

SCHOOL DISTRICT
OF
WASHINGTON BOROUGH

Washington Borough School District
Board of Education
Washington, Warren County
New Jersey

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

Comprehensive Annual

Financial Report

of the

Washington Borough School District

Board of Education

Washington, New Jersey

For the Fiscal Year Ending June 30, 2012

Prepared by

Washington Borough School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

WASHINGTON BOROUGH PUBLIC SCHOOLS
Lance S. Rozsa, Superintendent of Schools
Tim Mantz, Business Administrator

Memorial School ~ 300 West Stewart Street ~ Washington, NJ 07882
Tel (908) 689-0241 ~ Fax (908) 689-8269
Taylor Street School ~ 16-24 Taylor Street ~ Washington, NJ 07882
Tel (908) 689-0091 ~ Fax (908) 689-8273

Honorable President and
Members of the Board of Education
Washington Borough School District
Warren County, Washington, N.J. 07882

August 31, 2012

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introduction, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report there on. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This District is required to under go an annual single audit in conformity with the provisions of the single Audit Action of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments" and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aide Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws, regulations, findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** Washington Borough School District is an independent reporting entity within the criteria adopted by the GASB as

established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Washington Borough Board of Education and all of its schools constitute the District's reporting entity.

The District provided a full range of educational services appropriate to grade level K through 6. This included regular, as well as special education for handicapped youngsters. The District completed the 2011-12 fiscal year with an enrollment of 568 students. The following details the changes in the student enrollment of the District over the last eighteen years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
1992-93	606	1.02%
1993-94	621	1.03%
1994-95	633	1.85%
1995-96	661	4.50%
1996-97	658	(.99%)
1997-98	653	(.078%)
1998-99	635	(2.71%)
1999-00	629	(.99%)
2000-01	622	(1.1%)
2001-02	604	(1.0%)
2002-03	594	(.98%)
2003-04	560	(5.80%)
2004-05	499	(10.78%)
2005-06	505	1.14%
2006-07	520	1.05%
2007-08	513	(1.36%)
2008-09	546	6.5%
2009-10	551	5.0%
2010-11	543	(4.34%)
2011-12	556	2.4%

2) **INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with the 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 control should not exceed the benefits likely to be derived:
- (2) The valuation of costs and benefits requires estimated and judgments by management.

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

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

3) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the votes of the municipality.

Annual appropriated budgets are adopted for the general fund, project length budgets are approved to 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-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of Fund Balance at June 30, 2012.

4) **ACCOUNTING SYSTEM AND REPORTS:** The districts account records reflect generally accepted account principals, as promulgated by the governmental accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account programs. These funds and account groups.

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

6) **DEBT ADMINISTRATION:** At June 30, 2012 the district's outstanding debt is \$ 4,305,686.35.

7) **CASH MANAGEMENT:** The investment policy of the district is guided in large part by state a statute as detailed in Notes of the Financial Statements, Note 2. The District had adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government 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, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.

10) **OTHER INFORMATION:**

(A) Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accounts. The accounting firm of Ardito and Company, L.L.P., Accountants and Auditors was appointed by the Washington Borough Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) **ACKNOWLEDGMENTS:**

We would like to express our appreciation to the members of the Washington Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial accounting and secretarial staff.

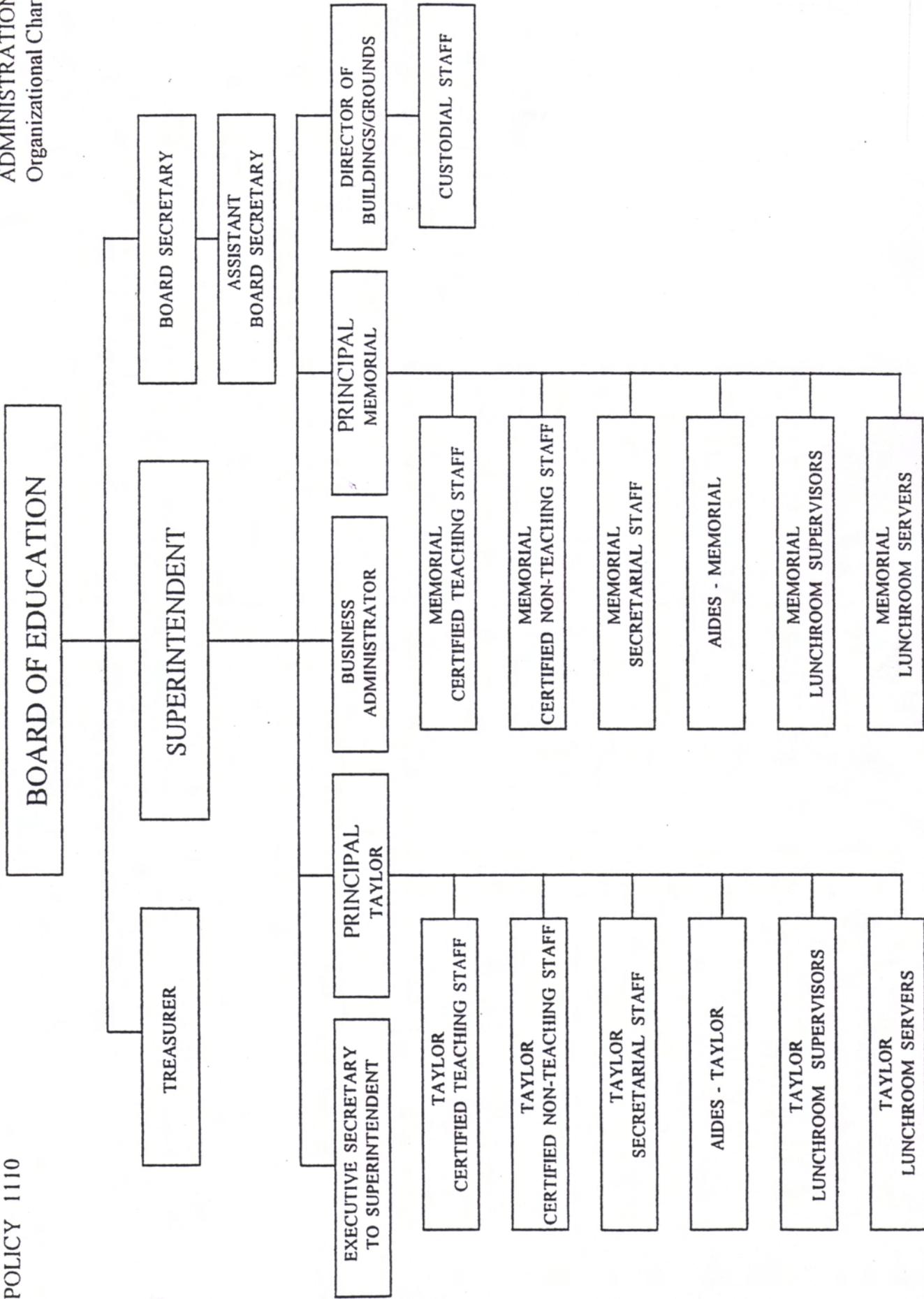
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lance S. Rozsa". The signature is fluid and cursive, with a large initial "L" and "R".

Mr. Lance S. Rozsa, Superintendent

A handwritten signature in black ink, appearing to read "Tim Mantz". The signature is fluid and cursive, with a large initial "T" and "M".

Tim Mantz, Business Administrator/Board Secretary



* The Board Attorney, while not represented on organizational chart, reports directly to the Board of Education.

WASHINGTON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION

ROSTER OF OFFICIALS

June 30, 2012

Members of the Board of Education

Term Expires

Donna Golda, <i>President</i>	2012
Melanie Deemer, <i>Vice-President</i>	2013
Melissa Vitalos	2012
Heather Savacool	2012
Christopher Reyes	2014
Maryanne Andreula	2014
Bartley Howley	2014
Lisa Eller	2013
Michael Wydner	2013

Other Officials

Lance S. Rozsa, *Superintendent*

Tim Mantz, *Business Administrator/Board Secretary*

Kay F. Stasyshan, *Treasurer*

Carrolyn A. Fiorino, Esquire, *Solicitor*

**WASHINGTON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ARCHITECT

The Spiegle Architectural Group
120 Sanhican Drive
Trenton, NJ 08618

AUDIT FIRM

Ardito & Co., LLP
1110 Harrison Street, Suite C
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ATTORNEY

BROSCIOUS & FISCHER
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Washington, New Jersey 07882

OFFICIAL DEPOSITORIES

PNC Bank
Washington, New Jersey 07882

Bank of America
Pohatcong, New Jersey 07882

Financial Section

Independent Auditor's Report

Independent Auditor's Report



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Douglas R. Williams, CPA, RMA, PSA
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UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY SCHEDULE OF FEDERAL AND STATE AWARDS AND OTHER SUPPLEMENTARY INFORMATION-GOVERNMENT ENTITY

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Washington Borough School District
County of Warren
Washington, New Jersey 07882

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

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

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

-Continued-

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2012, on our consideration of the Washington Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 7 through 7.8, and 34 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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



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

Date: August 31, 2012

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

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

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

Financial Highlights

Key financial highlights for 2012 are as follows:

- ◆ In total, net assets decreased \$344,680 which represents a -22.0 percent change from 2011.
- ◆ General revenues accounted for \$4,228,357 in revenue or 52.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,759,317 or 47.1 per cent of total revenues of \$7,987,674.
- ◆ Total assets of governmental activities decreased by \$206,014 as cash and cash equivalents increased by \$254,558, receivables decreased by \$134,847, and capital assets decreased by \$325,601.
- ◆ The School District had \$8,332,354 in expenses; only \$3,759,317 of these expenses were offset by program specific charges for services, grants or contributions. General Revenues (primarily property taxes) of \$4,228,357 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,304,675 in revenues and \$7,248,743 in expenditures.

The General Fund's GAAP surplus balance increased \$55,892, compared to a budgeted shortfall of 465,669.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

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

Governmental Funds

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

The School District as a Whole

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

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

Table 1
Net Assets

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$1,338,827	\$ 1,219,240
Capital Assets	<u>2,960,144</u>	<u>3,285,745</u>
Total Assets	<u>4,298,971</u>	<u>4,504,985</u>
Liabilities		
Long-Term Liabilities	2,837,000	2,741,000
Other Liabilities	<u>241,758</u>	<u>199,092</u>
Total Liabilities	<u>3,078,758</u>	<u>2,940,092</u>
Net Assets		
Invested in Capital Assets, Net of Debt	144	474,745
Restricted	972,446	1,039,992
Unrestricted	<u>247,623</u>	<u>50,156</u>
Total Net Assets	<u>\$ 1,220,213</u>	<u>\$ 1,564,893</u>

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

Total assets decreased \$206,014. Cash and cash equivalents increased by \$254,558, receivables decreased by \$134,847, and capital assets decreased by \$325,601. Cash increased mostly due to collection of receivables and budgeted expense savings, and capital assets decreased due to depreciation expense.

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

Table 2
Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 70,670	\$ 69,026
Operating Grants and Contributions	3,688,647	3,389,868
General Revenues:		
Property Taxes	4,187,281	4,045,426
Other	<u>41,076</u>	<u>109,898</u>
Total Revenues	<u>7,987,674</u>	<u>7,614,218</u>
 Program Expenses		
Instruction	5,061,232	4,575,971
Support Services:		
Tuition	112,151	158,997
Pupils and Instructional Staff	1,154,146	1,014,479
General Administration, School Administration, Business	939,847	653,422
Operations and Maintenance of Facilities	628,099	698,111
Pupil Transportation	189,493	200,286
Business-Type Activities	158,528	150,061
Interest and Fiscal Charges	<u>88,858</u>	<u>194,088</u>
Total Expenses	<u>8,332,354</u>	<u>7,645,415</u>
 Increase in Net Assets	 <u>\$ (344,680)</u>	 <u>\$ (31,197)</u>

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

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 52.4 percent of revenues for governmental activities for the Washington Borough School District for the fiscal year 2012.

Instruction comprises 60.7 percent of district expenses. Support services expenses make up 36.3 percent of the expenses.

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

Table 3

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Instruction	\$ 5,061,232	\$2,736,391	\$ 4,575,971	\$ 2,530,140
Support Services:				
Tuition	112,151	66,541	158,997	93,345
Pupils and Instructional Staff	1,154,146	763,221	1,014,479	577,827
General Administration, School				
Administration, Business	939,847	450,969	653,422	278,163
Operation and Maintenance of Facilities	628,099	372,662	698,111	409,851
Pupil Transportation	189,493	112,430	200,286	117,585
Business-Type Activities	158,528	(18,035)	150,061	(14,478)
Interest and Fiscal Charges	<u>88,858</u>	<u>88,858</u>	<u>194,088</u>	<u>194,088</u>
Total Expenses	<u>\$ 8,332,354</u>	<u>\$ 4,573,037</u>	<u>\$ 7,645,415</u>	<u>\$ 4,186,521</u>

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

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

Interest and fiscal charges involve the transactions associated with the unallocated depreciation.

The dependence upon tax revenues is apparent. Over 54.1 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 54.9 percent. The community, as a whole, is the primary support for the Washington Borough School District.

The School District's Funds

Information about the School District's major funds starts on page 10 (Exhibit B-1) . These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,811,111 and expenditures of \$7,690,685. The net change in fund balance for the year was most significant in the General Fund, a increase of \$55,892. This compares favorably to the budgeted decrease of \$465,669 and is mostly attributable to across the board expense savings of \$464,021, and additional state aid revenues of \$94,028.

General Fund Budgeting Highlights

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

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

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$6,727,381, \$110,579 over original budgeted estimates of \$6,616,802. This gain was again due to additional state aid revenues of \$94,028.

The General fund revenues of the School District exceeded expenditures by \$71,659, which compares favorably to the budgeted decrease of \$465,669, due to across the board cost savings and additional state aid revenue sources as noted above.

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

Capital Assets

At the end of the fiscal year 2012, the School District had \$2,960,144 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2012 balances compared to 2011.

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

	<u>2012</u>	<u>2011</u>
Land Improvements	\$ 127,239	\$ 127,239
Buildings and Improvements	2,832,905	3,158,506
Machinery and Equipment	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,960,144</u>	<u>\$ 3,285,745</u>

Overall net capital assets decreased \$325,601 from fiscal year 2011 to fiscal year 2012 due to depreciation expense.

No significant capital items were added in 2012.

Debt Administration

At June 30, 2012, the School District had \$2,982,000 as outstanding debt, representing bonds for school construction in the amount of \$2,960,000, and compensated absence liabilities in the amount of \$22,000.

At June 30, 2012, the School District's overall legal debt margin was \$13,920,572 and the unvoted debt margin was \$10,960,572.

For the Future

The Washington Borough School District is in very good financial condition presently. A major concern is the continued reliance on local property taxes.

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Tim Mantz, School Business Administrator/ Board Secretary at Washington Borough School District, 300 W.Stewart Street, Washington, NJ, 07882.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS

JUNE 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$1,069,584	\$50,635	\$1,120,219
Receivables from Other Governments	206,489	7,413	213,902
Interfunds Receivable		573	573
Inventory		4,132	4,132
Restricted Assets:			
Capital Reserve Cash	1		1
Capital Assets, Net (Note 6):	2,960,144		2,960,144
Total Assets	<u>4,236,218</u>	<u>62,753</u>	<u>4,298,971</u>
LIABILITIES			
Accounts Payable	1,337		1,337
Interfunds Payable	573		573
Deferred Revenue	45,607	389	45,996
Accrued Interest	48,852		48,852
Noncurrent Liabilities (Note 7):			
Due Within One Year	145,000		145,000
Due Beyond One Year	2,837,000		2,837,000
Total Liabilities	<u>3,078,369</u>	<u>389</u>	<u>3,078,758</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	144		144
Restricted for:			
Other Purposes	972,446		972,446
Unrestricted	185,259	62,364	247,623
Total Net Assets	<u>\$1,157,849</u>	<u>\$62,364</u>	<u>\$1,220,213</u>

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:						
Instruction:						
Regular	\$3,863,484		\$1,837,738		(\$2,025,746)	(\$2,025,746)
Special Education	1,081,042		439,641		(641,401)	(641,401)
Other Special Instruction	116,706		47,462		(69,244)	(69,244)
Support Services:						
Tuition	112,151		45,610		(66,541)	(66,541)
Student & Instruction Related Serv.	1,154,146		497,584		(656,562)	(656,562)
School Administrative Services	179,768		73,109		(106,659)	(106,659)
General and Business Admin. Serv.	760,079		309,110		(450,969)	(450,969)
Plant Operations and Maintenance	628,099		255,437		(372,662)	(372,662)
Pupil Transportation	189,493		77,063		(112,430)	(112,430)
Interest on Long-Term Debt	56,298				(56,298)	(56,298)
Unallocated Depreciation	32,560				(32,560)	(32,560)
Total Governmental Activities	8,173,826		3,582,754		(4,591,072)	(4,591,072)
Business-Type Activities:						
Food Service	158,528	\$70,670	105,893			\$18,035
Total Business-Type Activities	158,528	70,670	105,893			18,035
Total Primary Government	\$8,332,354	\$70,670	\$3,688,647		(\$4,591,072)	\$18,035
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net					\$3,982,989	\$3,982,989
Taxes Levied for Debt Service					204,292	204,292
Investment Earnings					1,468	1,468
Miscellaneous Income					39,608	39,608
Total General Revenues, Special Items, Extraor. Items and Transfers					4,228,357	4,228,357
Change in Net Assets					(362,715)	18,035
Net Assets—Beginning(As Restated)					1,520,564	44,329
Net Assets—Ending					\$1,157,849	\$62,364
						\$1,220,213

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

FUND FINANCIAL STATEMENTS

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,005,051		\$ 64,534	\$ 1,069,585
Receivables from Other Governments	118,684	\$ 87,805		206,489
Interfund Receivables	64,539	17,195		81,734
	<hr/>			
TOTAL ASSETS	\$ 1,188,274	\$ 105,000	\$ 64,534	\$ 1,357,808
<hr/>				
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 255	\$ 1,082		\$ 1,337
Interfund Payables	17,768	64,539		82,307
Deferred Revenue	6,228	39,379		45,607
Total Liabilities	24,251	105,000	-	129,251
<hr/>				
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account		1		1
Excess Surplus	326,089			326,089
Excess Surplus - Designated for Subsequent Year's Expenditures	574,322			574,322
<u>Assigned to:</u>				
Year-End Encumbrances	174,720			174,720
General Fund-Designated for Subsequent Year's Expend.	72,034			72,034
<u>Unassigned:</u>				
Debt Service Fund			\$ 64,534	64,534
General Fund	16,857			16,857
Total Fund Balances	1,164,023	-	64,534	1,228,557
<hr/>				
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,188,274	\$ 105,000	\$ 64,534	\$ 1,357,808
<hr/>				

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 \$7,649,401 and the accumulated depreciation is \$4,689,257.	\$2,960,144
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(48,852)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	<u>(2,982,000)</u>
Net assets of governmental activities	<u>\$1,157,849</u>

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-2

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 3,982,989		\$ 204,292	\$ 4,187,281
Miscellaneous	33,673	\$ 7,403		41,076
Total - Local Sources	<u>4,016,662</u>	<u>7,403</u>	<u>204,292</u>	<u>4,228,357</u>
State Sources	3,192,024	1,597		3,193,621
Federal Sources	95,989	293,144		389,133
Total Revenues	<u>7,304,675</u>	<u>302,144</u>	<u>204,292</u>	<u>7,811,111</u>
EXPENDITURES				
Current:				
Regular Instruction	2,329,276	271,732		2,601,008
Special Education Instruction	812,945			812,945
Other Special Instruction	87,763			87,763
Support services and undistributed costs:				
Tuition	84,338			84,338
Student and Instruction Related Services	839,706	28,213		867,919
School Administrative Services	135,186			135,186
Other Administrative Services	352,580			352,580
Plant Operations and Maintenance	472,331			472,331
Pupil Transportation	142,499			142,499
Unallocated Benefits	1,983,063			1,983,063
Debt Service:				
Principal			70,000	70,000
Interest and Other Charges			69,758	69,758
Capital Outlay	9,096	2,199		11,295
Total Expenditures	<u>7,248,783</u>	<u>302,144</u>	<u>139,758</u>	<u>7,690,685</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>55,892</u>	<u>-</u>	<u>64,534</u>	<u>120,426</u>
OTHER FINANCING SOURCES (USES)				
Transfer - Unexpended Capital Projects Fund Balance				-
Total Other Financing Sources and Uses	<u>-</u>		<u>-</u>	<u>-</u>
Net Change in Fund Balances	55,892	-	64,534	120,426
Fund Balance—July 1	1,108,131		-	1,108,131
Fund Balance—June 30	<u>\$ 1,164,023</u>	<u>-</u>	<u>64,534</u>	<u>\$ 1,228,557</u>

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-3

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

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 120,426

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

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

Depreciation Expense	\$ (325,601)	
Capital Outlays	<u>-</u>	(325,601)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 70,000

Bond Refunding proceeds are recorded as a long-term liability in the statement of net assets, but are not recorded in the governmental funds until principal payments are paid. (219,000)

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned. (22,000)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 13,460

Change in Net Assets of Governmental Activities (A-2) \$ (362,715)

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET ASSETS
 PROPRIETARY FUNDS

JUNE 30, 2012

		Business-Type Activities- Enterprise Funds	
		Food	
		<u>Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 50,635	\$ 50,635
Accounts Receivable		7,413	7,413
Interfund Receivables		573	573
Inventories		4,132	4,132
Total Current Assets		<u>62,753</u>	<u>62,753</u>
Total Assets		<u>62,753</u>	<u>62,753</u>
LIABILITIES			
Current liabilities:			
Deferred Revenue		389	389
Total Current Liabilities		<u>389</u>	<u>389</u>
Total Liabilities		<u>389</u>	<u>389</u>
NET ASSETS			
Unrestricted		62,364	62,364
Total Net Assets		<u>\$ 62,364</u>	<u>\$ 62,364</u>

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

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

	Business-type Activities-	
	Enterprise Fund	
	Food	Total
	Service	Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 55,158	\$ 55,158
Daily Sales - Non-Reimbursable Programs	15,512	15,512
Total Operating Revenues	<u>70,670</u>	<u>70,670</u>
Operating Expenses:		
Cost of Sales	99,144	99,144
Salaries	39,822	39,822
Employee Benefits	10,174	10,174
Supplies	4,162	4,162
Administrative Expenses		-
Other Purchased Professional Services	5,226	5,226
Total Operating Expenses	<u>158,528</u>	<u>158,528</u>
	<u>(87,858)</u>	<u>(87,858)</u>
Operating Income (Loss)		
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	2,299	2,299
State School Breakfast Program		-
Federal Sources:		
National School Lunch Program	78,189	78,189
National School Breakfast Program	15,671	15,671
Food Distribution Program	9,734	9,734
Total Nonoperating Revenues (Expenses)	<u>105,893</u>	<u>105,893</u>
Income (Loss) Before Contributions and Transfers	18,035	18,035
Transfers In (Out)		-
Change in Net Assets	<u>18,035</u>	<u>18,035</u>
Total Net Assets—Beginning	44,329	44,329
Total Net Assets—Ending	<u>\$ 62,364</u>	<u>\$ 62,364</u>

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-6

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2012

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 70,715	\$ 70,715
Payments to Employees	(39,822)	(39,822)
Payments for Employee Benefits	(10,174)	(10,174)
Payments to Suppliers	(109,146)	(109,146)
Net Cash Provided by (used for) Operating Activities	(88,427)	(88,427)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	2,353	2,353
Federal Sources	92,264	92,264
Operating Subsidies and Transfers from Other Funds	-	-
Net Cash Provided by (used for) Non-Capital Financing Activities	94,617	94,617
Net Increase (Decrease) in Cash and Cash Equivalents	6,190	6,190
Balances—Beginning of Year	44,445	44,445
Balances—End of Year	\$ 50,635	\$ 50,635
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (87,858)	\$ (87,858)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Operating Transfers (Non-Cash)	-	-
Federal Commodities	9,734	9,734
(Increase) Decrease in Inventories	(678)	(678)
Increase (Decrease) in Accounts Payable	(9,625)	(9,625)
Total Adjustments	(569)	(569)
Net Cash Provided by (used for) Operating Activities	\$ (88,427)	\$ (88,427)

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2012

	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	<u>\$6,030</u>	<u>\$199,454</u>
Total Assets	<u>6,030</u>	<u>199,454</u>
LIABILITIES		
Accrued Salaries and Wages and Payroll Taxes Payable to Student Groups		\$191,161 <u>8,293</u>
Total Liabilities		<u>\$199,454</u>
NET ASSETS		
Held in Trust for Scholarships & Other Purposes	<u>\$6,030</u>	<u> </u>

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

Notes to Financial Statements

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity:

The Washington Borough School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-6. The Washington Borough School District had an approximate enrollment at June 30, 2012, of 568 students.

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are not allowed to accrue vacation time beyond the current period. The District's policy allow all district teaching staff employees to accrue sick leave. At present, the District pays stipends for sick leave based upon attendance. There is no other provision for the accrual of sick leave.

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

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

Deferred Revenue:

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

Accrued Liabilities and Long-Term Obligations:

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Assets:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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.

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

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

	Cash and Cash <u>Equivalents (A-1)</u>	Cash and Cash <u>Equivalents (H-1)</u>	<u>Total</u>
Capital Reserve	\$ 1		\$ 1
Checking Accounts	1,120,219	\$ 205,484	1,325,703
	<u>\$ 1,120,220</u>	<u>\$ 205,484</u>	<u>\$ 1,325,704</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$1,325,704 and the bank balance was \$1,191,648. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,312,835 was covered by collateral pool.

NOTE 3: RECEIVABLES

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

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
Federal Aid	\$ 183,794	\$ 191,092
State Aid	22,695	22,810
Gross Receivable	206,489	213,902
Less: Allow. for Uncollectibles	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$ 206,489</u>	<u>\$ 213,902</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 4: INVENTORY

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

Food	\$	1,033
Supplies		<u>3,099</u>
	\$	<u>4,132</u>

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

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

NOTE 6: CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Total Capital Assets Not Being Depreciated	-	-	-	-
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 127,239			\$ 127,239
Buildings and Building Improvements	6,512,020			6,512,020
Machinery and Equipment	1,010,142			1,010,142
Total at Historical Cost	<u>7,649,401</u>	-		<u>7,649,401</u>
Less Accumulated Depreciation for:				
Building and Improvements	(3,353,514)	\$ (325,601)		(3,679,115)
Equipment	(1,010,142)			(1,010,142)
Total Accumulated Depreciation	<u>(4,363,656)</u>	<u>(325,601)</u>		<u>(4,689,257)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	3,285,745	(325,601)		2,960,144
Government Activity Capital Assets, Net	\$ 3,285,745	\$ (325,601)		\$ 2,960,144

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 6: CAPITAL ASSETS - (CONTINUED)

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 293,041
Unallocated	<u>32,560</u>
Total	<u>\$ 325,601</u>

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.

NOTE 7: LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity:

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

	Balance <u>7/1/2011</u>	Increases	Decreases	Balance <u>6/30/2012</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$2,811,000	\$219,000	\$70,000	\$2,960,000	\$145,000
Other Liabilities:					
Compensated Absences Payable		\$22,000		\$22,000	
Total	<u>\$2,811,000</u>	<u>\$241,000</u>	<u>\$70,000</u>	<u>\$2,982,000</u>	<u>\$145,000</u>

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

On December 28, 2011, \$2,885,000 in School Bonds were issued to advance refund \$2,666,000 of the board's outstanding callable series 2002 bonds, maturing on July 15 in the years 2013 through 2033, at a redemption price of 100% of the principal amount on the call date, and when due, interest accrued on the refunded bonds. The balance on deposit with Wells Fargo Servicing Paying Agent for the future redemption of the 2002 bonds was \$2,729,747 at June 30, 2012.

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

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

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

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

	Government Activities			Balance
	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>6/30/12</u>
Bonds Payable Series 2002	12/1/02	4.75%-4.90%	7/15/12	\$ 75,000
Refunding School Bonds Series 2011	12/28/11	3.41%-4.23%	7/15/33	<u>2,885,000</u>
Total Bonds				<u>\$ 2,960,000</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 7: LONG-TERM OBLIGATIONS- (CONTINUED)

B. Debt Service Requirements:

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 145,000	\$ 103,068	\$ 248,068
2014	105,000	104,938	209,938
2015	100,000	92,888	192,888
2016	105,000	90,838	195,838
2017	110,000	89,687	199,687
Thereafter	<u>2,395,000</u>	<u>864,267</u>	<u>3,259,267</u>
	<u>\$2,960,000</u>	<u>\$1,345,686</u>	<u>\$ 4,305,686</u>

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

NOTE 8: PENSION PLANS

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS - (CONTINUED)

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

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

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

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$75,425	100 %	-0-
6/30/2011	\$77,023	100	-0-
6/30/2010	\$58,383	100	-0-

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	-0-	100 %	-0-
6/30/2011	-0-	100	-0-
6/30/2010	-0-	100	-0-

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS - (CONTINUED)

During the fiscal year ended June 30, 2012, the State of New Jersey did contribute \$330,860 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$262,201 during the year ended June 30, 2012, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

NOTE 10: DEFERRED COMPENSATION

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

Prudential Financial Planning

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 11: COMPENSATED ABSENCES

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

District employees are not allowed to accrue vacation time beyond the current period. The District's policy allow all district teaching staff employees to accrue sick leave. At present, the District pays stipends for sick leave based upon attendance. There is no other provision for the accrual of sick leave.

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

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

NOTE 12: RISK MANAGEMENT

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

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

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$1,164,023 General Fund fund balance at June 30, 2012, \$174,720 is reserved for encumbrances; \$900,411 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$574,322 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2013); \$72,034 has been appropriated and included as anticipated revenue for the year ending June 30, 2013; \$1. has been reserved in the Capital Reserve Account; and, \$16,857 is unreserved and undesignated.

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Washington Borough School District Board of Education by inclusion of \$1. on September 26, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

There was no activity in the capital reserve account for the year ended June 30, 2012.

NOTE 16: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012 is \$326,089.

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

The amount of \$573 interfund receivable in the Food Service Fund represents state and federal lunch reimbursements received in the general fund and not yet transferred to the food service fund.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,982,989		\$ 3,982,989	\$ 3,982,989	-
Miscellaneous	20,038		20,038	33,673	\$ 13,635
Total - Local Sources	4,003,027		4,003,027	4,016,662	13,635
State Sources:					
Equalization Aid	2,247,051		2,247,051	2,319,085	72,034
Special Education Aid	273,651		273,651	273,651	
Other State Aid				21,994	21,994
TPAF Pension (On-Behalf - Non-Budgeted)				330,860	330,860
TPAF Social Security (Reimbursed - Non-Budgeted)				262,201	262,201
Total State Sources	2,520,702		2,520,702	3,207,791	687,089
Federal Sources:					
Education Jobs Grant	93,073	2,916	95,989	95,989	
Total Federal Sources	93,073	2,916	95,989	95,989	
TOTAL REVENUES	6,616,802	2,916	6,619,718	7,320,442	700,724

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	135,612	(20,211)	115,401	115,401	
Grades 1-5 - Salaries of Teachers	1,784,785	23,855	1,808,640	1,791,817	16,823
Grades 6-8 - Salaries of Teachers	152,077	46,147	198,224	198,224	
Regular Programs - Home Instruction:					
Salaries of Teachers	1,500	(1,381)	119	119	
Purchased Professional-Educational Services	2,500	(2,500)			
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction		160	160	160	
Purchased Professional-Educational Services	26,000	(943)	25,057	22,356	2,701
Other Purchased Services (400-500 series)	1,000	25,348	26,348	53	26,295
General Supplies	103,500	137,994	241,494	194,361	47,133
Textbooks	3,000	1,457	4,457	4,457	
Other Objects	3,000	(672)	2,328	2,328	
TOTAL REGULAR PROGRAMS - INSTRUCTION	2,212,974	209,254	2,422,228	2,329,276	92,952
SPECIAL EDUCATION - INSTRUCTION					
Multiple Disabilities:					
Salaries of Teachers	57,200	(260)	56,940	56,940	
Other Salaries for Instruction	49,718	464	50,182	49,146	1,036
General Supplies	1,000	(204)	796	25	771
Total Multiple Disabilities	107,918		107,918	106,111	1,807

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Resource Room/Resource Center:					
Salaries of Teachers	373,211	148,219	521,430	517,102	4,328
Other Salaries for Instruction	21,992		21,992	21,991	1
General Supplies	2,000	1,040	3,040	1,265	1,775
Total Resource Room/Resource Center	397,203	149,259	546,462	540,358	6,104
Autism:					
Salaries of Teachers	57,303	(7,662)	49,641	49,641	
Other Salaries for Instruction	27,127	9,923	37,050	37,050	
General Supplies	500	(500)			
Total Autism	84,930	1,761	86,691	86,691	
Preschool Disabilities - Part-Time:					
Salaries of Teachers	59,320	(1,777)	57,543	53,392	4,151
Other Salaries for Instruction	25,748	315	26,063	25,777	286
General Supplies	500	119	619	616	3
Total Preschool Disabilities - Part-Time	85,568	(1,343)	84,225	79,785	4,440
TOTAL SPECIAL EDUCATION - INSTRUCTION	675,619	149,677	825,296	812,945	12,351
Basic Skills/Remedial - Instruction					
Salaries of Teachers	202,514	(128,703)	73,811	71,210	2,601
Total Basic Skills/Remedial - Instruction	202,514	(128,703)	73,811	71,210	2,601
Bilingual Education - Instruction					
Salaries of Teachers	55,175	(24,829)	30,346	16,553	13,793
Total Bilingual Education - Instruction	55,175	(24,829)	30,346	16,553	13,793
TOTAL INSTRUCTION	3,146,282	205,399	3,351,681	3,229,984	121,697

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State - Regular	8,181	(7,783)	398		398
Tuition to Other LEAs Within the State - Special	4,000	7,704	11,704	11,068	636
Tuition to CSSD & Regional Day Schools	41,100		41,100	41,100	
Tuition to Private Schools for the Disabled - Within State	70,000	(8,804)	61,196	32,170	29,026
Total Instruction	123,281	(8,883)	114,398	84,338	30,060
Health Services:					
Salaries	122,300		122,300	118,400	3,900
Purchased Professional and Technical Services	2,000	(948)	1,052		1,052
Other Purchased Services (400-500 series)	700		700		700
Supplies and Materials	2,150	1,047	3,197	3,012	185
Total Health Services	127,150	99	127,249	121,412	5,837
Other Supp. Services Students-Related Services:					
Salaries	96,452	33,865	130,317	130,317	
Total Other Supp. Services Students-Related Services	96,452	33,865	130,317	130,317	
Other Supp. Services Students-Extra Services:					
Salaries	92,720	9,171	101,891	101,891	
Purchased Professional - Educational Services	130,840	10,134	140,974	140,974	
Total Other Supp. Services Students-Extra Services	223,560	19,305	242,865	242,865	
Other Supp. Services Students-Regular:					
Salaries of Secretarial and Clerical Assistants	122,715	(18,568)	104,147	89,254	14,893
Supplies and Materials	22,000	9,357	31,357	29,576	1,781
Total Other Supp. Services Students-Regular	144,715	(9,211)	135,504	118,830	16,674

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	178,968	(1,014)	177,954	165,424	12,530
Salaries of Secretarial and Clerical Assistants	9,500	(1,787)	7,713	545	7,168
Misc. Purchased Services (400-500 series O/than Resid.Costs)	800		800	46	754
Supplies and Materials	4,500	1,365	5,865	4,325	1,540
Other Objects	650	(343)	307	290	17
Total Other Supp. Services Students-Special	194,418	(1,779)	192,639	170,630	22,009
Educational Media Services/School Library:					
Salaries	5,500	40,908	46,408	46,408	
Supplies and Materials	4,100	1,402	5,502	4,854	648
Total Educational Media Services/School Library	9,600	42,310	51,910	51,262	648
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	4,000	2,843	6,843	4,390	2,453
Total Instructional Staff Training Services	4,000	2,843	6,843	4,390	2,453
Supp. Services - General Administration:					
Salaries	183,240	100	183,340	182,850	490
Legal Services	13,000	(4,559)	8,441	3,780	4,661
Audit Services	14,000	2,224	16,224	16,224	
Other Purchased Professional Services	3,500	4,336	7,836	7,836	
Communications/Telephone	17,000	(6,453)	10,547	10,285	262
Other Purchased Services (400-500 series)	23,058	(1,913)	21,145	18,516	2,629
General Supplies	650	852	1,502	1,502	
Miscellaneous Expenditures	5,500	2,914	8,414	8,397	17
Total Supp. Services - General Administration	259,948	(2,499)	257,449	249,390	8,059

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	92,352	148	92,500	92,500	
Salaries of Secretarial and Clerical Assistants	47,656	(148)	47,508	39,882	7,626
Other Objects	1,500	2,339	3,839	2,804	1,035
Total Support Services - School Administration	141,508	2,339	143,847	135,186	8,661
Central Services:					
Salaries	108,361	(50,000)	58,361	48,841	9,520
Purchased Professional Services		50,000	50,000	50,000	
Miscellaneous Expenditures	5,500	(300)	5,200	4,349	851
Total Central Services:	113,861	(300)	113,561	103,190	10,371
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	40,000	37,789	77,789	48,724	29,065
General Supplies	2,000	2,662	4,662	1,263	3,399
Other	4,000	3,603	7,603	4,568	3,035
Total Required Maintenance for School Facilities	46,000	44,054	90,054	54,555	35,499
Other Operations and Maintenance of Plant:					
Salaries	222,886	2,513	225,399	216,874	8,525
Cleaning, Repair and Maintenance Services	50,000	8,125	58,125	43,693	14,432
Other Purchased Property Services	5,800		5,800	5,105	695
Insurance	36,720		36,720	30,310	6,410
General Supplies	27,000	11,940	38,940	27,281	11,659
Energy (Heat and Electricity)	200,000	(49,861)	150,139	94,238	55,901
Other Objects	700		700	275	425
Total Other Operations and Maintenance of Plant	543,106	(27,283)	515,823	417,776	98,047
Student Transportation Services					
Contracted Services (Oth. Than Bet.Home and Sch)-Vendors		8,515	8,515	811	7,704
Contracted Services (Bet.Home and School)-Joint Agrmts.	28,000	(28,000)			
Contracted Services (Special Ed. Students)-Vendors		11,000	11,000	8,413	2,587
Contracted Services (Special Ed. Students)-Joint Agrmts.	106,000	(11,000)	95,000	92,738	2,262
Contr Serv (Regular Students) - ESCs & CTSA	19,000	28,603	47,603	40,537	7,066
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	14,000	(9,118)	4,882		4,882
Total Student Transportation Services	167,000		167,000	142,499	24,501

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
UNALLOCATED BENEFITS					
Social Security Contributions	84,000	(4,864)	79,136	73,689	5,447
Other Retirement Contributions - Regular	79,353	(3,928)	75,425	75,425	
Unemployment Compensation	17,000	123	17,123	17,123	
Workmen's Compensation	46,000		46,000	35,866	10,134
Health Benefits	1,479,590	(271,193)	1,208,397	1,146,801	61,596
Tuition Reimbursement	10,551	11,384	21,935	19,607	2,328
Other Employee Benefits	16,000	5,491	21,491	21,491	
TOTAL UNALLOCATED BENEFITS	1,732,494	(262,987)	1,469,507	1,390,002	79,505
On-behalf TPAF pension Contrib. (non-budgeted)				330,860	(330,860)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				262,201	(262,201)
TOTAL ON-BEHALF CONTRIBUTIONS				593,061	(593,061)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	1,732,494	(262,987)	1,469,507	1,983,063	(513,556)
TOTAL UNDISTRIBUTED EXPENDITURES	3,927,093	(168,127)	3,758,966	4,009,703	(250,737)
TOTAL GENERAL CURRENT EXPENSE	7,073,375	37,272	7,110,647	7,239,687	(129,040)
Facilities Acquisition and Construction Services					
Construction Services	9,096		9,096	9,096	
Total Facilities Acquisition and Construction Services	9,096		9,096	9,096	

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
TOTAL EXPENDITURES	7,082,471	37,272	7,119,743	7,248,783	(129,040)
Excess (Deficiency) of Revenues Over(Under) Expenditures	(465,669)	(34,356)	(500,025)	71,659	571,684
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(465,669)	(34,356)	(500,025)	71,659	571,684
Fund Balance, July 1	1,347,501		1,347,501	1,347,501	
Fund Balance, June 30	\$ 881,832	\$ (34,356)	\$ 847,476	\$ 1,419,160	\$ 571,684
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 1	
Excess Surplus				326,089	
Excess Surplus - Designated for Subsequent Year's Expenditures				574,322	
Assigned to:					
Year-End Encumbrances				174,720	
Designated for Subsequent Year's Expenditures				72,034	
Unassigned:					
Unrestricted Fund Balance				<u>271,994</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				<u>1,419,160</u>	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(255,137)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 1,164,023</u>	

WASHINGTON BOROUGH SCHOOL DISTRICT
APPROPRIATIONS COMBINING SCHEDULE - FUNDS 11 AND 18
EDUCATION JOBS FUND
GENERAL FUND

Exhibit C-1b

Line Description	Account #	Fund 11/12/13 Approps	Fund 18 Approps	Schedule C-1 Total General Fund Approps
2520 Grades 1-5 - Salaries of Teachers	11-120-100-101	1,709,915	81,902	1,791,817
12620 Social Security Contributions	11-000-291-220	73,689	-	73,689
12640 Other Retirement Contributions - PERS	11-000-291-241	75,425	-	75,425
TOTAL EXPENDITURES		1,859,029	81,902	1,940,931

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
State Sources		\$ 1,661	\$ 1,661	\$ (5)	\$ (1,666)
Federal Sources	\$ 169,148	149,712	318,860	299,531	(19,329)
Total Revenues	169,148	151,373	320,521	299,526	(20,995)
EXPENDITURES:					
Instruction					
Salaries of Teachers	73,248	22,717	95,965	95,965	
Purchased Profess. & Technical Svcs		23,417	23,417	23,417	
Tuition	95,900	66,109	162,009	142,680	19,329
General Supplies		7,189	7,189	6,212	977
Textbooks		689	689	-	689
Total Instruction	169,148	120,121	289,269	268,274	20,995
Support Services					
Personal Services - Employee Bene.		19,193	19,193	19,193	
Purchased Profess. & Technical Svcs		5,682	5,682	5,682	
Supplies & Materials		4,178	4,178	4,178	
Total Support Services	-	29,053	29,053	29,053	-
Facilities Acq. and Const. Services:					
Non-Instructional Equipment		2,199	2,199	2,199	
Total Fac. Acq. and Const. Services	-	2,199	2,199	2,199	-
Total Expenditures	169,148	151,373	320,521	299,526	20,995
Other Financing Sources (Uses)					
Total Other Financing Sources (Uses)					
Total Outflows	169,148	151,373	320,521	299,526	20,995
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

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

For the Fiscal Year Ended June 30, 2012

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

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,320,442	\$ 299,526
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	20,988
Current Year Encumbrances	N/A	(18,370)
 Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	 239,370	
 Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	 <u>(255,137)</u>	 <u> -</u>
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	 <u>\$ 7,304,675</u>	 <u>\$ 302,144</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 7,248,783	\$ 299,526
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	20,988
Current Year Encumbrances	N/A	(18,370)
 Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	 N/A	 N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	 <u>\$ 7,248,783</u>	 <u>\$ 302,144</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2012

	Title I Part A	Title II Part A	IDEA Basic	IDEA Preschool	Non- Public Text Aid	Mansfield Grant	Totals
REVENUES							
State Sources					\$ (5)		(5)
Federal Sources	\$ 120,724	\$ 22,550	\$ 144,879	\$ 7,919		\$ 3,459	299,531
TOTAL REVENUES	120,724	22,550	144,879	7,919	(5)	3,459	299,526
EXPENDITURES:							
Instruction:							
Salaries of Teachers	72,665	17,300		6,000			95,965
Purchased Profess. & Technical Svcs	23,417						23,417
Tuition			142,680				142,680
General Supplies	4,427	1,790			(5)		6,212
Textbooks							-
Total Instruction	100,509	19,090	142,680	6,000	(5)		268,274
Support Services:							
Personal Services - Employee Bene.	14,533	3,460		1,200			19,193
Purchased Profess. & Technical Svcs	5,682						5,682
Supplies & Materials				719		3,459	4,178
Total Support Services	20,215	3,460		1,919		3,459	29,053
Facilities Acq. and Const. Services:							
Non-Instructional Equipment			2,199				2,199
Total Fac. Acq. and Const. Services			2,199				2,199
TOTAL EXPENDITURES	120,724	22,550	144,879	7,919	(5)	3,459	299,526
Other Financing Sources (Uses)							
Total Other Financing Sources (Uses)							
Total Outflows	120,724	22,550	144,879	7,919	-5	3,459	299,526
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)							

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

N/A

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

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

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

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

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

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-1

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

	<u>TRUST FUNDS</u>	<u>AGENCY FUNDS</u>		<u>TOTALS</u>
		<u>STUDENT ACTIVITY</u>	<u>PAYROLL AGENCY</u>	
ASSETS:				
Cash and Cash Equivalents	\$ 6,030	\$ 8,293	\$ 191,161	\$ 205,484
TOTAL ASSETS	<u>\$ 6,030</u>	<u>\$ 8,293</u>	<u>\$ 191,161</u>	<u>\$ 205,484</u>
LIABILITIES:				
Liabilities:				
Accrued Salaries and Payroll Taxes			\$ 191,161	\$ 191,161
Payable to Student Groups	-	\$ 8,293	-	8,293
Total Liabilities	<u>-</u>	<u>8,293</u>	<u>191,161</u>	<u>199,454</u>
NET ASSETS				
Held in Trust for Other Purposes	\$ 6,030			6,030
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,030</u>	<u>\$ 8,293</u>	<u>\$ 191,161</u>	<u>\$ 205,484</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-2

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2011</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2012</u>
Mary T. Harle Scholarship Fund	\$5,000	\$25		\$5,025
AB Davidson Scholarship Fund	1,000	5		1,005
	<hr/>			
Totals	\$6,000	\$30		\$6,030
	<hr/> <hr/>			

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-3

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

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2011</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2012</u>
Student Activity Funds	\$8,634	\$15,896	\$16,237	\$8,293
Totals	\$8,634	\$15,896	\$16,237	\$8,293

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-4

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

	<u>BALANCE</u> <u>JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 199,631	\$ 5,168,960	\$ 5,177,430	\$ 191,161
Total Assets	<u>\$ 199,631</u>	<u>\$ 5,168,960</u>	<u>\$ 5,177,430</u>	<u>\$ 191,161</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 43,402	\$ 2,162,217	\$ 2,204,794	\$ 825
Accrued Salaries and Wages	156,229	3,006,743	2,972,636	190,336
Total Liabilities	<u>\$ 199,631</u>	<u>\$ 5,168,960</u>	<u>\$ 5,177,430</u>	<u>\$ 191,161</u>

LONG-TERM DEBT SCHEDULES

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit I-1

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

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2011</u>	<u>REFUNDED</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2012</u>
			<u>DATE</u>	<u>AMOUNT</u>					
School Addition Project	12/1/02	\$ 3,226,000	7/15/11	\$ 70,000	4.750%	\$ 2,811,000	\$ (2,666,000)	\$ 70,000	\$ 75,000
			7/15/12	75,000	to 4.900%				
School Refunding Bonds Series 2011	12/28/11	2,885,000	7/15/12	70,000	3.410%		2,885,000		2,885,000
			7/15/13	105,000	to 4.25%				
			7/15/14	100,000					
			7/15/15	105,000					
			7/15/16	110,000					
			7/15/17	110,000					
			7/15/18	115,000					
			7/15/19	110,000					
			7/15/20	115,000					
			7/15/21	120,000					
			7/15/22	125,000					
			7/15/23	125,000					
			7/15/24	135,000					
			7/15/25	140,000					
			7/15/26	140,000					
			7/15/27	145,000					
			7/15/28	155,000					
			7/15/29	160,000					
			7/15/30	165,000					
			7/15/31	170,000					
			7/15/32	180,000					
			7/15/33	185,000					
Total						\$ 2,811,000	\$ 219,000	\$ 70,000	\$ 2,960,000

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 204,292		\$ 204,292	\$ 204,292	
Total - Local Sources	204,292	-	204,292	204,292	
TOTAL REVENUES	204,292		204,292	204,292	
EXPENDITURES:					
Regular Debt Service:					
Interest	134,292		134,292	69,758	\$64,534
Redemption of Principal	70,000		70,000	70,000	
Total Regular Debt Service	204,292		204,292	139,758	64,534
TOTAL EXPENDITURES	204,292		204,292	139,758	64,534
Fund Balance, July 1				-	64,534
Fund Balance, June 30				\$64,534	\$64,534
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance				\$64,534	\$64,534

Washington Borough School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	52-57
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	58-61
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	62-65
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	66-67
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	68-72

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

Washington Borough School District
Net Assets by Component,
Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-1

	2003	2004	2005	2006	Fiscal Year Ending June 30,		2009	2010	2011	2012
					2007	2008				
Governmental activities	N/A									
Invested in capital assets, net of related debt		\$ 323,052	\$ 2,561,518	\$ 2,256,635	\$ 1,921,712	\$ 1,555,418	\$ 1,189,124	\$ 827,830	\$ 474,745	\$ 144
Restricted		2,237,869	1,381,539	1,389,007	1,063,987	1,075,200	1,069,733	729,421	1,039,992	972,446
Unrestricted		103,165	(31,317)	19,874	160,549	104,024	(32,856)	12,088	5,827	185,259
Total governmental activities net assets	-	\$ 2,664,086	\$ 3,911,740	\$ 3,665,516	\$ 3,146,248	\$ 2,734,642	\$ 2,226,001	\$ 1,569,339	\$ 1,520,564	\$ 1,157,849
Business-type activities										
Invested in capital assets, net of related debt		-	-	-	-	-	-	-	-	-
Restricted		-	-	-	-	-	-	-	-	-
Unrestricted		\$ 2,688	\$ 636	\$ (7,276)	\$ 20,026	\$ 14,790	\$ 15,232	\$ 26,751	\$ 44,329	\$ 62,364
Total business-type activities net assets	-	\$ 2,688	\$ 636	\$ (7,276)	\$ 20,026	\$ 14,790	\$ 15,232	\$ 26,751	\$ 44,329	\$ 62,364
District-wide										
Invested in capital assets, net of related debt		\$ 323,052	\$ 2,561,518	\$ 2,256,635	\$ 1,921,712	\$ 1,555,418	\$ 1,189,124	\$ 827,830	\$ 474,745	\$ 144
Restricted		2,237,869	1,381,539	1,389,007	1,063,987	1,075,200	1,069,733	729,421	1,039,992	972,446
Unrestricted		105,853	(30,681)	12,598	180,575	118,814	(17,624)	38,839	50,156	247,623
Total district net assets	-	\$ 2,666,774	\$ 3,912,376	\$ 3,658,240	\$ 3,166,274	\$ 2,749,432	\$ 2,241,233	\$ 1,596,090	\$ 1,564,893	\$ 1,220,213

Source: CAFR Schedule A-1

Washington Borough School District
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	<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>
Expenses									
Governmental activities									
Instruction									
Regular	\$ 3,129,258	\$ 3,161,738	\$ 3,552,600	\$ 3,863,874	\$ 3,998,000	\$ 3,796,231	\$ 3,975,060	\$ 3,478,325	\$ 3,863,484
Special education	652,776	777,167	834,071	927,509	768,618	920,067	854,518	837,710	\$1,081,042
Other special education	210,607	212,065	257,465	234,621	248,301	205,416	222,314	259,936	\$116,706
Support Services:									
Tuition	390,732	195,570	166,856	124,759	158,504	113,588	74,927	158,997	112,151
Student & instruction related services	980,707	888,708	964,663	1,048,416	1,156,341	1,104,507	1,102,063	1,014,479	1,154,146
General administrative services	436,244	447,142	471,627	484,021	482,721	503,200	515,963	473,803	760,079
School administrative services	143,306	150,556	164,626	161,549	176,111	178,628	185,840	179,619	179,768
Business administrative services									
Plant operations and maintenance	565,955	713,361	654,145	634,132	732,989	698,515	661,825	698,111	628,099
Pupil transportation	212,871	147,924	140,695	142,995	143,015	129,778	129,245	200,286	189,493
Interest on long-term debt	157,251	153,391	150,787	148,176	145,336	142,484	139,683	151,459	56,298
Unallocated depreciation	21,253	29,694	42,121	42,456	42,629	42,629	42,629	42,629	32,560
Total governmental activities expenses	<u>6,900,960</u>	<u>6,877,316</u>	<u>7,399,656</u>	<u>7,812,508</u>	<u>8,052,565</u>	<u>7,835,043</u>	<u>7,904,067</u>	<u>7,495,354</u>	<u>8,173,826</u>
Business-type activities:									
Food service	129,833	134,861	126,106	125,413	130,900	148,395	146,330	150,061	158,528
Total business-type activities expense	<u>129,833</u>	<u>134,861</u>	<u>126,106</u>	<u>125,413</u>	<u>130,900</u>	<u>148,395</u>	<u>146,330</u>	<u>150,061</u>	<u>158,528</u>
Total district expenses	<u>\$ 7,030,793</u>	<u>\$ 7,012,177</u>	<u>\$ 7,525,762</u>	<u>\$ 7,937,921</u>	<u>\$ 8,183,465</u>	<u>\$ 7,983,438</u>	<u>\$ 8,050,397</u>	<u>\$ 7,645,415</u>	<u>\$ 8,332,354</u>
Program Revenues									
Governmental activities:									
Charges for services:									
Operating grants and contributions	\$ 3,530,735	\$ 3,415,987	\$ 3,548,603	\$ 3,707,377	\$ 3,798,112	\$ 3,426,627	\$ 3,228,927	\$ 3,294,355	\$ 3,582,754
Capital grants and contributions									
Total governmental activities program revenues	<u>3,530,735</u>	<u>3,415,987</u>	<u>3,548,603</u>	<u>3,707,377</u>	<u>3,798,112</u>	<u>3,426,627</u>	<u>3,228,927</u>	<u>3,294,355</u>	<u>3,582,754</u>
Business-type activities:									
Charges for services									
Food service	52,649	67,743	64,927	67,526	61,866	68,064	66,795	69,026	70,670
Operating grants and contributions	42,964	51,866	52,475	64,143	62,209	80,743	91,054	95,513	105,893
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>95,613</u>	<u>119,609</u>	<u>117,402</u>	<u>131,669</u>	<u>124,075</u>	<u>148,807</u>	<u>157,849</u>	<u>164,539</u>	<u>176,563</u>
Total district program revenues	<u>\$ 3,626,348</u>	<u>\$ 3,535,596</u>	<u>\$ 3,666,005</u>	<u>\$ 3,839,046</u>	<u>\$ 3,922,187</u>	<u>\$ 3,575,434</u>	<u>\$ 3,386,776</u>	<u>\$ 3,458,894</u>	<u>\$ 3,759,317</u>

Washington Borough School District
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	<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>
Net (Expense)/Revenue									
Governmental activities	\$ (3,370,225)	\$ (3,461,329)	\$ (3,851,053)	\$ (4,105,131)	\$ (4,254,453)	\$ (4,408,416)	\$ (4,675,140)	\$ (4,200,999)	\$ (4,591,072)
Business-type activities	(34,220)	(15,252)	(8,704)	6,256	(6,825)	412	11,519	14,478	18,035
Total district-wide net expense	<u>\$ (3,404,445)</u>	<u>\$ (3,476,581)</u>	<u>\$ (3,859,757)</u>	<u>\$ (4,098,875)</u>	<u>\$ (4,261,278)</u>	<u>\$ (4,408,004)</u>	<u>\$ (4,663,621)</u>	<u>\$ (4,186,521)</u>	<u>\$ (4,573,037)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net	\$ 3,170,496	\$ 3,217,762	\$ 3,313,716	\$ 3,313,716	\$ 3,507,666	\$ 3,647,973	\$ 3,793,892	\$ 3,904,892	\$ 3,982,989
Taxes levied for debt service	166,533	204,479	206,988	204,373	206,639	203,972	205,823	140,534	204,292
Unrestricted grants and contributions		1,238,721	4,268	-	59,751				
Investment earnings	3,990	17,068	62,766	79,201	59,724	22,607	6,010	2,015	1,468
Miscellaneous income	56,290	7,003	17,091	9,573	9,067	25,223	12,753	104,783	39,608
Transfers	(30,170)	(13,000)							
Total governmental activities	<u>3,367,139</u>	<u>4,672,033</u>	<u>3,604,829</u>	<u>3,606,863</u>	<u>3,842,847</u>	<u>3,899,775</u>	<u>4,018,478</u>	<u>4,152,224</u>	<u>4,228,357</u>
Business-type activities:									
Miscellaneous income	271	200	792	46	1,589	30	-	3,100	-
Transfers	30,170	13,000							
Total business-type activities	<u>30,441</u>	<u>13,200</u>	<u>792</u>	<u>46</u>	<u>1,589</u>	<u>30</u>	<u>-</u>	<u>3,100</u>	<u>-</u>
Total district-wide	<u>\$ 3,397,580</u>	<u>\$ 4,685,233</u>	<u>\$ 3,605,621</u>	<u>\$ 3,606,909</u>	<u>\$ 3,844,436</u>	<u>\$ 3,899,805</u>	<u>\$ 4,018,478</u>	<u>\$ 4,155,324</u>	<u>\$ 4,228,357</u>
Change in Net Assets									
Governmental activities	\$ (3,086)	\$ 1,210,704	\$ (246,224)	\$ (498,268)	\$ (411,606)	\$ (508,641)	\$ (656,662)	\$ (48,775)	\$ (362,715)
Business-type activities	(3,779)	(2,052)	(7,912)	6,302	(5,236)	442	11,519	17,578	18,035
Total district	<u>\$ (6,865)</u>	<u>\$ 1,208,652</u>	<u>\$ (254,136)</u>	<u>\$ (491,966)</u>	<u>\$ (416,842)</u>	<u>\$ (508,199)</u>	<u>\$ (645,143)</u>	<u>\$ (31,197)</u>	<u>\$ (344,680)</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

	2003		2004		2005		2006		Fiscal Year Ending June 30,		2007		2008		2009		2010		2011		2012		
General Fund																							
Reserved	\$	750,022	\$	990,228	\$	1,234,189	\$	1,406,318	\$	1,087,262	\$	949,203	\$	1,004,763	\$	761,680	\$	1,074,348	\$	1,147,166			
Unreserved		282,656		84,394		95,213		31,771		119,924		235,042		30,282		(23,143)		33,783		16,857			
Total general fund	<u>\$</u>	<u>1,032,678</u>	<u>\$</u>	<u>1,074,622</u>	<u>\$</u>	<u>1,329,402</u>	<u>\$</u>	<u>1,438,089</u>	<u>\$</u>	<u>1,207,186</u>	<u>\$</u>	<u>1,184,245</u>	<u>\$</u>	<u>1,035,045</u>	<u>\$</u>	<u>738,537</u>	<u>\$</u>	<u>1,108,131</u>	<u>\$</u>	<u>1,164,023</u>			
All Other Governmental Funds																							
Reserved	\$	6,000	\$	2,079,642	\$	90,135	\$	34,639															
Unreserved, reported in:																							
Special revenue fund		(3,332)		(1,940)		(1,940)		(1,940)	\$	(1,940)	\$	(5,365)											
Capital projects fund		2,870,500		(739,943)		2,884		7,151		7,151		66,902	\$	66,902									
Debt service fund		-		-		-		3		3		-		181	\$	67,083						\$	64,534
Total all other governmental funds	<u>\$</u>	<u>2,873,168</u>	<u>\$</u>	<u>1,337,759</u>	<u>\$</u>	<u>91,079</u>	<u>\$</u>	<u>39,853</u>	<u>\$</u>	<u>5,214</u>	<u>\$</u>	<u>61,537</u>	<u>\$</u>	<u>67,083</u>	<u>\$</u>	<u>67,083</u>						<u>\$</u>	<u>64,534</u>

Source: CAFR Schedule B-1

**Washington Borough School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<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>
Revenues										
Tax levy	\$ 3,170,496	\$ 3,337,029	\$ 3,422,241	\$ 3,520,704	\$ 3,518,089	\$ 3,714,305	\$ 3,851,945	\$ 3,999,715	\$ 4,045,426	\$ 4,187,281
Interest earnings										
Miscellaneous	79,136	60,280	24,071	79,857	88,774	68,791	47,830	18,763	106,798	41,076
State sources	2,829,285	3,260,707	4,391,211	3,272,941	3,421,451	3,594,317	3,170,175	2,409,269	3,017,497	3,193,621
Federal sources	240,101	270,028	263,498	279,930	285,926	263,546	256,452	819,658	276,858	389,133
Total revenue	6,319,018	6,928,044	8,101,021	7,153,432	7,314,240	7,640,959	7,326,402	7,247,405	7,446,579	7,811,111
Expenditures										
Instruction										
Regular Instruction	1,855,069	2,219,679	2,119,221	2,273,084	2,399,259	2,513,191	2,415,160	2,519,926	2,245,646	2,601,008
Special education instruction	572,383	502,935	587,200	622,670	667,967	556,922	678,332	624,270	633,236	812,945
Other special instruction	164,371	162,263	160,229	192,209	168,968	179,913	151,446	162,412	196,489	87,763
Other instruction	156									
Support Services:										
Tuition	320,277	301,042	147,766	124,565	89,848	114,848	83,744	54,738	120,188	84,338
Student & instruction related services	604,519	755,591	671,477	720,162	755,041	837,857	814,313	805,115	766,858	867,919
School administrative services	272,116	110,411	113,755	122,900	116,343	127,606	131,696	135,766	135,776	135,186
Other administrative services	103,820	336,107	337,845	352,090	348,579	349,768	370,991	376,938	358,154	352,580
Plant operations and maintenance	384,638	436,043	538,991	488,347	456,685	531,106	514,990	483,498	527,711	472,331
Pupil transportation	194,113	164,008	111,766	105,035	102,981	103,625	95,681	94,420	151,399	142,499
Unallocated employee benefits	1,425,000	1,543,102	1,636,303	1,826,602	2,132,804	2,166,099	2,009,912	2,080,607	1,782,144	1,983,063
Special Schools										
Special Revenue	330,028									
Capital Outlay	356,426	1,679,466	2,487,839	61,322	35,934	-	-	400	18,850	11,295
Debt service:										
Principal			50,000	55,000	55,000	60,000	60,000	65,000	70,000	70,000
Interest and other charges		174,692	154,479	151,985	149,373	146,642	143,791	140,823	137,617	69,758
Total expenditures	6,582,916	8,385,339	9,116,871	7,095,971	7,478,782	7,687,577	7,470,056	7,543,913	7,144,068	7,690,685
Excess (Deficiency) of revenues over (under) expenditures	(263,898)	(1,457,295)	(1,015,850)	57,461	(164,542)	(46,618)	(143,654)	(296,508)	302,511	120,426
Other Financing Sources (uses)										
Bond proceeds	3,226,000									
Accrued interest	(32,854)									
Transfers in								66,902		-
Transfers out	(24,477)	(30,170)	(13,000)	-	(21,000)	-	-	(66,902)		-
Total other financing sources (uses)	3,168,669	(30,170)	(13,000)	-	(21,000)	-	-	-	-	-
Net change in fund balances	\$ 2,904,771	\$(1,487,465)	\$(1,028,850)	\$ 57,461	\$(185,542)	\$(46,618)	\$(143,654)	\$(296,508)	\$ 302,511	\$ 120,426
Debt service as a percentage of noncapital expenditures	0.0%	2.6%	3.1%	2.9%	2.7%	2.7%	2.7%	2.7%	2.9%	1.8%

Source: CAFR Schedule B-2

WASHINGTON BOROUGH SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Cable TV</u> <u>Proceeds</u>	<u>Tuition</u>	<u>Other</u> <u>State</u> <u>Aid</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 7,989	\$ 432	\$ 10,412	\$ 17,000		\$ 7,463	\$ 2,700	\$ 45,996
2004	3,990		2,603	21,862			512	28,967
2005	11,362						5,845	17,207
2006	62,766					6,752	8,756	78,274
2007	79,201						7,861	87,062
2008	59,724	1,108					5,258	66,090
2009	22,607	4,225			\$ 5,772		13,060	45,664
2010	6,010				3,240	5,220	4,134	18,604
2011	2,015	98,143				3,546	3,094	106,798
2012	1,468	2,318			19,927	3,700	6,260	33,673

SOURCE: District Records

**Washington Borough School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2003	\$8,106,400	\$185,866,160	\$437,600	\$46,000	\$48,757,800	\$17,719,600	\$19,498,300	\$310,096,570	\$26,962,025	\$2,702,685	\$283,134,545	\$1.120	\$325,932,284
2004	6,990,400	253,623,560	437,600	5,300	49,966,600	17,991,300	25,776,600	386,313,669	28,042,025	3,480,284	358,271,644	0.932	346,126,463
2005	3,724,800	268,099,760	437,600	5,300	49,676,400	17,991,300	25,776,600	398,137,524	28,821,025	3,604,739	369,316,499	0.927	403,031,904
2006	3,672,800	276,846,160	437,600	5,300	49,158,100	16,803,900	23,983,000	403,574,718	29,519,425	3,148,433	374,055,293	0.942	456,296,267
2007	3,297,700	279,454,560	437,600	5,300	49,213,100	16,803,900	23,983,000	405,879,343	29,951,425	2,732,758	375,927,918	0.937	511,173,796
2008	5,960,300	282,165,460	437,600	5,300	48,804,000	16,823,900	23,083,000	409,737,532	30,395,825	2,062,147	379,341,707	0.980	575,868,580
2009	9,560,900	283,120,160	437,600	5,300	48,586,900	16,823,900	22,783,000	413,338,615	29,975,825	2,045,030	383,362,790	1.005	595,390,516
2010	8,457,100	278,216,160	437,600	5,300	48,064,100	16,823,900	22,283,000	410,238,951	33,852,325	2,099,466	376,386,626	1.063	587,949,681
2011	6,827,300	278,559,460	437,600	5,300	47,575,200	16,823,900	21,890,900	407,186,249	32,932,625	2,133,964	374,253,624	1.081	583,927,229
2012	5,350,500	278,666,860	437,600	5,300	47,429,000	16,323,400	21,890,900	404,055,686	31,906,225	2,045,901	372,149,461	1.125	577,042,195

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Washington Borough School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Washington Borough Board of Education			Warren Hills Regional School District	Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct		Washington Borough	Warren County	
2003	\$1.120	\$0.000	\$1.120	\$1.020	\$0.868	\$0.752	\$3.760
2004	\$0.932	\$0.000	\$0.932	\$0.814	\$0.704	\$0.600	\$3.050
2005	\$0.882	\$0.045	\$0.927	\$0.849	\$0.755	\$0.669	\$3.200
2006	\$0.887	\$0.055	\$0.942	\$1.000	\$0.845	\$0.723	\$3.510
2007	\$0.883	\$0.054	\$0.937	\$1.076	\$0.926	\$0.781	\$3.720
2008	\$0.926	\$0.054	\$0.980	\$1.138	\$1.005	\$0.847	\$3.970
2009	\$0.952	\$0.053	\$1.005	\$1.104	\$1.054	\$0.864	\$4.027
2010	\$1.008	\$0.055	\$1.063	\$1.106	\$1.240	\$0.864	\$4.273
2011	\$1.026	\$0.055	\$1.081	\$1.118	\$1.415	\$0.873	\$4.487
2012	\$1.070	\$0.055	\$1.125	\$1.141	\$1.443	\$0.961	\$4.670

Source: District Records and Municipal Tax Collector

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

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

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

**Washington Borough School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Warren Washington Assn.	\$ 7,000,000	1	1.88%	\$ 5,800,000	2	2.02%
BASF Corporation	4,722,000	2	1.27%	4,114,400	3	1.43%
Pechiney Plastic Packaging	4,552,800	3	1.22%			
Washington Gardens LOC	3,990,000	4	1.07%			1.08%
Washington Plaza Assoc.	3,900,000	5	1.05%	3,100,000	5	
Washington Heights, LLC	2,000,000	6	0.54%	1,700,000	7	0.59%
Individual Taxpayer #1	1,938,900	7	0.52%	3,438,100	4	0.54%
Warren Lumber	1,658,000	8	0.45%	1,547,000	8	1.20%
Individual Taxpayer #2	1,649,000	9	0.44%	1,522,400	9	0.53%
Candle Artisans, Inc.	1,550,000	10	0.42%	1,989,900	6	0.69%
American National Can Co.				6,060,000	1	2.11%
NJ Bell Telephone				1,499,500	10	0.52%
Total	\$ 32,960,700		8.86%	\$ 30,771,300		10.71%

Washington Gardens LOC

Source: District CAFR & Municipal Tax Assessor

**Washington Borough School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$3,170,496	\$3,170,496	100.00%	-
2004	\$3,170,496	\$3,170,496	100.00%	-
2005	\$3,217,762	\$3,217,762	100.00%	-
2006	\$3,313,716	\$3,313,716	100.00%	-
2007	\$3,313,716	\$3,313,716	100.00%	-
2008	\$3,507,666	\$3,507,666	100.00%	-
2009	\$3,647,973	\$3,647,973	100.00%	-
2010	\$3,793,892	\$3,793,892	100.00%	-
2011	\$3,904,892	\$3,904,892	100.00%	-
2012	\$3,982,989	\$3,982,989	100.00%	-

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

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

**Washington Borough School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2003	\$ 3,226,000	-0-	-0-	-0-	-0-	\$ 3,226,000	1.38%	\$478.49
2004	\$ 3,226,000	-0-	-0-	-0-	-0-	\$ 3,226,000	1.34%	\$476.23
2005	\$ 3,176,000	-0-	-0-	-0-	-0-	\$ 3,176,000	1.26%	\$466.37
2006	\$ 3,121,000	-0-	-0-	-0-	-0-	\$ 3,121,000	1.16%	\$458.63
2007	\$ 3,066,000	-0-	-0-	-0-	-0-	\$ 3,066,000	1.08%	\$453.75
2008	\$ 3,006,000	-0-	-0-	-0-	-0-	\$ 3,006,000	1.02%	\$448.52
2009	\$ 2,946,000	-0-	-0-	-0-	-0-	\$ 2,946,000	1.02%	\$439.37
2010	\$ 2,881,000	-0-	-0-	-0-	-0-	\$ 2,881,000	0.98%	\$431.42
2011	\$ 2,811,000	-0-	-0-	-0-	-0-	\$ 2,811,000	0.98%	\$435.14
2012	\$ 2,960,000	-0-	-0-	-0-	-0-	\$ 2,960,000	1.04%	\$459.63

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

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

a See Exhibit NJ J-13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

b Includes Early Retirement Incentive Plan (ERIP) refunding

* Current data unavailable

**Washington Borough School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 3,226,000	-0-	\$ 3,226,000	1.14%	\$ 478
2004	\$ 3,226,000	-0-	\$ 3,226,000	0.90%	\$ 476
2005	\$ 3,176,000	-0-	\$ 3,176,000	0.86%	\$ 466
2006	\$ 3,121,000	-0-	\$ 3,121,000	0.83%	\$ 459
2007	\$ 3,066,000	-0-	\$ 3,066,000	0.82%	\$ 454
2008	\$ 3,006,000	-0-	\$ 3,006,000	0.79%	\$ 449
2009	\$ 2,946,000	-0-	\$ 2,946,000	0.77%	\$ 439
2010	\$ 2,881,000	-0-	\$ 2,881,000	0.77%	\$ 431
2011	\$ 2,811,000	-0-	\$ 2,811,000	0.75%	\$ 435
2012	\$ 2,960,000	-0-	\$ 2,960,000	0.80%	\$ 460

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

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

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

* Current data unavailable

**Washington Borough School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2012**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Borough of Washington	\$ 9,583,066	100.000%	\$ 9,583,066
Other debt Warren County	8,760,000	4.501%	<u>394,244</u>
Subtotal, overlapping debt			9,977,310
Washington Borough School District Direct Debt			<u>2,960,000</u>
Total direct and overlapping debt			<u><u>\$ 12,937,310</u></u>

Sources: Borough Finance Officer, Warren County Finance Office and Utility Authorities

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

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

Washington Borough School District
 Legal Debt Margin Information,
 Last Ten Fiscal Years

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized valuation basis
	2008 \$ 580,740,357
	2009 573,904,473
	2010 515,823,777
	[A] \$ <u>1,670,468,607</u>
Average equalized valuation of taxable property	[A/3] \$ 556,822,869
Debt limit (2.5% of average equalization value)	[B] 13,920,572
Net bonded school debt	[C] 2,960,000
Legal debt margin	[B-C] \$ <u>10,960,572</u>

	Fiscal Year									
	<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>
Debt limit	\$8,943,918	\$8,513,871	\$9,608,506	\$11,064,294	\$12,559,471	\$13,723,978	\$14,481,900	\$14,627,832	\$14,556,276	13,920,572
Total net debt applicable to limit	3,226,000	3,226,000	3,176,000	3,121,000	3,066,000	3,006,000	2,946,000	2,881,000	2,811,000	2,960,000
Legal debt margin	<u>\$5,717,918</u>	<u>\$5,287,871</u>	<u>\$6,432,506</u>	<u>\$7,943,294</u>	<u>\$9,493,471</u>	<u>\$10,717,978</u>	<u>\$11,535,900</u>	<u>\$11,746,832</u>	<u>\$11,745,276</u>	<u>\$10,960,572</u>
Total net debt applicable to the limit as a percentage of debt limit	36.07%	37.89%	33.05%	28.21%	24.41%	21.90%	20.34%	19.70%	19.31%	21.26%

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

a Limit set by NJSA 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts

**Washington Borough School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2003	6,742	\$ 232,963,068	\$34,554 R	5.6%
2004	6,774	\$ 241,228,914	\$35,611 R	4.2%
2005	6,810	\$ 251,581,830	\$36,943 R	4.2%
2006	6,805	\$ 268,743,060	\$39,492 R	3.8%
2007	6,757	\$ 282,875,048	\$41,864 R	3.5%
2008	6,702	\$ 293,728,554	\$43,827 R	4.7%
2009	6,705	\$ 288,791,055	\$43,071 R	8.3%
2010	6,678	\$ 295,054,074	\$44,183 R	8.6%
2011	6,460	\$ 285,422,180	\$44,183 P	7.9%
2012	6,440	\$ 284,538,520	\$44,183 *	*

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* Current data unavailable

Washington Borough School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15
N/A

Employer	2012			2003		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		0.00%
	-			-		0.00%
	-			-		0.00%
	-		0.00%	-		0.00%

Source:
No reliable information is available at the local or county level.

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

Exhibit J-16

<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	38.0	39.0	35.5	37.0	37.0	37.0	36.0	36.0	35.0	35.0
Special education	10.0	8.0	9.5	9.5	10.0	10.0	12.0	12.0	11.0	11.0
Other special education	5.7	8.5	9.0	10.0	10.0	9.5	10.0	5.0	5.0	5.0
Other instruction	8.0	8.0	7.0	6.2	6.2	6.2	6.2	5.2	5.2	5.2
Support Services:										
Tuition										
Student & instruction related services										
General administrative services	4.0	4.0	4.0	3.6	3.6	3.6	3.6	3.6	3.6	3.6
School administrative services	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Central services	4.0	5.2	5.2	5.2	5.2	5.2	5.2	4.0	4.0	3.0
Plant operations and maintenance	4.8	4.8	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Special Schools										
Total	<u>75.7</u>	<u>78.7</u>	<u>76.4</u>	<u>77.7</u>	<u>78.2</u>	<u>77.7</u>	<u>79.2</u>	<u>72.0</u>	<u>70.0</u>	<u>69.0</u>

Source: District Personnel Records

Washington Borough School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2003	604	\$15,027,720	\$ 24,880	3.61%	62	9.8:1		594.8	560.2	-1.57%	94.18%
2004	561	\$14,778,559	\$ 26,343	5.88%	62	9.8:1		561.1	529.3	-5.67%	94.33%
2005	506	\$14,839,127	\$ 29,326	11.32%	62	12.7:1		499.7	474.2	-10.94%	94.90%
2006	506	\$6,827,664	\$ 13,493	-53.99%	63	12.7:1		505.4	478.8	1.14%	94.74%
2007	521	\$7,238,475	\$ 13,893	2.96%	63	12.7:1		526.0	520.8	4.08%	99.01%
2008	513	\$7,480,935	\$ 14,583	4.96%	63	12.3:1		505.1	478.0	-3.97%	94.63%
2009	548	\$7,266,265	\$ 13,260	-9.07%	63	8.7:1		546.5	517.0	8.20%	94.60%
2010	551	\$7,337,690	\$ 13,317	0.43%	58	9.5:1		551.0	522.0	0.82%	94.74%
2011	535	\$6,917,601	\$ 12,930	-2.91%	56	9.6:1		536.3	509.9	-2.67%	95.08%
2012	568	\$7,539,632	\$ 13,274	2.66%	56	10.1:1		556.2	528.9	3.71%	95.09%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

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

**Washington Borough School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<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>										
<u>Elementary</u>										
Taylor School										
Square Feet	42,512	42,512	42,512	42,512	42,512	42,512	42,512	42,512	42,512	42,512
Capacity (students)	268	268	268	268	268	268	268	268	268	268
Enrollment	220	205	209	226	241	239	252	248	241	244
Memorial School										
Square Feet	39,540	39,540	39,540	48,708	48,708	48,708	48,708	48,708	48,708	48,708
Capacity (students)	358	358	358	358	358	358	358	358	358	358
Enrollment ^a	383	301	344	280	280	274	296	303	294	324
Total Enrollment	603	506	553	506	521	513	548	551	535	568

Nur

7 **Source:** District records, ASSA

Elementary = 2

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

WASHINGTON BOROUGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2012

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>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>Total</u>
Washington Memorial School	055	\$10,955	\$13,394	\$59,834	\$35,230	\$19,999	\$33,629	\$21,852	\$16,980	\$18,286	\$26,623	\$256,782
Taylor Street School	060	11,867	14,509	62,826	36,962	20,983	35,282	22,927	17,816	19,185	27,932	270,289
Total School Facilities		22,822	27,903	122,660	72,192	40,982	68,911	44,779	34,796	37,471	54,555	527,071
Other Facilities												
Grand Total		\$22,822	\$27,903	\$122,660	\$72,192	\$40,982	\$68,911	\$44,779	\$34,796	\$37,471	\$54,555	\$527,071

WASHINGTON BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2012
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMMERCIAL PACKAGE POLICY - New Jersey School Boards Ins. Group		
Property-Blanket Building and Contents	\$300,000,000	\$1,000
Comprehensive General Liability:		
General Aggregate	11,000,000	
Occurrence Limit	11,000,000	
Comprehensive Automobile Liability - Blanket	11,000,000	
Theft, Disappearance and Destruction:	100,000	1,000
BOILER AND MACHINERY - New Jersey School Boards		
Property Damage	Not Limited	1,000
SCHOOL BOARD LEGAL LIABILITY - New Jersey School Boards		
Limit Each Loss	11,000,000	5,000
Limit Each Policy Year	11,000,000	
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND-New Jersey School Boards		
Blanket Employee Limit	100,000	1,000
PUBLIC OFFICIAL BOND-Selective Insurance Company		
School Board Secretary	30,000	
Treasurer of School Monies	170,000	

SOURCE: District Records

Single Audit Section



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

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

Honorable President and
 Members of the Board of Education
 Washington Borough School District
 County of Warren
 Washington, New Jersey 07882

We have audited the financial statements of the Board of Education of the Washington Borough School District in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

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

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

-Continued-

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

Compliance and Other Matters

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

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



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

Date: August 31, 2012



ARDITO & Co., LLP

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

Honorable President and
 Members of the Board of Education
 Washington Borough School District
 County of Warren
 Washington, New Jersey 07882

Compliance

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

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

-Continued-

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

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

Internal Control Over Compliance

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

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

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

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



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

Date: August 31, 2012

WASHINGTON BOROUGH SCHOOL DISTRICT

K-4

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

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2011	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2012			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$ 2,319,085			\$ 2,319,085	\$ (2,319,085)							\$ 228,209	\$ 2,319,085
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	273,651			273,651	(273,651)							26,928	273,651
Extraordinary Aid	11-495-034-5120-044	7/1/10-6/30/11		\$ (23,153)		23,153									
Extraordinary Aid	12-495-034-5120-044	7/1/11-6/30/12	21,994				(21,994)			\$ (21,994)					21,994
TPAF Wage Freeze Aid	11-495-034-5095-001	7/1/10-6/30/11	8,889	(4,445)		4,445				-					
On-behalf TPAF Pension Contrib.	12-495-034-5095-001	7/1/11-6/30/12	330,860			330,860	(330,860)								330,860
Reimbursed TPAF Soc. Secur. Contrib.	12-495-034-5095-002	7/1/11-6/30/12	262,201	(24,929)		286,429	(262,201)			(701)					262,201
Total General Fund				(52,527)		3,237,623	(3,207,791)			(22,695)				255,137	3,207,791
Special Revenue Fund:															
N.J. Nonpublic Aid:															
Nonpublic Nursing Aid	12-100-034-5120-070	7/1/11-6/30/12	977			977					\$ 977				
Nonpublic Textbook Aid	12-100-034-5120-064	7/1/11-6/30/12	684	13		684		5			702				
Total Special Revenue Fund				13		1,661	-	5	-	-	1,679			-	-
State Department of Agriculture															
Enterprise Fund:															
Nat. School Lunch Prog.(State Share)	11-100-010-3350-023	7/1/10-6/30/11		(170)		170									
Nat. School Lunch Prog.(State Share)	12-100-010-3350-023	7/1/11-6/30/12	2,299			2,184	(2,299)			(115)					2,299
Total Enterprise Fund				(170)		2,354	(2,299)			(115)					2,299
Total State Financial Assistance				\$ (52,684)	-	\$ 3,241,638	\$ (3,210,090)	5	-	\$ (22,810)	\$ 1,679	-		\$ 255,137	\$ 3,210,090

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

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

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$15,767) for the general fund and \$2,618 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

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

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 95,989	\$ 3,192,024	\$ 3,288,013
Special Revenue Fund	293,144	1,597	294,741
Food Service Fund	<u>103,594</u>	<u>2,299</u>	<u>105,893</u>
Total Financial Assistance	<u>\$ 492,727</u>	<u>\$ 3,195,920</u>	<u>\$ 3,688,647</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

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

Part I - Summary of Auditor's Results

Financial Statement Section

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

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

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

Federal Awards Section

N/A

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

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

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

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

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

- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

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

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x_yes__no
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
 1) Material weakness(es) identified? ___yes x_no
 2) Were significant deficiencies identified that were not considered to be material weaknesses? ___yes x_none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? ___yes x_no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

12-495-034-5120-078

Equalization Aid

12-495-034-5095-002

Reimb. TPAF Soc. Sec.

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

Section II-Financial Statement Findings

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

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

FEDERAL AND STATE FINANCIAL ASSISTANCE-There were no federal or state financial assistance findings or questioned costs that are required to be reported in accordance with OMB Circular A-133 or with NJOMB Circular 04-04.

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

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