989,940	998,343	630,004	941,538	935,539	1,614,389
Total Governmental Activities	755,962	766,733	810,592	989,940	998,343	630,004	941,538	935,539	1,614,389

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues:									
Business-type Activities:									
Charges for Services:									
Food Service	\$ 8,130	\$ 22,541	\$ 54,012	\$ 47,932	\$ 49,069	\$ 45,524	\$ 37,898	\$ 40,902	\$ 34,263
Child Care						28,331	5,289		
Operating Grants and Contributions	10,987	12,720	22,640	26,761	30,484	30,449	39,271	41,136	46,227
Total Business-Type Activities	19,117	35,261	76,652	74,693	79,553	104,304	82,458	82,038	80,490
Total District-wWde Program Revenues	775,079	801,994	887,244	1,064,633	1,077,896	734,308	1,023,996	1,017,577	1,694,879
Net (Expense)/Revenue:									
Governmental Activities	(3,104,352)	(3,090,727)	(3,297,109)	(3,321,149)	(3,359,418)	(3,775,133)	(3,504,391)	(3,304,474)	(2,770,709)
Business-Type Activities	631	307	3,751	(2,943)	633	5,760	(5,451)	3,220	(3,399)
Total District-Wide Net (Expense)/Revenue	(3,103,721)	(3,090,420)	(3,293,358)	(3,324,092)	(3,358,785)	(3,769,373)	(3,509,842)	(3,301,254)	(2,774,108)
General Revenues and Other Changes in Net Assets:									
Governmental Activities:									
Property Taxes Levied for General Purposes, Net	2,367,298	2,338,068	2,555,346	2,713,134	2,635,485	2,635,485	2,635,485	2,718,432	2,718,432
Taxes Levied for Debt Service									139,250
Federal and State Aid not Restricted	605,061	587,657	613,852	598,693	621,578	1,153,676	932,374	760,595	96,099
N.J. Economic Development Authority Grants	407,844			(11,958)					
Tuition Charges						4,150	6,000	20,154	
Investment Earnings	11,495	9,944	22,716	22,955	12,833	4,816	2,742	1,804	2
Miscellaneous Income	76,771	14,066	10,995	14,063	14,589	229,018	3,204	99,510	68,372
Prior Year Adjustment-Reallocate Expenditures Transfers	(1,000)			47,345			(40,229)	(210,000)	
Total Governmental Activities	3,467,469	2,949,735	3,202,909	3,384,232	3,284,485	4,027,145	3,329,576	3,600,495	3,022,155

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets:									
Business-Type Activities									
Investment Earnings	\$ 5	\$ 193	\$ 320	\$ 626	\$ 310	\$ 150	\$ 80	\$ 32	\$ 50
Miscellaneous Income	1,000						(3,393)	(4)	
Transfers									
Total Business-type Activities	1,005	193	320	626	310	150	(3,313)	28	50
Total District-wide General Revenues and Other Changes in Net Assets	\$ 3,468,474	2,949,928	3,203,229	3,384,858	3,284,795	4,027,295	\$ 3,326,263	\$ 3,600,523	\$ 3,022,205
Change in Net Assets:									
Governmental Activities	363,117	(140,992)	(94,200)	63,083	(74,933)	252,012	(174,815)	296,021	251,446
Business-Type Activities	1,636	500	4,071	(2,317)	943	5,910	(8,764)	3,248	(3,349)
Total District-Wide Change in Net Assets	\$ 364,753	\$ (140,492)	\$ (90,129)	\$ 60,766	\$ (73,990)	\$ 257,922	\$ (183,579)	\$ 299,269	\$ 248,097

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2004.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:									
Reserved	\$ 479,696	\$ 372,888	\$ 197,262	\$ 95,988	\$ 46,466	\$ 147,554			
Unreserved	92,216	71,747	68,463	158,206	192,283	(4,381)	\$ 132,584	\$ 203,905	
Restricted							4,693	226,557	\$ 348,805
Assigned									76,590
Unassigned									159,439
Total General Fund	\$ 571,912	\$ 444,635	\$ 265,725	\$ 254,194	\$ 238,749	\$ 143,173	\$ 137,277	\$ 430,462	\$ 584,834
All Other Governmental Funds:									
Reserved		\$ 10,950	\$ 1,555						
Unreserved (Deficit):									
Special Revenue Fund/(Deficit)	(280)	(280)	(366)		\$ (1,888)				
Capital Projects Fund	631,805	(63,683)	63,419			\$ 362,596	\$ 7,932		
Restricted								\$ 1,587,657	
Unassigned (Deficit)									\$ (800,781)
Total All Other Governmental Funds	\$ 631,525	\$ (53,013)	\$ 64,608		\$ (1,888)	\$ 362,596	\$ 7,932	\$ 1,587,657	\$ (800,781)
Total All Governmental Funds:									
Reserved	\$ 479,696	\$ 383,838	\$ 198,817	\$ 95,988	\$ 46,466	\$ 147,554			
Unreserved	723,741	7,784	131,516	158,206	190,395	358,215	\$ 140,516	\$ 203,905	
Restricted								1,814,214	\$ 348,805
Assigned									76,590
Unassigned									(641,342)
Total All Governmental Funds	\$ 1,203,437	\$ 391,622	\$ 330,333	\$ 254,194	\$ 236,861	\$ 505,769	\$ 140,516	\$ 2,018,119	\$ (215,947)

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:									
Tax Levy	\$ 2,367,298	\$ 2,338,068	\$ 2,555,346	\$ 2,713,134	\$ 2,635,485	\$ 2,635,485	\$ 2,635,485	\$ 2,718,432	\$ 2,857,682
Tuition Charges						4,150	6,000	20,154	17,750
Interest Earnings	11,495	9,944	22,716	22,955	12,833	4,816	2,742	1,804	2
Miscellaneous	76,771	14,066	10,995	17,537	14,589	229,018	3,204	99,510	50,622
State Sources	1,258,476	1,246,795	1,304,068	1,460,073	1,493,281	1,597,203	1,518,906	1,425,653	1,513,503
Federal Sources	102,548	107,595	120,376	125,087	126,639	186,477	355,007	270,481	196,985
Total Revenues	3,816,588	3,716,468	4,013,501	4,338,786	4,282,827	4,657,149	4,521,344	4,536,034	4,636,544
Expenditures:									
Instruction:									
Regular Instruction	1,486,895	1,364,691	1,650,770	1,561,043	1,546,032	1,598,493	1,632,884	1,570,834	1,755,785
Special Education Instruction	403,061	521,849	400,990	547,171	617,150	619,800	586,264	677,183	528,134
Other Instruction	90,845	125,184	82,421	89,206	105,292	115,125	122,984	46,046	29,531
School Sponsored Instruction									30,552
Support Services:									
Tuition		7,673	5,488	2,526	4,508	71,737	11,576	61,629	42,550
Student & Instruction-Related	399,734	394,841	340,573	362,911	330,117	350,086	393,294	340,212	333,489
General Administration	312,315	254,509	273,107	267,292	230,966	233,386	234,904	218,663	120,142
School Administration	135,420	97,618	71,732	73,946	83,579	83,245	90,032	86,971	104,294
Central Services									121,973
Administrative Information Technology									8,012
Plant Operations and Maintenance	274,017	260,993	318,284	311,194	321,779	330,814	355,928	236,224	278,434
Pupil Transportation	32,778	56,891	43,678	36,517	28,745	55,873	54,437	55,140	29,545
Allocated Benefits									496,991
Unallocated Benefits	648,854	723,710	799,026	958,400	1,022,591	890,285	910,674	916,584	432,668

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenditures:									
Special Schools			\$ 10,300	\$ 8,006					
Capital Outlay	\$ 258,134	720,326	78,421	232,100	\$ 9,400	\$ 39,399	\$ 363,696	\$ 480,639	\$ 2,419,260
Debt Service:									
Principal									65,000
Interest and Other Charges									74,250
Total Expenditures	4,042,053	4,528,285	4,074,790	4,450,312	4,300,159	4,388,243	4,756,673	4,690,125	6,870,610
Excess (Deficiency) of Revenues Over (Under) Expenditures	(225,465)	(811,817)	(61,289)	(111,526)	(17,332)	268,906	(235,329)	(154,091)	(2,234,066)
Other Financing Sources (Uses)									
Bond Proceeds								2,027,000	
NJEDA Grants	407,884			(11,958)					
P/Y Adjustment - Expenditures							(40,229)		
Transfers In	372,770	18,260	150,000	87,565			3		
Transfers Out	(373,770)	(18,260)	(150,000)	(40,221)			(85,003)		
Total Other Financing Sources (Uses)	406,884			35,386			(125,229)	2,027,000	
Net Change in Fund Balances	\$ 181,419	\$ (811,817)	\$ (61,289)	\$ (76,140)	\$ (17,332)	\$ 268,906	\$ (360,558)	\$ 1,872,909	\$ (2,234,066)
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Use of</u> <u>Facilities</u>	<u>Health Benefits</u> <u>Reimbursed</u>	<u>Other</u>	<u>Total</u>
2003		\$ 16,196				\$ 4,806	\$ 21,002
2004		11,495	\$ 43,144			33,626	88,265
2005		9,944	10,740	\$ 2,165		1,161	24,010
2006		22,716				10,995	33,711
2007		22,955				14,063	37,018
2008	\$ 4,500	12,833				8,539	25,872
2009	4,150	4,634	3,090				11,874
2010	6,000	2,742				3,204	11,946
2011	20,154	1,804			\$ 57,557	33,609	113,124
2012	17,750	1,297	11,475			20,102	50,624

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2002	\$ 3,336,700	\$ 116,506,000	\$ 23,766,000	\$ 12,206,400	\$ 18,139,700	\$ 173,954,800	\$ 3,135,537	\$ 177,090,337	\$ 9,718,400	\$ 0.734	\$ 186,324,354
2003	2,601,800	117,027,200	23,591,000	12,668,200	20,575,300	176,463,500	2,905,800	179,369,300	9,971,700	0.694	207,063,460
2004	2,582,200	117,313,600	24,191,100	11,034,300	20,575,300	175,696,500	2,527,089	178,223,589	10,090,600	0.674	237,999,980
2005	2,536,700	117,883,500	24,191,100	11,034,300	20,575,300	176,220,900	2,300,929	178,521,829	10,224,500	0.614	264,940,372
2006	* 6,204,500	240,251,700	43,753,700	21,202,500	32,118,300	343,530,700	3,404,862	346,935,562	20,827,100	1.224	296,693,704
2007	6,504,500	239,878,700	43,595,500	21,202,500	32,118,300	343,299,500	3,063,631	346,363,131	20,827,100	1.204	327,168,674
2008	6,520,600	240,262,300	44,059,600	20,396,900	27,085,700	338,325,100	3,132,783	341,457,883	20,644,400	1.204	332,550,953
2009	6,240,200	240,485,300	43,745,600	20,196,900	27,085,700	337,753,700	3,159,554	340,913,254	20,966,400	1.204	342,948,236
2010	6,002,600	240,302,400	43,259,800	18,796,900	25,781,800	334,143,500	3,085,763	337,229,263	21,259,300	1.184	318,940,713
2011	5,892,600	240,069,800	43,115,700	18,746,800	25,781,800	333,606,700	3,043,835	336,650,535	21,583,300	1.248	321,029,391

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation.
 Reassessment occurs when ordered by the County Board of Taxation.

* - Revaluation Year

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

b - Tax rates are per \$100 of assessed valuation.

Source: Municipal Tax Assessor.

NETCONG BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	Borough of Netcong School District Direct Rate			Overlapping Rates			
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Netcong Borough	Regional High School	Morris County	Total Direct
2002	\$ 0.734		\$ 0.734	\$ 0.732	\$ 1.240	\$ 0.311	\$ 3.017
2003	0.694		0.694	0.770	1.280	0.337	3.081
2004	0.674		0.674	0.827	1.300	0.372	3.173
2005	0.614		0.614	0.905	1.360	0.395	3.274
2006	* 1.224		1.224	0.504	0.750	0.214	2.692
2007	1.204		1.204	0.565	0.770	0.225	2.764
2008	1.204		1.204	0.630	0.770	0.226	2.830
2009	1.204		1.204	0.656	0.770	0.231	2.861
2010	1.184		1.184	0.681	0.790	0.216	2.871
2011	1.184	\$ 0.064	1.248	0.701	0.790	0.225	2.964

* - Revaluation Year

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.

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

Source: Municipal Tax Collector and School Business Administrator.

Exhibit J-8

NETCONG BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2011		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Quirk Realty, LLC	\$ 21,500,000	1	6.39%
Individual Taxpayer 1	8,500,000	2	2.52%
Semper Development	3,500,000	3	1.04%
U.S. Mineral Wool Products	3,188,300	4	0.95%
Individual Taxpayer 2	3,167,000	5	0.94%
Verizon NJ	3,083,706	6	0.92%
Netcong 201 LLC	2,761,500	7	0.82%
Individual Taxpayer 3	2,513,100	8	0.75%
Quirk Realty, LLC	2,427,300	9	0.72%
Bell Atlantic - NJ	2,037,500	10	0.61%
Total	<u>\$ 52,678,406</u>		<u>15.65%</u>

Taxpayer	2002		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Netcong Heights	\$ 16,051,400	1	9.06%
NJ Bell	5,118,483	2	2.89%
P.E.C.D. (Shoprite)	1,459,600	3	0.82%
U.S. Mineral Wool Products	1,403,000	4	0.79%
Quirk Realty, LLC	1,081,400	5	0.61%
Marl Appraisal	939,100	6	0.53%
Dowel Associates	805,600	7	0.45%
Dover Handbag	750,000	8	0.42%
Sinagra	637,600	9	0.36%
Netcong Properties	600,000	10	0.34%
Total	<u>\$ 28,846,183</u>		<u>16.29%</u>

Note: A revaluation became effective in 2006.

Source: Municipal Tax Assessor.

Exhibit J-9

NETCONG BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST EIGHT FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	\$ 2,367,298	\$ 2,367,298	100.00%	-0-
2006	2,338,068	2,338,068	100.00%	-0-
2007	2,555,346	2,555,346	100.00%	-0-
2008	2,713,134	2,713,134	100.00%	-0-
2009	2,635,485	2,635,485	100.00%	-0-
2010	2,635,485	2,635,485	100.00%	-0-
2011	2,635,485	2,635,485	100.00%	-0-
2012	2,857,682	2,857,682	100.00%	-0-

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

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

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

NETCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	<u>Governmental Activities</u>			Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases				
2003	\$ 74,497	\$ -0-	\$ 74,497	0.04%	\$ 22.81	
2004	-0-	-0-	-0-	0.00%	-0-	
2005	-0-	-0-	-0-	0.00%	-0-	
2006	-0-	-0-	-0-	0.00%	-0-	
2007	-0-	-0-	-0-	0.00%	-0-	
2008	-0-	-0-	-0-	0.00%	-0-	
2009	-0-	-0-	-0-	0.00%	-0-	
2010	-0-	125,000	125,000	0.06%	38.65	
2011	2,027,000	102,151	2,129,151	0.94%	655.12	
2012	1,962,000	78,274	2,040,274	0.90%	627.78	

a - See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

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

Source: Netcong Borough School District Financial Reports.

Exhibit J-11

NETCONG BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 74,497	\$ -0-	\$ 74,497	0.042%	\$ 22.81
2004	-0-	-0-	-0-	0.000%	-0-
2005	-0-	-0-	-0-	0.000%	-0-
2006	-0-	-0-	-0-	0.000%	-0-
2007	-0-	-0-	-0-	0.000%	-0-
2008	-0-	-0-	-0-	0.000%	-0-
2009	-0-	-0-	-0-	0.000%	-0-
2010	-0-	-0-	-0-	0.000%	-0-
2011	2,027,000	-0-	2,027,000	0.601%	623.69
2012	1,962,000	-0-	1,962,000	0.583%	603.69

a - See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

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

Exhibit J-12

NETCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2011
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Netcong	\$ 801,729	100.00%	\$ 801,729
Morris County General Obligation Debt	269,247,125	0.41%	<u>1,106,811</u>
Subtotal, Overlapping Debt			1,908,540
Netcong Borough School District Direct Debt			<u>2,040,274</u>
Total Direct and Overlapping Debt			<u>\$ 3,948,814</u>

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

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 residents and businesses of Netcong. This process recognizes that, when considering the District's ability to issue and repay long-term, 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 unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Morris County Board of Taxation; debt outstanding data provided by each governmental unit.

NETCONG BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 5,033,664	\$ 5,252,796	\$ 5,644,954	\$ 6,168,628	\$ 8,801,876	\$ 9,527,135	\$ 10,014,232	\$ 9,740,546	\$ 9,709,801	\$ 9,314,227
Total Net Debt Applicable to Limit									2,152,162	1,962,000
Legal Debt Margin	<u>\$ 5,033,664</u>	<u>\$ 5,252,796</u>	<u>\$ 5,644,954</u>	<u>\$ 6,168,628</u>	<u>\$ 8,801,876</u>	<u>\$ 9,527,135</u>	<u>\$ 10,014,232</u>	<u>\$ 9,740,546</u>	<u>\$ 7,557,639</u>	<u>\$ 7,352,227</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	22.16%	21.06%

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis	
2011	\$ 298,395,975
2010	316,244,085
2009	316,782,686
	<u>\$ 931,422,746</u>
Average Equalized Valuation of Taxable Property	\$ 310,474,249
Debt Limit (3% of average equalization value) ^a	9,314,227
Net Bonded School Debt as of June 30, 2012	1,962,000
Legal Debt Margin	<u>\$ 7,352,227</u>

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

NETCONG BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Morris County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2003	3,266	\$ 185,521,864	\$ 56,804	5.10%
2004	3,258	198,021,240	60,780	4.10%
2005	3,248	204,396,640	62,930	3.10%
2006	3,224	218,967,632	67,918	3.30%
2007	3,210	228,523,110	71,191	3.00%
2008	3,207	237,398,175	74,025	3.90%
2009	3,211	217,108,554	67,614	6.70%
2010	3,234	225,768,774	69,811	6.80%
2011	3,250	226,885,750	69,811 *	6.60%
2012	3,250 **	226,885,750	69,811 *	N/A

** - Latest Morris County population available (2011) was used for calculation purposes.

* - Latest Morris County per capita personal income available (2010) was used for calculation purposes.

Source:

a - Population information provided by the US Department of Census - Population Division.

b - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

c - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

NETCONG BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF MORRIS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2011			2002		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Novartis	6,200	2.44%			
US Army Armament Research and Development	5,274	2.08%			
Atlantic Healthcare	5,013	1.98%			
United Parcel Service	2,332	0.92%			
County of Morris	1,928	0.76%			
Automtic Data Processing, Inc,	1,924	0.76%			
AT&T Corporation	1,550	0.61%			
Chilton Memorial	1,440	0.57%			
BASF Corporation	1,400	0.55%			
Avis Budget Group, Inc.	1,378	0.54%			
	<u>28,439</u>	<u>11.21%</u>			
Total Employment*	<u>253,719</u>				

INFORMATION IS NOT AVAILABLE

* - Employment data provided by th e NJ Department of Labor and Workforce development.

NETCONG BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction:										
Regular	23.0	21.0	22.0	23.0	23.0	24.0	24.0	23.0	24.0	24.0
Special Education	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Support Services:										
Student & Instruction Related Services	8.0	10.0	8.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
General Administrative Services	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0
School Administrative Services	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0
Central Services	2.0	2.0	2.0	2.0	2.0	1.0				1.0
Plant Operations and Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	<u>45.0</u>	<u>45.0</u>	<u>45.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>49.0</u>	<u>50.0</u>	<u>50.0</u>

Source: Netcong Borough School District Personnel Records.

NETCONG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2003	296.0	\$ 3,169,712	\$ 10,708	2.57%	29.0	1:10	1:11	285.0	271.0	-3.72%	95.09%
2004	296.0	3,521,737	11,898	11.11%	29.0	1:10	1:11	288.0	273.0	1.05%	94.79%
2005	285.0	3,570,554	12,528	5.30%	32.0	1:12	1:16	278.0	262.0	-3.47%	94.24%
2006	288.0	3,693,006	12,823	2.35%	32.0	1:12	1:15	279.0	265.0	0.36%	94.98%
2007	282.0	4,218,211	14,958	16.65%	32.0	1:10	1:11	282.0	267.0	1.08%	94.68%
2008	280.0	4,290,760	15,324	2.45%	33.0	1:10	1:11	280.0	262.0	-0.71%	93.57%
2009	305.0	4,348,843	14,259	-6.95%	32.0	1:12	1:11	297.0	279.0	6.07%	93.94%
2010	291.0	4,392,978	15,096	5.87%	32.0	1:12	1:11	284.0	267.0	-4.38%	94.01%
2011	286.0	4,209,486	14,718	-2.50%	32.0	1:12	1:11	285.0	270.0	0.35%	94.74%
2012	284.0	4,312,100	15,183	3.16%	32.0	1:12	1:11	284.4	267.5	-0.21%	94.06%

Note: Enrollment based on annual October District count.

a - Operating expenditures equal total expenditures less debt service and capital outlay.

b - Teaching staff includes only full-time equivalents of certificated staff.

c - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d - Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Source: Netcong Borough School District Records.

NETCONG BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	<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>
<u>District Building</u>										
Netcong Elementary (1926)										
Square Feet	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135
Capacity (students)	310	310	310	310	310	310	310	310	310	310
Enrollment	296	296	285	288	282	280	305	291	286	284

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

Source: Netcong Borough School District Records.

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance
 For School Facilities - Account #11-000-261-XXX:

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Netcong Elementary	N/A	\$149,763	\$172,402	\$ 55,369	\$ 58,493	\$ 46,037
Grand Total		\$149,763	\$172,402	\$ 55,369	\$ 58,493	\$ 46,037

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Netcong Elementary	N/A	\$ 38,950	\$ 50,610	\$ 43,287	\$ 39,280	\$ 40,901
Board Office		6,684	11,998			
Grand Total		\$ 45,634	\$ 62,608	\$ 43,287	\$ 39,280	\$ 40,901

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

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package - School Alliance Insurance Fund:		
Property - Blanket Building and Contents	\$ 500,000,000	\$ 1,000
Accounts Receivable (Per Occurrence)	250,000	1,000
Automobile Physical Damage	In Blanket Limit	1,000
Electronic Data Processing Equipment (Per Occurrence)	475,000	1,000
Comprehensive General Liability - School Alliance Insurance Fund:		
Occurrence Limit	5,000,000	1,000
Automobile (Per Accident)	16,000,000	1,000
Employee Benefit Liability	16,000,000	1,000
Workers' Compensation - School Alliance Insurance Fund:		
Statutory Benefits	Included	
Employer's Liability	2,000,000	
Supplemental Coverage	Included	
Umbrella Liability -		
New Jersey School Boards' Association Insurance Group:		
Catastrophe Excess Liability		
Aggregate Limit	Included in Limit	
School Board Legal Liability -		
New Jersey School Boards' Association Insurance Group:		
Directors' and Officers' Policy		
Limit Each Loss (Per Policy Period)	16,000,000	5,000
Crime - New Jersey School Boards' Association Insurance Group		
Blanket Employee Dishonesty	100,000	500
(Per Loss Member Aggregate Limit)	50,000	
Forgery	50,000	500
Theft/Disappearance/Destruction:		
Inside	50,000	500
Outside	50,000	500
Public Official Bonds:		
Treasurer - RLI Insurance Company	150,000	
School Business Administrator - Selective Insurance Company	169,000	

Source: Netcong Borough School District Financial Reports.

SINGLE AUDIT SECTION



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
 Government Auditing Standards

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Netcong Borough School District, in the County of Morris (the "Board") as of, and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements 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, the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

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

The Honorable President and Members
of the Board of Education of the
Netcong Borough School District
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to Management in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated November 30, 2012.

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

Nisivoccia, LLP

NISIVOCCIA LLP

November 30, 2012
Mount Arlington, New Jersey

Kathryn L. Mantell

Kathryn L. Mantell

Licensed Public School Accountant #884

Certified Public Accountant



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Independent Auditors' 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's Circular 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Netcong Borough School District in the County of Morris (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the Board's major state programs for the fiscal year ended June 30, 2012. The Board's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board'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; audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB 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*. 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 state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board 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 state programs for the year ended June 30, 2012.

The Honorable President and Members
of the Board of Education
Netcong Borough School District
Page 2

Internal Control Over Compliance

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

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

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

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

Nisivoccia, LLP

NISIVOCCIA LLP

November 30, 2012
Mount Arlington, New Jersey

Kathryn L. Mantell

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Certified Public Accountant

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at	Prior Year Adjust- ment	Cash Received	Budgetary Expenditures	Balance at June 30, 2012		
			From	To		Budgetary				Budgetary	Due to	
			(Accounts Receivable)	(Accounts Receivable)		Deferred Revenue				Grantor		
U.S. Department of Education -												
Passed-through State Department of Education:												
General Fund												
Education Jobs Fund	84.410A	N/A	8/1/10	9/30/12	\$ 21,538		\$ 21,538	\$ (21,538)				
Total U.S. Department of Education - General Fund							21,538	(21,538)				
Special Revenue Fund:												
No Child Left Behind:												
Title I	84.010A	NCLB-3520-12	9/1/11	8/31/12	56,779		50,340	(52,916)	\$ (2,576)			
Title I	84.010A	NCLB-3520-11	9/1/10	8/31/11	48,308	\$ (30,416)	30,416					
Title I	84.010A	NCLB-3520-10	9/1/09	8/31/10	39,884	(499)	\$ 499					
Title I - ARRA	84.389	NCLB -3520-10	7/1/09	8/31/11	11,224	(3,013)	3,013					
Title IIA	84.367A	NCLB-3520-12	9/1/11	8/31/12	11,659		5,985	(10,003)	(4,018)			
Title IIA - Carryover	84.367A	NCLB-3520-11	9/1/10	8/31/11	22,075	(15,346)	16,727	(1,381)				
Title IIA	84.367A	NCLB-3520-10	9/1/09	8/31/10	12,530	(6,087)	1,173	4,914				
Title IIA	84.367A	NCLB-3520-09	9/1/08	8/31/09	12,132	(12,988)	12,988					
Title IID	84.281A	NCLB-3520-11	9/1/10	8/31/11	90	(2,493)	2,403	90				
Title IID	84.281A	NCLB-3520-12	9/1/09	8/31/10	324	(104)	104					
Title III	84.365A	NCLB-3520-12	9/1/11	8/31/12	11,109		9,787	(12,034)	(2,247)			
Title III	84.365A	NCLB-3520-09	9/1/08	8/31/09	24,325	(8,256)	8,256					
						(79,202)	25,423	121,272	(76,334)	(8,841)		
Special Education Cluster:												
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-12	9/1/11	8/31/12	98,313		98,313	(99,367)	(1,054)			
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-11	9/1/10	8/31/11	97,034	(28,173)	28,173					
I.D.E.A. Part B, Basic Regular Carryover	84.027	IDEA-3520-10	9/1/09	8/31/10	97,664	(1)	1	17,300	(17,300)			
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-12	9/1/11	8/31/12	5,512		5,512	(5,512)				
I.D.E.A. Part B, Preschool	84.173	IDEA-3520-10	9/1/09	8/31/10	5,398							
I.D.E.A. Part B, Basic Regular - ARRA	84.391	IDEA-3520-10	7/1/09	8/31/11	120,405	(74,117)	74,117					
I.D.E.A. Part B, Preschool - ARRA	84.392	IDEA-3520-10	7/1/09	8/31/11	4,354	(3,718)	3,718					
	84.336A	N/A	9/1/05	8/31/06								
Total U.S. Department of Education - Special Revenue Fund						(190,711)	25,398	353,931	(198,513)	(9,895)		

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at	Prior Year Adjust- ment	Cash Received	Budgetary Expenditures	Balance at June 30, 2012		
			From	To		June 30, 2011 Budgetary (Accounts Receivable)				Budgetary (Accounts Receivable)	Budgetary Deferred Revenue	Due to Grantor
U.S. Department of Agriculture - Passed-through State Department of Education: Enterprise Fund Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/10	6/30/11	\$ 5,879		\$ 5,879	\$ (5,833)			\$ 46	
School Breakfast Program	10.553	N/A	7/1/11	6/30/12	2,328		2,220	(2,328)	\$ (108)			
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	36,977		34,746	(36,977)	(2,231)			
Total Enterprise Fund							42,845	(45,138)	(2,339)		46	
TOTAL FEDERAL AWARDS						\$ (190,711)	\$ 25,398	\$ 418,314	\$ (265,189)	\$ (12,234)	\$ 46	\$ -0-

N/A - Not Available/Applicable

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2011			Repayment of Prior Years' Balances	Balance at June 30, 2012		MEMO	
		From	To		Budgetary (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable
State Department of Education:												
General Fund:												
Equalization Aid	11-495-034-5120-078	7/1/10	6/30/11	\$ 754,949	\$ (76,782)		\$ 76,782					\$ 754,949
Extraordinary Aid	11-495-034-5120-044	7/1/10	6/30/11	125,687	(125,687)		125,687					125,687
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10	6/30/11	160,273	(92,754)		92,754					160,273
Equalization Aid	12-495-034-5120-078	7/1/11	6/30/12	835,075			758,036	\$ (835,075)			\$ (77,039)	835,075
Categorical Special Education Aid	12-495-034-5120-089	7/1/11	6/30/12	155,673			141,311	(155,673)			(14,362)	155,673
Extraordinary Aid	12-495-034-5120-044	7/1/11	6/30/12	95,229				(95,229)	\$ (95,229)		(95,229)	95,229
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11	6/30/12	166,291			150,181	(166,291)		(16,110)	(16,110)	166,291
Nonpublic School Transportation Costs	12-495-034-5120-014	7/1/11	6/30/12	870				(870)		(870)	(870)	870
Total General Fund State Aid					(295,223)		1,344,751	(1,253,138)		(112,209)	(203,610)	2,294,047
State Department of Education:												
Special Revenue Fund:												
Nonpublic Textbook Aid	11-100-034-5120-064	7/1/10	6/30/11	10,402		\$ 17			\$ 17			10,385
Auxiliary Services:												
Compensatory Education	11-100-034-5120-067	7/1/10	6/30/11	17,666		1,003			1,003			16,663
English as a Second Language	11-100-034-5120-067	7/1/10	6/30/11	854		854			854			
Home Instruction	11-100-034-5120-067	7/1/10	6/30/11	1,324	(1,324)		1,324					1,324
Handicapped Services:												
Examination and Classification	11-100-034-5120-066	7/1/10	6/30/11	18,338		3,829			3,829			14,509
Corrective Speech	11-100-034-5120-066	7/1/10	6/30/11	20,340		7,823			7,823			12,517
Supplementary Instruction	11-100-034-5120-066	7/1/10	6/30/11	11,812		2,363			2,363			9,449
Character Education	06-100-034-5120-053	7/1/05	6/30/06	4,000	19					\$ 19		
Nonpublic Textbook Aid	12-100-034-5120-064	7/1/11	6/30/12	8,114			8,114	(7,830)		284		7,830
Nonpublic Nursing Aid	12-100-034-5120-070	7/1/11	6/30/12	11,590			11,590	(11,590)				11,590
Auxiliary Services:												
Compensatory Education	12-100-034-5120-067	7/1/11	6/30/12	21,979			21,979	(15,046)		6,933		15,046
Handicapped Services:												
Examination and Classification	12-100-034-5120-066	7/1/11	6/30/12	14,332			14,332	(10,624)		3,708		10,624
Corrective Speech	12-100-034-5120-066	7/1/11	6/30/12	18,167			18,167	(10,900)		7,267		10,900
Supplementary Instruction	12-100-034-5120-066	7/1/11	6/30/12	9,821			9,821	(5,752)		4,069		5,752
Total Special Revenue Fund						15,889	85,327	(61,742)	15,889		22,280	126,589
State Department of Agriculture:												
Enterprise Fund:												
State School Lunch Program	12-100-010-3350-023	7/1/11	6/30/12	1,089			1,025	(1,089)		(64)	(64)	1,089
Total Enterprise Fund							1,025	(1,089)		(64)	(64)	1,089

N/A - Not Available

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2011			Repayment of Prior Years' Balances	Balance at June 30, 2012		MEMO		
		From	To		Budgetary (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
Capital Projects Fund:													
Schools Development Authority:													
Educational Facilities Construction & Financing Act:													
Boiler Replacement	3520-060-090-1001	1/15/2009	6/30/2012	\$ 154,508	\$ (154,508)				\$ (154,508)		\$ (154,508)	\$ 154,508	
Boiler Replacement	3520-060-010-1001	7/23/2010	6/30/2012	479,364	(479,364)						(479,364)		
Boiler Replacement	3520-060-010-1002	7/23/2010	6/30/2012	393,319	(393,319)						(393,319)		
Boiler Replacement	3520-060-010-1003	7/23/2010	6/30/2012	644,157	(644,157)						(644,157)		
Total Capital Projects Fund					(1,671,348)				(154,508)		(1,671,348)	154,508	
TOTAL STATE AWARDS					\$ (1,966,571)	\$ 15,889	\$ 1,431,103	\$ (1,315,969)	\$ 15,889	\$ (266,781)	\$ 22,280	\$ (1,875,022)	\$ 2,576,233

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Netcong Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2012. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and 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*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in Federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2004, c.97. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(14,619) for the General Fund and \$(23,066) special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. The schedule of expenditures of state awards does not include the on-behalf TPAF Pension or Post Retirement Contributions revenue of \$70,838 and \$142,404 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 21,538	\$ 1,451,761	\$ 1,473,299
Special Revenue Fund	175,447	61,742	237,189
Food Service Fund	45,138	1,089	46,227
Total Financial Assistance	<u>\$ 242,123</u>	<u>\$ 1,514,592</u>	<u>\$ 1,756,715</u>

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED 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. SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has an SDA grants associated with its various capital projects in the amount of \$1,671,348 and have been recognize in full on the Budgetary Basis. A reimbursement request has been submitted in the amount of \$154,508 for eligible costs which are recognized as revenue on the GAAP basis.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2012.

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

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major state programs.
- An unqualified report was issued on the District's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133, *Audits of State, 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*.
- The District's major programs for the current fiscal year consisted of the following federal and state awards:

	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$ 835,075	\$ 835,075
Categorical Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	155,673	155,673

- The threshold for distinguishing Type A and Type B state programs was \$300,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the Federal Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey OMB's Circular 04-04.

NETCONG BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

The District had no prior year audit findings.