

**SCHOOL DISTRICT
OF
HOPATCONG BOROUGH**

**Hopatcong Borough School District
Hopatcong, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

**Comprehensive Annual
Financial Report**

of the

Hopatcong Borough School District

Hopatcong, New Jersey

For the Fiscal Year Ended June 30, 2013

Prepared by

**Hopatcong Borough School District
Board of Education**

HOPATCONG BOROUGH SCHOOL DISTRICT
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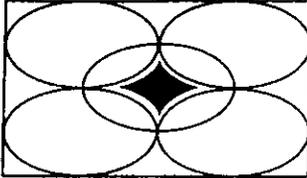
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INTRODUCTORY SECTION



Parents
Teachers
Children
Community
Administrators

Hopatcong Board of Education

November 6, 2013

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Hopatcong Borough School District (the "District") for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels K through 12. These services include regular, vocational as well as special education for handicapped youngsters. The District completed the 2012-2013 fiscal year with an enrollment of 1,886 students, which is a decrease of 135 students from the previous year's enrollment.

The Honorable President and Members of
the Board of Education
Hopatcong Borough School District
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2) ECONOMIC CONDITION AND OUTLOOK: One of the best things that could have happened to Hopatcong was the passage of the “no budget vote” on January 16, 2012 which was signed by our Governor if the district were to stay within the 2% tax levy cap. This took our district no time to approve as we have been suffering from continued budget defeats followed by additional decreases to our budget imposed by the Borough. These decreases only permitted our budgets in the last few years to increase a mere .25% or 1% at best. The passage of this law will now permit us to actually plan for a 2% tax levy increase.

However, followed by that good news, the Governor also implemented a reduction in 20% over the next five years of adjustment aid resulting in a total five year loss of \$4,841,405! This will have a devastating effect on the capability of the Hopatcong School District to deliver programs as we have in the past. In addition, the funding formula has also determined that there will also be a decrease in equalization aid due to geographic factors, as well as average daily attendance and enrollment.

While we lost close to ¾ million in the 2012/13 school year due to the 20% implementation of the adjustment aid, it was a different story moving into the 2013/14 school year. Again, we don’t know why, but only \$19,000 was taken from us allowing us to utilize the available dollars to maintain our staffing needs. Unfortunately, we don’t know how to anticipate for the 2014/15 school budget, so we will remain conservative and vigilant in our spending.

3) MAJOR INITIATIVES: The major initiative in the upcoming year is the NJ Teach program, the new teacher evaluation tool. We have chosen to go with the James Stronge model and we have been busy getting administrators and staff trained with the model. This initiative, mandated as it is, will be a huge difference in the way teachers have been evaluated in the past.

With some savings utilized from the solar project and careful spending throughout the year, the district was able to have some excess funds which enabled us to purchase some much needed textbooks, as well as programs such as Renaissance Learning, a new reading series called Reading Streets, Naviance, Princeton Review, SAT prep study guides and the addition of new courses and additional AP courses with study guides. The district continues to roll out our Curriculum as mandated by the New Jersey Department of Education to align with the National Common Core Curriculum Standards.

Last year, the major initiative in the school district was our approximately \$8 million solar project funded solely through a 15 year PPA [Power Purchase Agreement]. This solar project is estimated to provide 80+% of our electricity saving millions to the district over the next 15 years. With this PPA, we were also able to provide for a roof for the Middle School and one for the Durban Avenue School, thereby saving our district close to \$700,000 in capital improvements. With the sharp increase in fuel costs, the savings achieved from the solar project will be able to be utilized in costs for oil and gasoline. We are very excited about this rare opportunity to obtain some capital improvements and reduction in costs. While we were hoping for our solar project to be completely operational by December, 2011, it was not until March 21, 2012 when we finally “flipped the switch” and are pleased with the savings this initiative has afforded us.

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

The Honorable President and Members of
The Board of Education
Hopatcong Borough School District
Page 3
November 6, 2013

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2013.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements", Note 1.

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

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

9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Education at its last organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

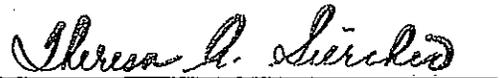
The Honorable President and Members of
the Board of Education
Hopatcong Borough School District
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October 18, 2013

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

Respectfully submitted,



Mrs. Cynthia Randina
Superintendent

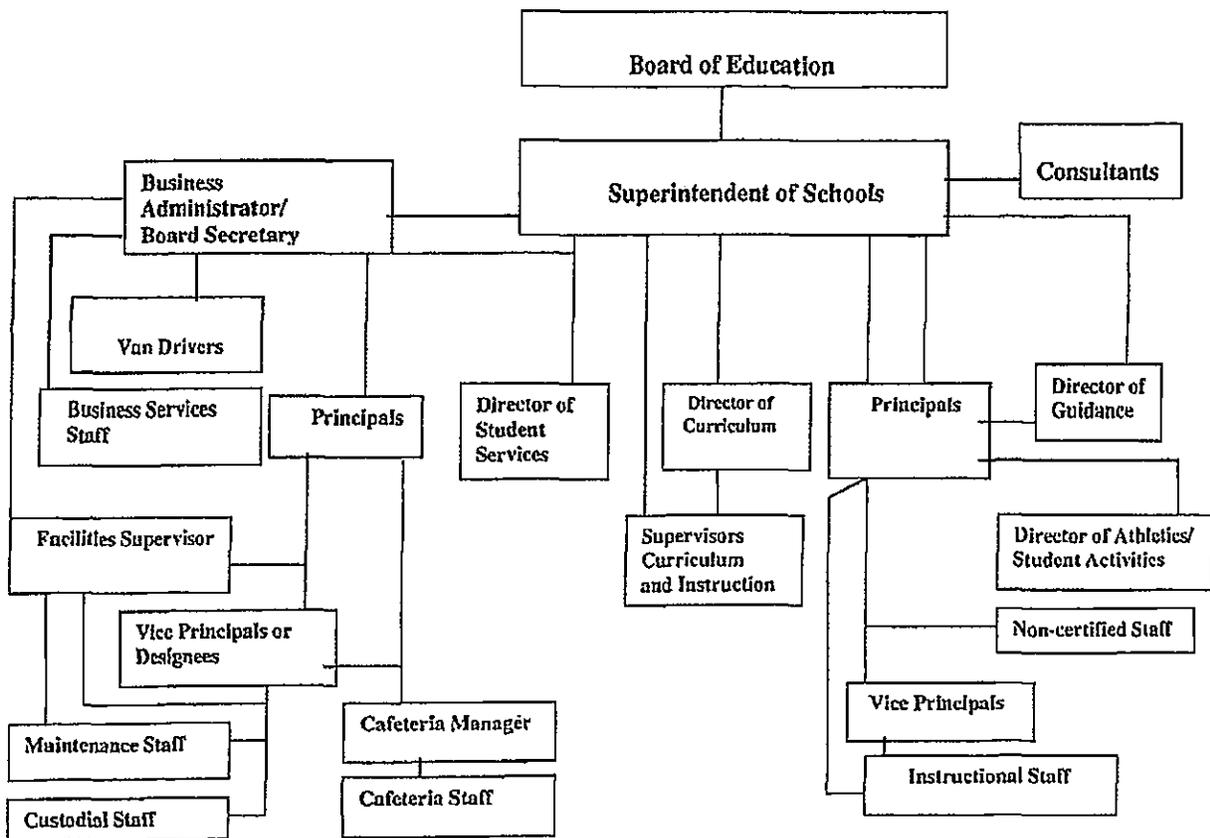


Theresa A. Sierchio
Business Administrator/Board Secretary

POLICY

BOARD OF EDUCATION HOPATCONG

ADMINISTRATION
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Organizational Chart



**HOPATCONG BOROUGH SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2013**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Clifford R. Lundin, President	2015
Joanne Passerini, Vice-President	2013
Judith Antonelli	2015
Margaret Bongiorno	2014
Frank Farruggia, Jr.	2013
Dolores Krowl	2015
Dr. Richard Lavery	2014
Susan Madar	2014
Michele Perrotti	2013

Other Officers

Dr. Charles Maranzano, Jr., Superintendent (to June 30, 2013)

Cynthia Randina, Superintendent (from July 1, 2013)

Theresa A. Sierchio, Business Administrator/Board Secretary

Kelleyanne M. McGann, Treasurer of School Monies

HOPATCONG BOROUGH SCHOOL DISTRICT
Consultants and Advisors

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and
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Landing, NJ 07850

Valley National Bank
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Sovereign Bank
Hopatchung Road
Hopatcong, NJ 07843

Wachovia Bank
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Flanders, NJ 07836

PNC Bank
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Stanhope, NJ 07874

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hopatcong Borough School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 Office of School Finance, Department of Education, State of New Jersey.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable President and Members
of the Board of Education
Hopatcong Borough School District
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Hopatcong Borough School District, in the County of Sussex, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Hopatcong Borough School District
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The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

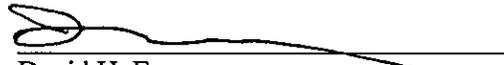
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 6, 2013
Mount Arlington, New Jersey



NISIVOCCIA LLP



David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management Discussion and Analysis
For Fiscal Year Ended June 30, 2013
 (Unaudited)

This section of Hopatcong Borough School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The Hopatcong School District continually is commended for spending 99.5% of its annual budget confirming that monies budgeted for are required to provide a quality educational program for its students, despite failing budgets 15 times within the past 19 years. The new "no vote" on budgets within the 2% tax levy cap has assisted the school district in not reducing our budget any further.
- Special education costs continue to represent more than 20% of the total budget. Despite the district's reduction of out-of-district placements by implementing programs "in district" for special education students, the State's inability to curtail private school tuitions continues to increase the district's expenditures well beyond reasonable costs, as well as DYFS placements and the ability for students to enroll into Charter Schools at any given time during the school year forcing the local school district to pay the students' tuition. The addition of Choice Schools has also become a factor in our declining enrollment forcing resident school districts to "foot the bill" for transportation. The new transportation requirement was initiated in September 2010.
- Free and Reduced lunches are on the rise from 19% in 2008/09 to 26% in 2012/2013 which represents a view that the community is suffering from overall economic conditions. Additionally, the State of New Jersey has decided to withhold any financial contribution for breakfast for these students yet mandating that districts provide breakfast to those students if a district's free and reduced population is more than 20%.

Overview of the Financial Statements

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

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

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

Figure A-1
Organization of Hopatcong Borough School District's Financial Report

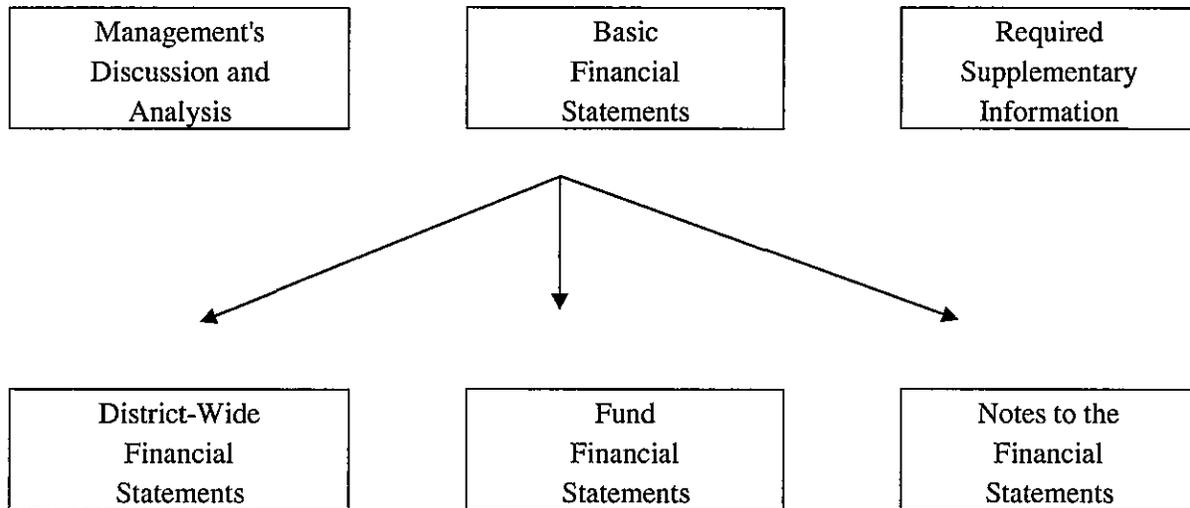


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.
- *Notes to the Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by 4.76%. Net position from governmental activities increased \$311,185. Net position from business-type activities increased by \$123,618. Net investment in capital assets decreased \$289,634, restricted net position increased by \$500,000 and unrestricted net position increased \$224,437.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage
	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	Change 2012/2013
Current and							
Other Assets	\$ 2,622,646	\$ 2,792,649	\$ 1,393,540	\$ 1,616,986	\$ 4,016,186	\$ 4,409,635	9.80%
Capital Assets	8,086,515	7,617,000	234,946	191,319	8,321,461	7,808,319	-6.17%
Total Assets	<u>10,709,161</u>	<u>10,409,649</u>	<u>1,628,486</u>	<u>1,808,305</u>	<u>12,337,647</u>	<u>12,217,954</u>	-0.97%
Long-Term Debt							
Outstanding	2,044,931	1,735,449		16,494	2,044,931	1,751,943	-14.33%
Other Liabilities	1,048,945	747,730	114,524	154,231	1,163,469	901,961	-22.48%
Total Liabilities	<u>3,093,876</u>	<u>2,483,179</u>	<u>114,524</u>	<u>170,725</u>	<u>3,208,400</u>	<u>2,653,904</u>	-17.28%
Net Position(Deficit):							
Net Investment							
in Capital Assets	7,198,903	6,969,390	234,946	174,825	7,433,849	7,144,215	-3.90%
Restricted	781,541	1,281,541			781,541	1,281,541	63.98%
Unrestricted	<u>(365,159)</u>	<u>(324,461)</u>	<u>1,279,016</u>	<u>1,462,755</u>	<u>913,857</u>	<u>1,138,294</u>	24.56%
Total Net Position	<u>\$ 7,615,285</u>	<u>\$ 7,926,470</u>	<u>\$ 1,513,962</u>	<u>\$ 1,637,580</u>	<u>\$ 9,129,247</u>	<u>\$ 9,564,050</u>	4.76%

Changes in Net Position. The District's combined net position was \$9,564,050 on June 30, 2013, \$434,803 or a 4.76 % increase from the year before. (See Figure A-3). Net investment in capital assets decreased \$289,634 as a result of capital additions of \$344,087 and decreases in serial bonds payable of \$150,000 and capital leases of \$73,508 offset by depreciation expense of \$730,183 and deletions, net of depreciation, of \$127,046. Restricted net position increased \$500,000 due to board approved deposit of \$500,000 into the Capital Reserve. The increase in unrestricted net position was due primarily to an increase in the business-type activities.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	Change 2012/2013
Revenue:							
Program Revenue:							
Charges for Services			\$ 21,869,822	\$ 21,726,201	\$ 21,869,822	\$ 21,726,201	-0.66%
Operating Grants and Contributions	\$ 5,342,559	\$ 6,090,704	220,715	208,101	5,563,274	6,298,805	13.22%
General Revenue:							
Property Taxes	22,631,863	23,077,257			22,631,863	23,077,257	1.97%
Unrestricted State Aid	10,859,053	9,725,611			10,859,053	9,725,611	-10.44%
Other	269,174	193,283	207	(66,723)	269,381	126,560	-53.02%
Total Revenue	<u>39,102,649</u>	<u>39,086,855</u>	<u>22,090,744</u>	<u>21,867,579</u>	<u>61,193,393</u>	<u>60,954,434</u>	-0.39%
Expenses:							
Instruction	20,719,759	20,704,740			20,719,759	20,704,740	-0.07%
Pupil and Instruction Services	6,870,349	6,245,392			6,870,349	6,245,392	-9.10%
Administrative and Business	3,926,102	4,360,427			3,926,102	4,360,427	11.06%
Maintenance and Operations	4,737,246	4,616,222			4,737,246	4,616,222	-2.55%
Transportation	2,034,204	2,144,137			2,034,204	2,144,137	5.40%
Other	687,678	704,752	22,179,476	21,743,961	22,867,154	22,448,713	-1.83%
Total Expenses	<u>38,975,338</u>	<u>38,775,670</u>	<u>22,179,476</u>	<u>21,743,961</u>	<u>61,154,814</u>	<u>60,519,631</u>	-1.04%
Increase (Decrease) in Net Position	<u>\$ 127,311</u>	<u>\$ 311,185</u>	<u>\$ (88,732)</u>	<u>\$ 123,618</u>	<u>\$ 38,579</u>	<u>\$ 434,803</u>	1027.05%

Revenue Sources. The District's total revenue for the 2012/2013 school year was \$60,954,434. (See Figure A-4). Property taxes, state formula aid and charges for services accounted for most of the District's revenue, with local taxes accounting for \$23,077,257 of the total, or 37.86 percent. (See Figure A-5). Another 26.29 percent came from state and federal aid for specific programs and contributions, 35.64 percent came from charges for services and the remainder from other miscellaneous sources. It is important to note that of the Categorical Grants amount of \$4,373,256, over \$2.17 million is included in funds that are not paid to the District, but are included in funding for Pension Contributions and Post Retirement Contributions that the State of New Jersey is paying on behalf of the District. Hopatcong Borough School District primarily conducts its operations from the revenue it receives from its local taxpayers and state aid.

Figure A-5**Sources of Revenue for Fiscal Year 2013**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
State Formula Aid	\$ 11,651,160	19.12%
Property Taxes	23,077,257	37.86%
Federal and State Categorical Grants	4,373,256	7.17%
Charges for Services	21,726,201	35.64%
Other	126,560	0.21%
	<u>\$ 60,954,434</u>	<u>100.00%</u>

The total cost of all programs and services was \$60,519,631. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (75.03 percent) if you exclude expenses from business-type activities. (See Figure A-6). The District's administrative and business activities accounted for 7.20 percent of total costs.

Figure A-6**Expenses for Fiscal Year 2013**

	<u>Amount</u>	<u>Percentage</u>
Expense Category:		
Instruction	\$ 20,704,740	34.21%
Pupil and Instruction Services	6,245,392	10.32%
Administrative and Business	4,360,427	7.20%
Maintenance and Operations	4,616,222	7.63%
Transportation	2,144,137	3.54%
Other	22,448,713	37.09%
	<u>\$ 60,519,631</u>	<u>100.00%</u>

Governmental Activities

Maintaining existing programs with the current enrollment, the provision of a multitude of special programs/services for disabled pupils, and the double digit increases in District health benefit costs place great demands on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

It is crucial that the District examine its expenditures carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly. District resources are at their tightest level in a decade.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

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

	Total Cost of Services		Net Cost of Services	
	2011/2012	2012/2013	2011/2012	2012/2013
Instruction	\$ 20,719,759	\$ 20,704,740	\$ 17,038,591	\$ 16,564,221
Pupil and Instruction Services	6,870,349	6,245,392	6,344,796	5,648,664
Administrative and Business	3,926,102	4,360,427	3,682,118	3,931,509
Maintenance and Operations	4,737,246	4,616,222	4,548,025	4,398,505
Transportation	2,034,204	2,144,137	1,331,571	1,437,315
Other	687,678	704,752	687,678	704,752
	<u>\$ 38,975,338</u>	<u>\$ 38,775,670</u>	<u>\$ 33,632,779</u>	<u>\$ 32,684,966</u>

- The cost of all governmental activities this year was \$38.78 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$15.82 million).
- Most of the District's Governmental Activity costs (\$23.08 million), however, were financed by District taxpayers.
- The remainder of the funding came from tuition, miscellaneous revenue and investment earnings (\$.19 million).

Business-Type Activities

Net position from the District's business-type activity increased by \$123,618. (Refer to Figure A-4). The factors contributing to this result were:

- Food services expenses exceeded revenues by \$93,402.
- Transportation Services revenues exceeded expenses and special items by \$156,104.
- Day Plus' Program revenues exceeded expenses by \$60,916.

Financial Analysis of the District's Funds

The District's financial position remains relatively stable despite difficult economic times. The District has utilized creative staffing and scheduling to avoid eliminating educational and co-curricular programs.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management, including efficiency/cost containment practices, evaluation of services and programs, energy conservation, and seeking additional sources of revenues.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were for changes made between budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Percentage Change 2012/2013
	Government Activities		Business-Type Activities		Total School District		
	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	
Land	\$ 359,763	\$ 359,763			\$ 359,763	\$ 359,763	0.00%
Site Improvements	304,690	291,764			304,690	291,764	-4.24%
Buildings and Building Improvements	5,409,396	5,149,464			5,409,396	5,149,464	-4.81%
Machinery and Equipment	2,012,666	1,816,009	\$ 234,946	\$ 191,319	2,247,612	2,007,328	-10.69%
Total Capital Assets, Net	<u>\$ 8,086,515</u>	<u>\$ 7,617,000</u>	<u>\$ 234,946</u>	<u>\$ 191,319</u>	<u>\$ 8,321,461</u>	<u>\$ 7,808,319</u>	<u>-6.17%</u>

The District's overall capital assets decreased \$513,142 from fiscal year 2012 to fiscal year 2013, which is due to depreciation expense of \$730,183 and deletions, net of depreciation, of \$127,046 offset by capital additions of \$344,087 (see Note 8 to the financial statements).

Long-term Debt

At year-end, the District had \$135,000 in general obligation bonds – a reduction of \$150,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 9 to the financial statements.)

Figure A-9

	Outstanding Long-Term Debt		Percentage Change 2012/2013
	Total School District		
	2011/2012	2012/2013	
General Obligation Bonds (Financed with Property Taxes)	\$ 285,000	\$ 135,000	-52.63%
Capital Leases	602,612	529,104	-12.20%
Compensated Absences Payable	1,157,319	1,087,839	-6.00%
	<u>\$ 2,044,931</u>	<u>\$ 1,751,943</u>	<u>-14.33%</u>

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

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

- * The District's ability to fund programs beyond those mandated by law is nonexistent. Yet, the State continues to mandate programs, technology upgrades, additional reporting requirements and additional training without comparable monies to support these initiatives. This creates a need for funds to be diverted from educational programs, human resources, capital improvements and other areas to the detriment of the Hopatcong Educational Community.
- * The SFRA [School Funding Reform Act] has not done our district any favors and, in fact, will virtually destroy our program. 2-3 years ago, we were over adequacy by a mere \$745,000. Now, as a result of the Funding Formula, we appear to be \$8 million. This change cannot be explained to me by anyone. As a result, we will be losing over \$4 million in state aid over the next four years by 20% of 50% of the amount over adequacy. The 2012/13 year resulted in a loss of 6.4% of our aid or over \$740,000. Being limited to a 2% cap levy and this continuing loss of state aid will make it virtually impossible to operate. However, in the 2013/14 school year we anticipated losing approximately \$445,000 and the State only took \$19,000 [with no explanation] so we, in essence had some relief in the upcoming school year.
- * The District has finally settled all outstanding negotiations with all of its bargaining groups. The teachers, administrators, bus drivers, and the long awaited custodial/maintenance, paraprofessionals and cafeteria workers. It has been a long extended negotiation [3 years] which has caused some negative fallout and will take some time to heal. Unfortunately, negotiations will, once again, resume in the 2013-14 year as contracts expire on June 30, 2014.
- * Health insurance premiums continue to escalate annually and related problems parallel those that are being experienced on both the State and National levels. If increases continue unabated, it will "continue" to have significant negative impacts on our budgets. However, since P.L. 2011 was signed on June 28, 2011, all staff will be contributing at least 1.5% of their base salary. In the 2013/14 year most staff will be in year three of the four year plan and the district will reap additional dollars toward the premium. Discussions have been convened with the district's health insurance provider to look at avenues for these out of control health insurance increases and possible changes in plans. We began offering a total of 3 plans beginning October, 2012 to staff members to choose from the current plan, a middle of the road plan and a high deductible plan for those staff members who would like to reduce their out-of-pocket expenses. We also have received a reprieve from the Obama Health Care Act from 2014 to 2015 which will have a serious detrimental impact on our finances.
- * Energy costs across the board continue to escalate at a very rapid pace which continues to affect our ability to heat our schools and to provide fuel for our district owned buses, as well as other transportation contracts. A Power Purchase Agreement for an \$8 million solar project was completed in March, 2012. However, any savings achieved will need to be diverted to the rising fuel costs that continue to escalate.
- * The Hopatcong School District will, once again, go through the NJ QSAC process in 2013. In 2010 the district received a score of 98 out of 100 for the NJ QSAC and, as such, is considered a "high performing" school district. We are confident that we will achieve a similar score.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, P.O. Box 1029, Hopatcong, New Jersey 07843.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 778,347	\$ 810,244	\$ 1,588,591
Receivables:			
Other Governments	726,392	808,067	1,534,459
Inventory		5,044	5,044
Internal Balances	6,369	(6,369)	
Restricted Assets:			
Cash and Cash Equivalents:			
Capital Reserve Account	900,000		900,000
Maintenance Reserve Account	331,541		331,541
Emergency Reserve Account	50,000		50,000
Capital Assets, Net:			
Sites (Land)	359,763		359,763
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	<u>7,257,237</u>	<u>191,319</u>	<u>7,448,556</u>
Total Assets	<u>10,409,649</u>	<u>1,808,305</u>	<u>12,217,954</u>
LIABILITIES:			
Accrued Interest Payable	1,035		1,035
Accounts Payable - Vendors	724,526	154,231	878,757
Interfund Payable	619		619
Unearned Revenue	21,550		21,550
Noncurrent Liabilities:			
Due Within One Year	275,551	3,826	279,377
Due Beyond one Year	<u>1,459,898</u>	<u>12,668</u>	<u>1,472,566</u>
Total Liabilities	<u>2,483,179</u>	<u>170,725</u>	<u>2,653,904</u>
NET POSITION/(DEFICIT):			
Net Investment in Capital Assets	6,969,390	174,825	7,144,215
Restricted for:			
Capital Projects	900,000		900,000
Other Purposes	381,541		381,541
Unrestricted	<u>(324,461)</u>	<u>1,462,755</u>	<u>1,138,294</u>
Total Net Position	<u>\$ 7,926,470</u>	<u>\$ 1,637,580</u>	<u>\$ 9,564,050</u>

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 13,071,673		\$ 1,528,699		\$ (11,542,974)		\$ (11,542,974)
Special Education	6,701,360		2,522,645		(4,178,715)		(4,178,715)
Other Special Instruction	357,159		40,234		(316,925)		(316,925)
Other Instruction	574,548		48,941		(525,607)		(525,607)
Support Services:							
Tuition	1,597,291				(1,597,291)		(1,597,291)
Student & Instruction Related Services	4,648,101		596,728		(4,051,373)		(4,051,373)
General Administrative Services	815,909		46,843		(769,066)		(769,066)
School Administrative Services	2,636,127		288,846		(2,347,281)		(2,347,281)
Central Services	724,450		93,229		(631,221)		(631,221)
Administration Information Technology	183,941				(183,941)		(183,941)
Plant Operations and Maintenance	4,616,222		217,717		(4,398,505)		(4,398,505)
Pupil Transportation	2,144,137		706,822		(1,437,315)		(1,437,315)
Transfer to Charter School	370,039				(370,039)		(370,039)
Interest on Long-Term Debt	8,510				(8,510)		(8,510)
Unallocated Depreciation	326,203				(326,203)		(326,203)
Total Governmental Activities	38,775,670	\$ -0-	6,090,704	\$ -0-	(32,684,966)	\$ -0-	(32,684,966)

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Enterprise Funds:							
Food Service	\$ 660,736	\$ 359,216	\$ 208,101		\$ (93,419)	\$ (93,419)	
Transportation Services	20,980,079	21,203,087			223,008	223,008	
Day Plus Services	103,146	163,898			60,752	60,752	
Total Business-Type Activities	21,743,961	21,726,201	208,101		190,341	190,341	
Total Primary Government	\$ 60,519,631	\$ 21,726,201	\$ 6,298,805	\$ -0-	\$ (32,684,966)	\$ 190,341	\$ (32,494,625)
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 22,964,246		\$ 22,964,246
Taxes Levied for Debt Service					113,011		113,011
Federal and State Aid not Restricted					9,725,611		9,725,611
Investment Earnings					12,474	\$ 181	12,655
Miscellaneous Income					180,809		180,809
Special Item - Loss on Disposal of Equipment						(66,904)	(66,904)
Total General Revenue					32,996,151	(66,723)	32,929,428
Change in Net Position					311,185	123,618	434,803
Net Position - Beginning					7,615,285	1,513,962	9,129,247
Net Position - Ending					\$ 7,926,470	\$ 1,637,580	\$ 9,564,050

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

FUND FINANCIAL STATEMENTS

HOPATCONG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 778,347				\$ 778,347
Receivables:					
Other Governments	267,886	\$ 458,506			726,392
Interfund	510,363				510,363
Restricted Cash and Cash Equivalents	1,281,541				1,281,541
Total Assets	\$ 2,838,137	\$ 458,506	\$ -0-	\$ -0-	\$ 3,296,643
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable - Vendors	674,434	50,092			724,526
Interfund Payable	117,749	386,864			504,613
Unearned Revenue		21,550			21,550
Total Liabilities	792,183	458,506			1,250,689
Fund Balances:					
Restricted For:					
Capital Reserve Account	900,000				900,000
Maintenance Reserve Account	331,541				331,541
Emergency Reserve Account	50,000				50,000
Assigned:					
Designated for Subsequent Year's Expenditures	9,765				9,765
Year End Encumbrances	754,648				754,648
Total Fund Balances	2,045,954				2,045,954
Total Liabilities and Fund Balances	\$ 2,838,137	\$ 458,506	\$ -0-	\$ -0-	\$ 3,296,643

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

Total Fund Balances	\$ 2,045,954
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$24,667,037 and the accumulated depreciation is \$17,050,037.	7,617,000
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.	(1,735,449)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,035)
Net Position of Governmental Activities (Exhibit A-1)	\$ 7,926,470

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 22,964,246			\$ 113,011	\$ 23,077,257
Interest Earned on Investments	12,474				12,474
Miscellaneous	180,809				180,809
Total - Local Sources	23,157,529			113,011	23,270,540
State Sources	14,626,945			46,649	14,673,594
Federal Sources	49,451	\$ 1,093,270			1,142,721
Total Revenues	37,833,925	1,093,270		159,660	39,086,855
EXPENDITURES:					
Current:					
Regular Instruction	8,640,046	206,551			8,846,597
Special Education Instruction	3,939,744	786,523			4,726,267
Other Special Instruction	239,851				239,851
Other Instruction	432,160				432,160
Support Services and Undistributed Costs:					
Tuition	1,597,291				1,597,291
Student & Instruction Related Services	3,152,603	100,196			3,252,799
General Administrative Services	695,581				695,581
School Administrative Services	1,726,807				1,726,807
Central Services	437,256				437,256
Administration Information Technology	183,941				183,941
Plant Operations and Maintenance	4,073,712				4,073,712
Pupil Transportation	2,017,522				2,017,522
Unallocated Benefits	9,459,123				9,459,123

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Debt Service:					
Principal				\$ 150,000	\$ 150,000
Interest and Other Charges				9,660	9,660
Capital Outlay	\$ 398,181				398,181
Transfer to Charter Schools	370,039				370,039
Total Expenditures	<u>37,363,857</u>	<u>\$ 1,093,270</u>		<u>159,660</u>	<u>38,616,787</u>
Excess/(Deficiency) of Revenue over/(under) Expenditures	470,068				470,068
Fund Balance—July 1	<u>1,575,886</u>				<u>1,575,886</u>
Fund Balance—June 30	<u>\$ 2,045,954</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,045,954</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 470,068

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 differ from depreciation and disposals in the period.

Depreciation expense	\$	(689,975)	
Capital outlays		280,602	
Disposals		<u>(60,142)</u>	
			(469,515)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation. (+) 69,480

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 150,000

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 90,002

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. (+) 1,150

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 311,185

Exhibit B-4

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Business-Type Activities: Enterprise Funds		
	Major Program - Transportation Services	Non-Major Programs	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 707,243	\$ 103,001	\$ 810,244
Accounts Receivable:			
State		1,346	1,346
Federal		40,510	40,510
Other Governments	766,211		766,211
Inventories		5,044	5,044
Interfund Receivable - General Fund		117,130	117,130
Total Current Assets	<u>1,473,454</u>	<u>267,031</u>	<u>1,740,485</u>
Non-Current Assets:			
Capital Assets	380,293	216,729	597,022
Less: Accumulated Depreciation	<u>(190,243)</u>	<u>(215,460)</u>	<u>(405,703)</u>
Total Non-Current Assets	<u>190,050</u>	<u>1,269</u>	<u>191,319</u>
Total Assets	<u>1,663,504</u>	<u>268,300</u>	<u>1,931,804</u>
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable - Vendors	144,752	9,479	154,231
Interfund Payable	<u>8,635</u>	<u>114,864</u>	<u>123,499</u>
Total Current Liabilities	<u>153,387</u>	<u>124,343</u>	<u>277,730</u>
Leases Payable:			
Due Within One Year	3,826		3,826
Due Beyond one Year	<u>12,668</u>		<u>12,668</u>
Total Liabilities	<u>169,881</u>	<u>124,343</u>	<u>294,224</u>
<u>NET POSITION:</u>			
Net Investment in Capital Assets	173,556	1,269	174,825
Unrestricted	<u>1,320,067</u>	<u>142,688</u>	<u>1,462,755</u>
Total Net Position	<u>\$ 1,493,623</u>	<u>\$ 143,957</u>	<u>\$ 1,637,580</u>

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

Exhibit B-5

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities:		
	Enterprise Funds		
	Major Program - Transportation Services	Non-Major Programs	Total
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs		\$ 339,905	\$ 339,905
Daily Sales - Nonreimbursable Programs		17,101	17,101
Rebates	\$ 28,070	2,210	30,280
Transportation Revenue	21,175,017		21,175,017
Day Plus Fees		163,898	163,898
Total Operating Revenue	21,203,087	523,114	21,726,201
Operating Expenses:			
Cost of Sales		315,232	315,232
Salaries	830,195	427,095	1,257,290
Other Employee Benefits	181,396		181,396
Contracted Transportation Services	19,599,131		19,599,131
Other Purchased Services	171,474	1,445	172,919
Supplies and Materials	87,760	16,999	104,759
Miscellaneous	70,304	2,722	73,026
Depreciation	39,819	389	40,208
Total Operating Expenses	20,980,079	763,882	21,743,961
Operating Income (Loss)	223,008	(240,768)	(17,760)
Non-Operating Revenue:			
Federal Sources:			
Nutrition Reimbursements:			
National School Lunch Program		176,735	176,735
School Breakfast Program		8,985	8,985
Total Nutrition Reimbursements		185,720	185,720
Food Distribution Program		15,987	15,987
State Sources:			
State School Lunch Program		6,394	6,394
Local Sources:			
Interest Income		181	181
Total Non-Operating Revenue		208,282	208,282
Change in Net Position Before Special Item	223,008	(32,486)	190,522
Special Item - Loss on Disposal of Equipment	(66,904)		(66,904)
Change in Net Position	156,104	(32,486)	123,618
Net Position - Beginning of Year	1,337,519	176,443	1,513,962
Net Position - End of Year	\$ 1,493,623	\$ 143,957	\$ 1,637,580

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

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities: Enterprise Funds		
	Major Program - Transportation Services	Non-Major Programs	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 21,045,314	\$ 523,114	\$ 21,568,428
Payments to Employees	(1,011,591)	(427,095)	(1,438,686)
Payments to Suppliers	(19,898,428)	(309,349)	(20,207,777)
Net Cash Provided/(Used) by/(for) Operating Activities	135,295	(213,330)	(78,035)
Cash Flows from Noncapital Financing Activities:			
Cash Received from General Fund	8,635	114,864	123,499
Cash Received from Federal and State Reimbursements		158,056	158,056
Net Cash Provided by Noncapital Financing Activities	8,635	272,920	281,555
Cash Flows from Capital and Related Financing Activities:			
Capital Lease Payments	(3,726)		(3,726)
Purchase of Capital Assets	(43,265)		(43,265)
Net Cash Used for Capital and Related Financing Activities	(46,991)		(46,991)
Cash Flows from Investing Activities:			
Interest on Investments		181	181
Net Cash Provided by Investing Activities		181	181
Net Increase in Cash and Cash Equivalents	96,939	59,771	156,710
Cash and Cash Equivalents, July 1	610,304	43,230	653,534
Cash and Cash Equivalents, June 30	\$ 707,243	\$ 103,001	\$ 810,244
Reconciliation of Operating Income (Loss) to Net Cash Provided/(Used) by/(for) Operating Activities:			
Operating Income (Loss)	\$ 223,008	\$ (240,768)	\$ (17,760)
Adjustment to Reconcile Operating Income (Loss) to Cash Provided/(Used) by/(for) Operating Activities:			
Depreciation	39,819	389	40,208
Federal Food Distribution Program		15,987	15,987
Changes in Assets and Liabilities:			
Decrease in Inventories		1,596	1,596
(Increase) in Intergovernmental Accounts Receivable	(157,773)		(157,773)
Increase in Accounts Payable	30,241	9,466	39,707
Net Cash Provided/(Used) by/(for) Operating Activities	\$ 135,295	\$ (213,330)	\$ (78,035)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$15,987 for the fiscal year ended June 30, 2013.

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Agency</u>	<u>Private Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 261,354	\$ 37,401	\$ 10,257	\$ 309,012
Interfund Receivable - General Fund	619			619
Total Assets	261,973	37,401	10,257	309,631
<u>LIABILITIES:</u>				
Due to Student Groups	192,254			192,254
Payroll Deductions and Withholdings	69,719			69,719
Total Liabilities	261,973			261,973
<u>NET POSITION:</u>				
Held in Trust for:				
Restricted for Scholarships		37,401		37,401
Flexible Spending Claims			10,257	10,257
Total Net Position	\$ -0-	\$ 37,401	\$ 10,257	\$ 47,658

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

Exhibit B-8

HOPATCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:			
Donations			\$ 2,725
Plan Member/Employee	\$ 65,225	\$ 25,991	
Interest Earnings			95
Total Additions	<u>65,225</u>	<u>25,991</u>	<u>2,820</u>
DEDUCTIONS:			
Unemployment Compensation Claims	65,225		
Scholarships Awarded			5,250
Flexible Spending Claims		<u>15,734</u>	
Total Deductions	<u>65,225</u>	<u>15,734</u>	<u>5,250</u>
Change in Net Position		10,257	(2,430)
Net Position - Beginning of the Year	<u>-0-</u>	<u>-0-</u>	<u>39,831</u>
Net Position - End of the Year	<u>\$ -0-</u>	<u>\$ 10,257</u>	<u>\$ 37,401</u>

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self financing or draws from the general revenues of the District.

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 governmental funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

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

As required by the NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

The District reports the following proprietary funds:

Enterprise (Food Service, Day Plus Service and Transportation) Funds: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria, day plus and transportation operations. The food service fund, day plus service fund and transportation fund are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund 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, Payroll Agency Fund, Unemployment Compensation Trust, Flexible Spending Trust and Private Purpose Scholarship Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2013 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized reserves of the annual budget during the year).

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 37,754,728	\$ 1,078,096
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue whereas the GAAP Basis does not.		15,174
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	1,183,030	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(1,103,833)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 37,833,925</u>	<u>\$ 1,093,270</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

D. Budgets/Budgetary Control: (Cont'd)

Uses/Outflows of Resources:

Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 37,363,857	\$ 1,078,096
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.	15,174	15,174
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 37,363,857	\$ 1,093,270

E. Cash and Cash Equivalents and Investments:

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

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

F. Interfund Transactions

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenue. 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 nonoperating revenue/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at 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 unearned revenue at fiscal year end.

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

K. Capital Assets:

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

L. Long-Term Liabilities

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2013.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee contracts/agreements. Upon termination, employees are paid for accrued vacation. These employee contracts/agreements permit employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the applicable District employee contract/agreement.

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

O. Unearned Revenue:

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,045,954 General Fund fund balance at June 30, 2013, \$764,413 is assigned fund balance of which \$754,648 is for year-end encumbrances and \$9,765 (\$290,235 less than on a budgetary basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2014) has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2014; \$900,000 is restricted in the capital reserve account; \$331,541 is restricted in the maintenance reserve account; and \$50,000 is restricted in the emergency reserve account; and there is \$-0- in unassigned fund balance which is \$813,598 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2014.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004.C73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict 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 year's budget. The District had no excess surplus.

The District's unassigned fund balance and assigned fund balance designated for subsequent year's expenditures in the General Fund are less on a GAAP basis than the budgetary basis by \$813,598 and \$290,235, respectively, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, Districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school Districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school District cannot recognize the June state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Net Position

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District did not have any deferred inflows or outflows of resources at June 30, 2013.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Q. Net Position (Cont'd)

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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 position is available.

R. Deficit Net Position

The \$324,461 deficit in unrestricted governmental activities net position at June 30, 2013 primarily resulted from the accrual of \$1,087,839 for compensated absences payable. The District has a deficit in unrestricted net position in the Food Service Fund of \$77,443 at June 30, 2013. These deficits do not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments

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

Fund balance restrictions have been established for capital, maintenance and emergency reserves.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2013.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2013.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

T. Revenue - 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, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from 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, interest and tuition.

U. Operating Revenue and Expenses

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Funds. For the School District, this revenue is sales for food service, day plus fees and transportation fees. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

V. Management Estimates

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

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Credit Risk – The District limits its investments to those authorized in its formal cash management plan which are permitted under state statutes as detailed on the following page.

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

Deposits:

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

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

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

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2013, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Capital</u> <u>Reserve</u> <u>Account</u>	<u>Maintenance</u> <u>Reserve</u> <u>Account</u>	<u>Emergency</u> <u>Reserve</u> <u>Account</u>	<u>Total</u>
Savings and Checking Accounts	<u>\$ 1,897,603</u>	<u>\$ 900,000</u>	<u>\$ 331,541</u>	<u>\$ 50,000</u>	<u>\$ 3,179,144</u>

During the period ended June 30, 2013, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2013, was \$3,179,144 and the bank balance was \$5,604,990.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Hopatcong Board of Education 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 amount or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d)7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning balance, July 1, 2012	\$ 400,000
Deposits (Board Resolution June 2013)	<u>500,000</u>
Ending balance, June 30, 2013	<u><u>\$ 900,000</u></u>

The June 30, 2013 LRFP balance of local support costs exceeds the balance in the capital reserve account at June 30, 2013.

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by Board resolution in June 2011. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to *N.J.A.C. 6A:26A-4.2* funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the District's school facilities. If the account exceeds this maximum amount at June 30, the

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 5. MAINTENANCE RESERVE ACCOUNT (Cont'd)

excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning balance, July 1, 2012	\$ 331,541
Ending balance, June 30, 2013	\$ 331,541

NOTE 6. EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by Board resolution in June 2011. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve is restricted to be used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The department has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1st and June 30th. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

The activity of the emergency reserve for the July 1, 2012 to June 30, 2013 fiscal year is as follows:

Beginning balance, July 1, 2012	\$ 50,000
Ending balance, June 30, 2013	\$ 50,000

NOTE 7. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2013, the District transferred \$534,210 to the capital outlay accounts. The transfer was made for equipment and therefore did not require approval from the County Superintendent.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 8. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 359,763			\$ 359,763
Total Capital Assets Not Being Depreciated	<u>359,763</u>			<u>359,763</u>
Capital Assets Being Depreciated:				
Site Improvements	1,706,018	\$ 27,500		1,733,518
Buildings and Building Improvements	19,100,528	134,621		19,235,149
Machinery and Equipment	3,691,949	118,481	\$ 471,823	3,338,607
Total Capital Assets Being Depreciated	<u>24,498,495</u>	<u>280,602</u>	<u>471,823</u>	<u>24,307,274</u>
Governmental Activities Capital Assets	<u>24,858,258</u>	<u>280,602</u>	<u>471,823</u>	<u>24,667,037</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,401,328)	(40,426)		(1,441,754)
Buildings and Building Improvements	(13,691,132)	(394,553)		(14,085,685)
Machinery and Equipment	(1,679,283)	(254,996)	(411,681)	(1,522,598)
	<u>(16,771,743)</u>	<u>(689,975)</u>	<u>(411,681)</u>	<u>(17,050,037)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,086,515</u>	<u>\$ (409,373)</u>	<u>\$ 60,142</u>	<u>\$ 7,617,000</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 626,577	\$ 63,485	\$ 93,040	\$ 597,022
Less Accumulated Depreciation	(391,631)	(40,208)	(26,136)	(405,703)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 234,946</u>	<u>\$ 23,277</u>	<u>\$ 66,904</u>	<u>\$ 191,319</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 17,328
Other Instruction	45,729
Student and Instruction Related Services	1,982
School Administrative Services	39,550
Central Services	12,472
Operations and Maintenance of Plant	85,515
Student Transportation	52,420
Unallocated	434,979
	<u>\$ 689,975</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 9. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Added</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2013</u>
Serial Bonds Payable	\$ 285,000		\$ 150,000	\$ 135,000
Compensated Absences Payable	1,157,319	\$ 50,430	119,910	1,087,839
Capital Leases Payable	<u>602,612</u>	<u>20,220</u>	<u>93,728</u>	<u>529,104</u>
	<u>\$ 2,044,931</u>	<u>\$ 70,650</u>	<u>\$ 363,638</u>	<u>\$ 1,751,943</u>

A. Bonds Payable:

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

<u>Serial Bonds</u>			
<u>Date of</u> <u>Issue</u>	<u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>
11/01/1993	11/1/2013	4.60%	<u>\$ 135,000</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 135,000</u>	<u>\$ 3,105</u>	<u>\$ 138,105</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2013, the Board had no bonds authorized but not issued.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable:

The District has entered into capital leases for energy savings equipment and vehicles totaling \$1,241,317. The capital leases are for terms of four to thirteen years in length. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2013.

<u>Year</u>	<u>Amount</u>
2014	\$ 98,294
2015	98,298
2016	98,303
2017	98,307
2018	66,517
2019-2020	133,046
Total minimum lease payments	592,765
Less: Amount representing interest	(63,661)
Present value of net minimum lease payments	<u>\$ 529,104</u>

The current portion of capital leases at June 30, 2013 is \$81,321 and the long-term portion is \$447,783.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities and the current portion of the compensated absences balance of the governmental funds is \$63,056 and is separated from the long-term liability balance of compensated absences of \$1,024,783.

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, 2013, no liability existed for compensated absences in the Enterprise Funds.

The General Fund will be used to liquidate other long-term liabilities which include governmental Capital Leases Payable and Compensated Absences Payable. The Transportation Services Fund will be used to liquidate the business-type Capital Leases Payable.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 10. OPERATING LEASES

The District had commitments to lease autos, mail and copying equipment under operating leases which expire in 2018. Total operating lease payments made during the year ended June 30, 2013 were \$94,744.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 89,906
2015	81,249
2016	78,300
2017	78,300
2018	39,150
	<u>\$ 366,905</u>

NOTE 11. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) and the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP). The TPAF and the PERS are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the TPAF or the PERS. However, if an employee is ineligible to enroll in the TPAF or the PERS, the employee may be eligible to enroll in the DCRP.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service. The DCRP provides eligible members with a tax- sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective July 1, 2012, the employee contributions for PERS and TPAF increased from 6.5% to 6.64% of employees' annual compensation, as defined. Subsequent increases are being phased in over 7 years effective each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 11. PENSION PLANS (Cont'd)

and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions of 5.5% of employees' annual compensation for DCRP are matched by a 3% employer contribution.

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

District Contributions to PERS amounted to \$423,704, \$465,761 and \$443,761 for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

During the fiscal years ended June 30, 2013, 2012 and 2011 the State of New Jersey contributed \$1,019,425, \$521,632 and \$-0-, respectively, to the TPAF for pension benefits on-behalf of the District.

The employer and employee contributions to DCRP for the fiscal years ended June 30, 2013, 2012 and 2011 were \$36,338, \$21,681 and \$12,218, respectively.

NOTE 12. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. 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, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$1,152,711, \$1,048,617 and \$1,111,791 for 2013, 2012 and 2011, respectively.

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Business Administrator oversees risk management for the District. Health benefits are provided to the employees through Cigna.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The Board is a member of the School Alliance Insurance Fund ("SAIF"). The SAIF provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery, and School Board Legal Liability Insurance. The SAIF is a risk-sharing fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the SAIF are elected.

As a member of the SAIF, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the SAIF were to be exhausted, members would become responsible for their respective shares of the SAIF's liabilities.

The SAIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The audit for the year ended June 30, 2013 was not available as of the date of this report.

Selected financial information for the SAIF as of June 30, 2012 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 36,551,011
Net Position	\$ 12,224,220
Total Revenue	\$ 28,022,109
Total Expenses and Adjustments	\$ 28,300,068
Change in Net Position	\$ (277,959)
Members Dividends	\$ 1,223,485

Financial Statements for SAIF are available at SAIF's Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 13. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012-2013	\$ 50,425	\$ 14,800	\$ -0-	\$ 65,225	\$ -0-
2011-2012	51,268	33,708	-0-	84,976	-0-
2010-2011	50,217	256,385	-0-	306,602	-0-

NOTE 14. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 510,363	\$ 117,749
Special Revenue Fund		386,864
Fidiciary Fund- Payroll Agency	619	
Enterprise Fund - Food Service		114,864
Enterprise Fund - Transportation Service		8,635
Enterprise Fund - Day Plus Service	117,130	
	<u>\$ 628,112</u>	<u>\$ 628,112</u>

The interfund between the General Fund and the Special Revenue Fund represents cash advances to eliminate negative cash balances in the Special Revenue Fund. The interfund between General Fund and the Day Plus Service Fund is a prior year interfund which has not been liquidated. The interfund between General Fund and Transportation Service is monies due back to General Fund. The interfund between General Fund and Payroll Agency is interest due to General Fund.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 16. DEFERRED COMPENSATION

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

Lincoln Financial
Equitable
Lincoln National Life Insurance Co.

NOTE 17. TAX CALENDAR

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

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

NOTE 18. CONTINGENT LIABILITIES

Grant Programs

The school district participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for 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 District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

NOTE 18. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2013, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 754,648	\$ 3,500	\$ 758,148

On the District's Governmental Funds Balance Sheet as of June 30, 2013, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$3,500 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as a reduction in grants receivables or an increase in unearned revenue in the Special Revenue Fund.

BUDGETARY COMPARISON SCHEDULES

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 22,964,246		\$ 22,964,246	\$ 22,964,246	
Interest Earned on Capital Reserve Funds	100		100		\$ (100)
Miscellaneous	155,000		155,000	193,283	38,283
Total - Local Sources	23,119,346		23,119,346	23,157,529	38,183
State Sources:					
Categorical Special Education Aid	1,086,387		1,086,387	1,086,387	
Equalization Aid	4,981,480		4,981,480	4,981,480	
Categorical Security Aid	221,085		221,085	221,085	
Adjustment Aid	4,145,512		4,145,512	4,145,512	
Categorical Transportation Aid	667,597		667,597	667,597	
Reimbursement of Extraordinary Costs				199,086	199,086
Reimbursement of Nonpublic Transportation Costs				13,264	13,264
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				1,019,425	1,019,425
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,152,711	1,152,711
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,061,201	1,061,201
Total State Sources	11,102,061		11,102,061	14,547,748	3,445,687
Federal Sources:					
Education Jobs Fund		\$ 1,099	1,099	1,099	
Medical Assistance Program	36,593		36,593	48,352	11,759
Total - Federal Sources	36,593	1,099	37,692	49,451	11,759
TOTAL REVENUES	34,258,000	1,099	34,259,099	37,754,728	3,495,629

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Kindergarten	\$ 206,654	\$ 11,276	\$ 217,930	\$ 217,930	
Grades 1-5	2,758,712	(110,617)	2,648,095	2,648,095	
Grades 6-8	2,087,413	22,113	2,109,526	2,109,526	
Grades 9-12	3,026,291	(126,189)	2,900,102	2,900,102	
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	5,000	(4,550)	450	450	
General Supplies	595,319	237,322	832,641	618,273	\$ 214,368
Textbooks	102,045	204,624	306,669	73,508	233,161
Other Objects	85,186	(13,024)	72,162	72,162	
Total Regular Programs	<u>8,866,620</u>	<u>220,955</u>	<u>9,087,575</u>	<u>8,640,046</u>	<u>447,529</u>
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	1,407,284	39,273	1,446,557	1,446,557	
Other Salaries for Instruction	340,171	(3,786)	336,385	336,385	
General Supplies	5,000	46,156	51,156	42,238	8,918
Textbooks	1,000	(768)	232	232	
Total Learning and/or Language Disabilities	<u>1,753,455</u>	<u>80,875</u>	<u>1,834,330</u>	<u>1,825,412</u>	<u>8,918</u>

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Multiple Disabilities:					
Salaries of Teachers	\$ 484,110	\$ 15,551	\$ 499,661	\$ 499,661	
Other Salaries for Instruction	153,240	(9,574)	143,666	143,666	
General Supplies	500	(251)	249	249	
Textbooks	100	(19)	81	81	
Total Multiple Disabilities	<u>637,950</u>	<u>5,707</u>	<u>643,657</u>	<u>643,657</u>	
Resource Room/Resource Center:					
Salaries of Teachers	912,647	(18,008)	894,639	894,639	
Other Salaries for Instruction	293,004	6,870	299,874	299,874	
General Supplies	500	(473)	27	27	
Textbooks	500	(365)	135	135	
Total Resource Room/Resource Center	<u>1,206,651</u>	<u>(11,976)</u>	<u>1,194,675</u>	<u>1,194,675</u>	
Preschool Disabilities - Part-Time:					
Salaries of Teachers	73,069	5,484	78,553	78,553	
General Supplies	100	(18)	82	82	
Other Objects	100	(100)			
Total Preschool Disabilities - Part-Time	<u>73,269</u>	<u>5,366</u>	<u>78,635</u>	<u>78,635</u>	
Preschool Disabilities - Full-Time:					
Salaries of Teachers	87,604	(2,504)	85,100	85,100	
Other Salaries for Instruction	132,242	(24,604)	107,638	107,638	
General Supplies	850	3,777	4,627	4,627	
Other Objects	500	(500)			
Total Preschool Disabilities - Full-Time	<u>221,196</u>	<u>(23,831)</u>	<u>197,365</u>	<u>197,365</u>	
Total Special Education	<u>3,892,521</u>	<u>56,141</u>	<u>3,948,662</u>	<u>3,939,744</u>	<u>\$ 8,918</u>

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 108,796	\$ (38,979)	\$ 69,817	\$ 69,817	
General Supplies	750	59,468	60,218		\$ 60,218
Textbooks	500	(500)			
Total Basic Skills/Remedial - Instruction	110,046	19,989	130,035	69,817	60,218
Bilingual Education - Instruction:					
Salaries of Teachers	169,699	151	169,850	169,850	
General Supplies	600	(456)	144	144	
Textbooks	500	(460)	40	40	
Total Bilingual Education - Instruction	170,799	(765)	170,034	170,034	
School Sponsored Cocurricular Activities - Instruction:					
Salaries	91,460	11,017	102,477	102,477	
Supplies and Materials	100	751	851	761	90
Total School Sponsored Cocurricular Activities - Instruction	91,560	11,768	103,328	103,238	90
School Sponsored Athletics - Instruction:					
Salaries	190,000	(9,568)	180,432	180,432	
Supplies and Materials	81,081	11,791	92,872	92,872	
Transfers to Cover Deficit	41,000	6,000	47,000	47,000	
Total School Sponsored Athletics - Instruction	312,081	8,223	320,304	320,304	
Other Instructional Programs - Instruction:					
Salaries	5,200	3,418	8,618	8,618	
Supplies and Materials	2,500	(2,500)			
Other Objects	300	(300)			
Total Other Instructional Programs - Instruction	8,000	618	8,618	8,618	
Total Instruction	13,451,627	316,929	13,768,556	13,251,801	516,755

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAS Within the State - Special	\$ 474,661	\$ 46,909	\$ 521,570	\$ 521,570	
Tuition to County Vocational School District - Regular	154,557	(1,250)	153,307	153,307	
Tuition to Private Schools for the Handicapped - Within State	1,406,599	(469,038)	937,561	893,432	\$ 44,129
Tuition - State Facilities	28,982		28,982	28,982	
Tuition - Other	1,000	(1,000)			
Total Instruction	2,065,799	(424,379)	1,641,420	1,597,291	44,129
Attendance and Social Work Services:					
Salaries	14,192	(1,139)	13,053	13,053	
Purchased Professional and Technical Services	5,000		5,000	5,000	
Total Attendance and Social Work Services	19,192	(1,139)	18,053	18,053	
Health Services:					
Salaries	421,868	(49,715)	372,153	372,153	
Purchased Professional and Technical Services	44,500	360	44,860	44,860	
Supplies and Materials	4,000	4,502	8,502	6,985	1,517
Other Objects	1,200	(990)	210	210	
Total Health Services	471,568	(45,843)	425,725	424,208	1,517
Speech, OT, PT and Related Services:					
Salaries	441,015	(8,637)	432,378	432,378	
Purchased Professional - Educational Services	69,000	(676)	68,324	67,124	1,200
Supplies and Materials	3,909	8,243	12,152	12,152	
Other Objects	200	(17)	183	183	
Total Speech, OT, PT and Related Services	514,124	(1,087)	513,037	511,837	1,200

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	\$ 498,649	\$ 27,295	\$ 525,944	\$ 525,944	
Salaries of Secretarial and Clerical Assistants	79,262	(1,693)	77,569	77,569	
Supplies and Materials	4,200	6,860	11,060	1,222	\$ 9,838
Other Objects	1,000	476	1,476	176	1,300
Total Other Support Services - Students - Guidance	583,111	32,938	616,049	604,911	11,138
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	1,298,033	(39,195)	1,258,838	1,258,838	
Salaries of Secretarial and Clerical Assistants	76,969	897	77,866	77,866	
Supplies and Materials	3,000	9,700	12,700	11,936	764
Other Objects	1,000	19,451	20,451	3,226	17,225
Total Other Support Services - Students - Child Study Team	1,379,002	(9,147)	1,369,855	1,351,866	17,989
Improvement of Instruction Services/Other Support Services - Instructional Staff:					
Salaries of Supervisor of Instruction	129,628	(107,408)	22,220	22,220	
Salaries of Secretarial and Clerical Assistants	85,995	(594)	85,401	85,235	166
Supplies and Materials	3,000		3,000	2,193	807
Other Objects	5,295		5,295	5,295	
Total Improvement of Instruction Services/Other Support Services - Instructional Staff	223,918	(108,002)	115,916	114,943	973
Educational Media Services/School Library:					
Salaries	107,590	(15,147)	92,443	92,443	
Purchased Professional and Technical Services	500	(500)			
Supplies and Materials	10,490	21,353	31,843	27,986	3,857
Other Objects	1,000	(1,000)			
Total Educational Media Services/School Library	119,580	4,706	124,286	120,429	3,857

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Instructional Staff Training Services:					
Supplies and Materials	\$ 1,000		\$ 1,000	\$ 93	\$ 907
Other Objects	7,000	\$ 1,375	8,375	6,263	2,112
Total Instructional Staff Training Services	8,000	1,375	9,375	6,356	3,019
Support Services - General Administration:					
Salaries	274,646	4,383	279,029	279,029	
Legal Services	80,000	71,086	151,086	151,086	
Audit Fees	60,000	(1,000)	59,000	59,000	
Other Purchased Professional Services	25,275	13,975	39,250	39,250	
Communications/Telephone	150,000	(9,650)	140,350	138,650	1,700
BOE Other Purchased Services	2,000	1,337	3,337	3,337	
Other Purchased Services (400-500 series)	7,500	(432)	7,068	7,068	
Supplies and Materials	9,000	(8,759)	241	241	
BOE In-house Training/Meeting Supplies	700	(700)			
BOE Membership Dues and Fees	19,786	(2,311)	17,475	17,475	
Other Objects	5,000	(4,555)	445	445	
Total Support Services - General Administration	633,907	63,374	697,281	695,581	1,700
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	1,257,998	133,763	1,391,761	1,391,761	
Salaries of Secretarial and Clerical Assistants	355,927	(27,112)	328,815	328,815	
Other Purchased Services (400-500 series)	700	(700)			
Supplies and Materials	3,500	1,341	4,841	4,841	
Other Objects	2,100	(710)	1,390	1,390	
Total Support Services - School Administration	1,620,225	106,582	1,726,807	1,726,807	
Central Services:					
Salaries	353,916	17,481	371,397	371,397	
Purchased Professional Services	1,000	6,991	7,991	7,991	
Purchased Technical Services	40,000	(4,291)	35,709	35,709	
Other Purchased Services (400-500 series)	10,000	(5,313)	4,687	4,687	
Supplies and Materials	6,900	7,232	14,132	14,132	
Miscellaneous Expenditures	3,300	40	3,340	3,340	
Total Central Services	415,116	22,140	437,256	437,256	

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Administration Information Technology:					
Salaries	\$ 178,219	\$ 5,722	\$ 183,941	\$ 183,941	
Supplies and Materials	2,500	(2,500)			
Total Administration Information Technology	<u>180,719</u>	<u>3,222</u>	<u>183,941</u>	<u>183,941</u>	
Required Maintenance for School Facilities:					
Salaries	214,618	(15,202)	199,416	199,416	
Cleaning, Repair and Maintenance Services	401,807	411,888	813,695	784,565	\$ 29,130
General Supplies	280,485	45,751	326,236	316,519	9,717
Other Objects	104,278	1,855	106,133	106,133	
Total Required Maintenance for School Facilities	<u>1,001,188</u>	<u>444,292</u>	<u>1,445,480</u>	<u>1,406,633</u>	<u>38,847</u>
Custodial Services:					
Salaries	1,100,197	(2,731)	1,097,466	1,097,466	
Purchased Professional and Technical Services	177,203	227,249	404,452	401,340	3,112
Cleaning, Repair and Maintenance Services	72,000	(71,756)	244	244	
Other Purchased Property Services	88,000	6,804	94,804	94,804	
Insurance	135,000	24,738	159,738	159,738	
General Supplies	55,000	79,100	134,100	134,100	
Energy (Electricity)	400,000	(149,011)	250,989	250,989	
Energy (Oil)	590,781	(62,383)	528,398	528,398	
Total Custodial Services	<u>2,618,181</u>	<u>52,010</u>	<u>2,670,191</u>	<u>2,667,079</u>	<u>3,112</u>
Student Transportation Services:					
Salaries of Non-Instructional Aides	11,239	(704)	10,535	10,535	
Salaries for Pupil Transportation (Between Home and School) - Regular	50,100	2,149	52,249	52,249	
Salaries for Pupil Transportation (Between Home and School) - Special Education	47,895	38,180	86,075	86,075	
Salaries for Pupil Transportation (Other Than Between Home and School)	15,500	(12,736)	2,764	2,764	
Cleaning, Repair and Maintenance Services	2,500	(1,820)	680	680	
Rental Payments - School Buses	2,500	(2,500)			
Contract Services - (Between Home and School) - Vendors	1,014,801	(1,574)	1,013,227	1,013,227	
Contract Services (Other than Between Home & School)-Vendors	65,386	3,668	69,054	69,054	

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services (Cont'd):					
Contracted Services - (Regular Students) - ESC's	\$ 178,267	\$ 29,464	\$ 207,731	\$ 207,731	
Contracted Services - (Special Education Students) - ESC's	455,726	12,728	468,454	468,454	
Aid in Lieu Payments - Non Public Students	60,201	(18,211)	41,990	41,990	
Aid in Lieu Payments - Charter School	11,866	(11,866)			
Miscellaneous Purchased Services - Transportation	5,500	5,400	10,900	10,900	
General Supplies	62,815	(9,792)	53,023	53,023	
Other Objects	2,000	(1,160)	840	840	
Total Student Transportation Services	<u>1,986,296</u>	<u>31,226</u>	<u>2,017,522</u>	<u>2,017,522</u>	
Unallocated Benefits:					
Social Security Contributions	415,665	4,512	420,177	420,177	
Other Retirement Contributions - Regular	28,515	135,830	164,345	164,345	
Other Retirement Contributions - PERS	550,000	(126,296)	423,704	423,704	
Unemployment Compensation	273,000	(212,531)	60,469	14,800	\$ 45,669
Workmen's Compensation	234,437	9,382	243,819	243,819	
Health Benefits	5,996,856	(887,282)	5,109,574	4,906,846	202,728
Tuition Reimbursement	45,000	24,038	69,038	52,095	16,943
Total Unallocated Benefits	<u>7,543,473</u>	<u>(1,052,347)</u>	<u>6,491,126</u>	<u>6,225,786</u>	<u>265,340</u>
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				1,019,425	(1,019,425)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				1,152,711	(1,152,711)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				1,061,201	(1,061,201)
Total On-Behalf Contributions				<u>3,233,337</u>	<u>(3,233,337)</u>
Total Personal Services - Employee Benefits	<u>7,543,473</u>	<u>(1,052,347)</u>	<u>6,491,126</u>	<u>9,459,123</u>	<u>(2,967,997)</u>
Total Undistributed Expenditures	<u>21,383,399</u>	<u>(880,079)</u>	<u>20,503,320</u>	<u>23,343,836</u>	<u>(2,840,516)</u>
Total Expenditures - Current Expense	<u>34,835,026</u>	<u>(563,150)</u>	<u>34,271,876</u>	<u>36,595,637</u>	<u>(2,323,761)</u>

HOPATCONG BOROUGH BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Required Maintenance for School Facilities	\$ 43,028	\$ 385,299	\$ 428,327	\$ 248,547	\$ 179,780
Custodial Services		8,190	8,190	8,190	
Central Services		2,919	2,919	2,919	
Non-Instructional		137,802	137,802	137,802	
Total Equipment	<u>43,028</u>	<u>534,210</u>	<u>577,238</u>	<u>397,458</u>	<u>179,780</u>
Facilities Acquisition and Construction Services:					
Other Objects	723		723	723	
Total Facilities Acquisition and Construction Services	<u>723</u>		<u>723</u>	<u>723</u>	
Total Capital Outlay	<u>43,751</u>	<u>534,210</u>	<u>577,961</u>	<u>398,181</u>	<u>179,780</u>
Transfer of Funds to Charter Schools	<u>340,000</u>	<u>30,039</u>	<u>370,039</u>	<u>370,039</u>	
TOTAL EXPENDITURES	<u>35,218,777</u>	<u>1,099</u>	<u>35,219,876</u>	<u>37,363,857</u>	<u>(2,143,981)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(960,777)		(960,777)	390,871	1,351,648
Fund Balance, July 1	<u>2,758,916</u>		<u>2,758,916</u>	<u>2,758,916</u>	
Fund Balance, June 30	<u>\$ 1,798,139</u>	<u>\$ -0-</u>	<u>\$ 1,798,139</u>	<u>\$ 3,149,787</u>	<u>\$ 1,351,648</u>
<u>Recapitulation:</u>					
Restricted:					
Capital Reserve				\$ 900,000	
Maintenance Reserve				331,541	
Emergency Reserve				50,000	
Assigned:					
Year End Encumbrances				754,648	
Designated for Subsequent Year's Expenditures				300,000	
Unassigned				<u>813,598</u>	
				3,149,787	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not recognized on GAAP Basis				(1,103,833)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 2,045,954</u>	

HOPATCONG BOROUGH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013
 UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 760,802	\$ 397,058	\$ 1,157,860	\$ 1,078,096	\$ (79,764)
Total Revenues	<u>760,802</u>	<u>397,058</u>	<u>1,157,860</u>	<u>1,078,096</u>	<u>(79,764)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	136,348	112,413	248,761	223,756	25,005
Purchased Professional and Technical Services	22,560	3,820	26,380	25,564	816
Other Purchased Services	352,577	239,678	592,255	591,674	581
General Supplies	46,600	(25,703)	20,897	20,488	409
Other Objects	6,400	(2,072)	4,328	3,713	615
Total Instruction	<u>564,485</u>	<u>328,136</u>	<u>892,621</u>	<u>865,195</u>	<u>27,426</u>
Support Services					
Salaries of Other Professional Staff	77,005	22,395	99,400	94,650	4,750
Personal Services - Employee Benefits	30,729	43,997	74,726	45,808	28,918
Purchased Professional and Technical Services	42,800	(6,664)	36,136	28,979	7,157
Purchased Property Services	10,800	27,297	38,097	36,528	1,569
Other Purchased Services	18,360	(10,225)	8,135	3,892	4,243
Supplies and Materials	9,343	(3,698)	5,645	1,517	4,128
Total Support Services	<u>189,037</u>	<u>73,102</u>	<u>262,139</u>	<u>211,374</u>	<u>50,765</u>
Program Administration:					
Salaries	4,000	(4,000)			
Personal Services-Employee Benefits	800	(800)			
Purchased Professional and Technical Services	2,000	500	2,500	1,368	1,132
Supplies and Materials	480	120	600	159	441
Total Program Administration	<u>7,280</u>	<u>(4,180)</u>	<u>3,100</u>	<u>1,527</u>	<u>1,573</u>
Total Expenditures	<u>760,802</u>	<u>397,058</u>	<u>1,157,860</u>	<u>1,078,096</u>	<u>79,764</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 37,754,728	\$ 1,078,096
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		15,174
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	1,183,030	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(1,103,833)	
 Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 \$ 37,833,925	 \$ 1,093,270
 Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 37,363,857	\$ 1,078,096
Differences - Budget to GAAP		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		15,174
 Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	 \$ 37,363,857	 \$ 1,093,270

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2013 was submitted to the County office and was voted upon by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

HOPATCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	No Child Left Behind			IDEA	
	Title I		Title II A	Part B Basic	
	2012-13	2011-12	2012-13	2012-13	2011-12
REVENUE:					
Federal Sources	\$ 164,186	\$ 64,005	\$ 48,645	\$ 620,714	\$ 129,428
Total Revenue	<u>\$ 164,186</u>	<u>\$ 64,005</u>	<u>\$ 48,645</u>	<u>\$ 620,714</u>	<u>\$ 129,428</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 130,000		\$ 40,537		\$ 38,103
Purchased Professional and Technical Services		\$ 25,564			
Other Purchased Services		619		\$ 565,399	25,656
General Supplies		8,946			9,719
Other Objects		885		2,028	800
Total Instruction	<u>130,000</u>	<u>36,014</u>	<u>40,537</u>	<u>567,427</u>	<u>74,278</u>
Support Services:					
Salaries of Other Professional Staff		24,964		21,606	43,948
Personal Services - Employee Benefits	28,457		8,108		7,935
Purchased Professional and Technical Services	5,180			19,891	3,083
Purchased Property Services		1,500		9,600	
Other Purchased Services	549			1,624	150
Supplies and Materials				566	34
Total Support Services	<u>34,186</u>	<u>26,464</u>	<u>8,108</u>	<u>53,287</u>	<u>55,150</u>
Program Administration:					
Purchased Professional and Technical Services		1,368			
Supplies and Materials		159			
Total Program Administration		<u>1,527</u>			
Total Expenditures	<u>\$ 164,186</u>	<u>\$ 64,005</u>	<u>\$ 48,645</u>	<u>\$ 620,714</u>	<u>\$ 129,428</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

	<u>IDEA</u>	<u>FEMA</u>	<u>Totals</u>
	<u>Part B Preschool</u>	<u>Disaster</u>	<u>June 30, 2013</u>
	<u>2011-12</u>	<u>Grant</u>	
REVENUE:			
Federal Sources	\$ 21,207	\$ 29,911	\$ 1,078,096
Total Revenue	<u>\$ 21,207</u>	<u>\$ 29,911</u>	<u>\$ 1,078,096</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 15,116		\$ 223,756
Purchased Professional and Technical Services			25,564
Other Purchased Services			591,674
General Supplies	1,823		20,488
Other Objects			3,713
Total Instruction	<u>16,939</u>		<u>865,195</u>
Support Services:			
Salaries of Other Professional Staff	1,218	\$ 2,914	94,650
Personal Services - Employee Benefits	1,308		45,808
Purchased Professional and Technical Services	825		28,979
Purchased Property Services		25,428	36,528
Other Purchased Services		1,569	3,892
Supplies and Materials	917		1,517
Total Support Services	<u>4,268</u>	<u>29,911</u>	<u>211,374</u>
Program Administration:			
Purchased Professional and Technical Services			1,368
Supplies and Materials			159
Total Program Administration			<u>1,527</u>
Total Expenditures	<u>\$ 21,207</u>	<u>\$ 29,911</u>	<u>\$ 1,078,096</u>

**CAPITAL PROJECTS FUND
(NOT APPLICABLE)**

PROPRIETARY FUNDS

Exhibit G-1

HOPATCONG BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Business-Type Activities: Enterprise Funds			Total
	Food Service	Major Program - Transportation Services	Day Plus Services	
<u>ASSETS:</u>				
Current Assets:				
Cash and Cash Equivalents		\$ 707,243	\$ 103,001	\$ 810,244
Accounts Receivable:				
Federal	\$ 40,510			40,510
State	1,346			1,346
Other Governments		766,211		766,211
Inventories	5,044			5,044
Interfund Receivable - General Fund			117,130	117,130
Total Current Assets	46,900	1,473,454	220,131	1,740,485
Non-Current Assets:				
Capital Assets	216,729	380,293		597,022
Less: Accumulated Depreciation	(215,460)	(190,243)		(405,703)
Total Non-Current Assets	1,269	190,050		191,319
Total Assets	48,169	1,663,504	220,131	1,931,804
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts Payable - Vendors	9,479	144,752		154,231
Interfund Payable	114,864	8,635		123,499
Total Current Liabilities	124,343	153,387		277,730
Leases Payable:				
Due Within One Year		3,726		3,726
Due Beyond One Year		12,768		12,768
Total Liabilities	124,343	169,881		294,224
<u>NET POSITION:</u>				
Net Investment in Capital Assets	1,269	173,556		174,825
Unrestricted/(Deficit)	(77,443)	1,320,067	220,131	1,462,755
Total Net Position	\$ (76,174)	\$ 1,493,623	\$ 220,131	\$ 1,637,580

Exhibit G-2

HOPATCONG BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities: Enterprise Funds			Total
	Food Service	Major Program - Transportation Services	Day Plus Services	
Operating Revenue:				
Local Sources:				
Daily Sales - Reimbursable Programs	\$ 339,905			\$ 339,905
Daily Sales - Nonreimbursable Programs	17,101			17,101
Rebates	2,210	\$ 28,070		30,280
Transportation Revenue		21,175,017		21,175,017
Day Plus Fees			\$ 163,898	163,898
Total Operating Revenue	359,216	21,203,087	163,898	21,726,201
Operating Expenses:				
Cost of Sales	315,232			315,232
Salaries	334,045	830,195	93,050	1,257,290
Other Employee Benefits		181,396		181,396
Contractors		19,599,131		19,599,131
Other Purchased Services	111	171,474	1,334	172,919
Supplies and Materials	9,006	87,760	7,993	104,759
Miscellaneous	1,953	70,304	769	73,026
Depreciation	389	39,819		40,208
Total Operating Expenses	660,736	20,980,079	103,146	21,743,961
Operating Income (Loss)	(301,520)	223,008	60,752	(17,760)
Non-Operating Revenue:				
Federal Sources:				
Nutrition Reimbursements:				
National School Lunch Program	176,735			176,735
School Breakfast Program	8,985			8,985
Total Nutrition Reimbursements	185,720			185,720
Food Distribution Program	15,987			15,987
State Sources:				
State School Lunch Program	6,394			6,394
Local Sources:				
Interest Income	17		164	181
Total Non-Operating Revenue	208,118		164	208,282
Change in Net Position Before Special Item	(93,402)	223,008	60,916	190,522
Special Item - Loss on Disposal of Equipment		(66,904)		(66,904)
Change in Net Position	(93,402)	156,104	60,916	123,618
Net Position - Beginning of Year	17,228	1,337,519	159,215	1,513,962
Net Position/(Deficit) - End of Year	\$ (76,174)	\$ 1,493,623	\$ 220,131	\$ 1,637,580

Exhibit G-3

HOPATCONG BOROUGH SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities: Enterprise Funds			
	Food Service	Major Program - Transportation Services	Day Plus Services	Total
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 359,216	\$ 21,045,314	\$ 163,898	\$ 21,568,428
Payments to Employees	(334,045)	(1,011,591)	(93,050)	(1,438,686)
Payments to Suppliers	(299,253)	(19,898,428)	(10,096)	(20,207,777)
Net Cash Provided/(Used) by/(for) Operating Activities	(274,082)	135,295	60,752	(78,035)
Cash Flows by Noncapital Financing Activities:				
Cash Received from General Fund	114,864	8,635		123,499
Cash Received from Federal and State Reimbursements	158,056			158,056
Net Cash Provided by Noncapital Financing Activities	272,920	8,635		281,555
Cash Flows from Capital and Related Financing Activities:				
Capital Lease Payments		(3,726)		(3,726)
Purchase of Capital Assets		(43,265)		(43,265)
Net Cash Used for Capital and Related Financing Activities		(46,991)		(46,991)
Cash Flows from Investing Activities:				
Interest on Investments	17		164	181
Net Cash Provided by Investing Activities	17		164	181
Net Increase (Decrease) in Cash and Cash Equivalents	(1,145)	96,939	60,916	156,710
Cash and Cash Equivalents, July 1	1,145	610,304	42,085	653,534
Cash and Cash Equivalents, June 30	\$ -0-	\$ 707,243	\$ 103,001	\$ 810,244
Reconciliation of Operating Income (Loss) to Net Cash Provided/(Used) by/(for) Operating Activities:				
Operating Income (Loss)	(301,520)	223,008	60,752	(17,760)
Adjustment to Reconcile Operating Income (Loss) to Cash Provided/(Used) by/(for) Operating Activities:				
Depreciation	389	39,819		40,208
Federal Food Distribution Program	15,987			15,987
Changes in Assets and Liabilities:				
Decrease in Inventories	1,596			1,596
(Increase) in Intergovernmental Accounts Receivable		(157,773)		(157,773)
Increase in Accounts Payable	9,466	30,241		39,707
Net Cash Provided/(Used) by/(for) Operating Activities	\$ (274,082)	\$ 135,295	\$ 60,752	\$ (78,035)

Non-Cash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized commodities from the Federal Food Distribution Program valued at \$15,987 for the fiscal year ended June 30, 2013.

FIDUCIARY FUNDS

HOPATCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Student Activities</u>	<u>Agency Payroll</u>	<u>Total Agency</u>	<u>Purpose Scholarship Trust</u>	<u>Flexible Spending Trust</u>
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 192,254	\$ 69,100	\$ 261,354	\$ 37,401	\$ 10,257
Interfund Receivable - General Fund		619	619		
Total assets	<u>192,254</u>	<u>69,719</u>	<u>261,973</u>	<u>37,401</u>	<u>10,257</u>
<u>LIABILITIES:</u>					
Payroll deductions and withholdings		69,719	69,719		
Due to student groups	192,254		192,254		
Total liabilities	<u>192,254</u>	<u>69,719</u>	<u>261,973</u>		
<u>NET POSITION:</u>					
Held in Trust for:					
Restricted for scholarships				37,401	
Flexible Spending Claims					10,257
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 37,401</u>	<u>\$ 10,257</u>

Exhibit H-2

HOPATCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Donations			\$ 2,725
Plan member/employer	\$ 65,225	\$ 25,991	
Interest Earnings			95
Total Additions	<u>65,225</u>	<u>25,991</u>	<u>2,820</u>
DEDUCTIONS:			
Unemployment Compensation Claims	65,225		
Scholarships Awarded			5,250
Flexible Spending Claims		15,734	
Total Deductions	<u>65,225</u>	<u>15,734</u>	<u>5,250</u>
Change in Net Position		10,257	(2,430)
Net Position - Beginning of the Year	<u>-0-</u>	<u>-0-</u>	<u>39,831</u>
Net Position - End of the Year	<u>\$ -0-</u>	<u>\$ 10,257</u>	<u>\$ 37,401</u>

Exhibit H-3

HOPATCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 181,811	\$ 329,692	\$ 319,249	\$ 192,254
Total Assets	<u>\$ 181,811</u>	<u>\$ 329,692</u>	<u>\$ 319,249</u>	<u>\$ 192,254</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 181,811	\$ 329,692	\$ 319,249	\$ 192,254
Total Liabilities	<u>\$ 181,811</u>	<u>\$ 329,692</u>	<u>\$ 319,249</u>	<u>\$ 192,254</u>

Exhibit H-4

HOPATCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance July 1, 2012	Cash Receipts	Cash Disbursements	Balance June 30, 2013
Elementary Schools:				
Tulsa Trail	\$ 6,458	\$ 17,500	\$ 15,466	\$ 8,492
Durban Avenue	28,040	7,119	11,718	23,441
Hudson Maxim	11,691	17,751	17,867	11,575
Total Elementary Schools	<u>46,189</u>	<u>42,370</u>	<u>45,051</u>	<u>43,508</u>
Middle School	17,612	32,307	33,327	16,592
Total Middle School	<u>17,612</u>	<u>32,307</u>	<u>33,327</u>	<u>16,592</u>
Senior High School	88,853	138,517	136,689	90,681
Total Senior High School	<u>88,853</u>	<u>138,517</u>	<u>136,689</u>	<u>90,681</u>
Athletic Account	29,157	116,498	104,182	41,473
Total Athletic Account	<u>29,157</u>	<u>116,498</u>	<u>104,182</u>	<u>41,473</u>
Total All Schools	<u>\$ 181,811</u>	<u>\$ 329,692</u>	<u>\$ 319,249</u>	<u>\$ 192,254</u>

Exhibit H-5

HOPATCONG BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 90,303	\$ 23,073,341	\$ 23,094,544	\$ 69,100
Interfund Receivable - General Fund		619		619
Total Assets	<u>\$ 90,303</u>	<u>\$ 23,073,960</u>	<u>\$ 23,094,544</u>	<u>\$ 69,719</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	<u>\$ 90,303</u>	<u>\$ 23,073,960</u>	<u>\$ 23,094,544</u>	<u>\$ 69,719</u>
Total Liabilities	<u>\$ 90,303</u>	<u>\$ 23,073,960</u>	<u>\$ 23,094,544</u>	<u>\$ 69,719</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2013		Interest Rate	Balance July, 1 2012	Matured	Balance June 30, 2013
			Date	Amount				
General Improvements	11/01/1993	\$ 2,985,000	11/01/13	\$ 135,000	4.60%	\$ 285,000	\$ 150,000	\$ 135,000
						<u>\$ 285,000</u>	<u>\$ 150,000</u>	<u>\$ 135,000</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Purpose</u>	<u>Int. Rate</u>	<u>Original Issue</u>	<u>Balance July, 1 2012</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance June 30, 2013</u>
Governmental Activities:						
Energy Savings Equipment	4.928%	\$ 1,208,403	\$ 600,429		\$ 87,819	\$ 512,610
GMC Sierra	7.490%	12,694	<u>2,183</u>		<u>2,183</u>	
Total Governmental Activities			<u>602,612</u>		<u>90,002</u>	<u>512,610</u>
Business-type Activities:						
Dodge Caravan	4.900%	20,220		<u>\$ 20,220</u>	<u>3,726</u>	<u>16,494</u>
Total Business-type Activities				<u>20,220</u>	<u>3,726</u>	<u>16,494</u>
			<u>\$ 602,612</u>	<u>\$ 20,220</u>	<u>\$ 93,728</u>	<u>\$ 529,104</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 113,011		\$ 113,011	\$ 113,011	
State Sources:					
Debt Service Aid Type II	46,649		46,649	46,649	
Total Revenue	<u>159,660</u>		<u>159,660</u>	<u>159,660</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	9,660		9,660	9,660	
Redemption of Principal	150,000		150,000	150,000	
Total Regular Debt Service	<u>159,660</u>		<u>159,660</u>	<u>159,660</u>	
Total Expenditures	<u>159,660</u>		<u>159,660</u>	<u>159,660</u>	
Excess (Deficiency) of Revenue Over (Under) Expenditures	-0-		-0-	-0-	
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION
(UNAUDITED)

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

Contents

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST NINE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:									
Net Investment in Capital Assets	\$ 6,174,699	\$ 7,302,350	\$ 7,043,323	\$ 6,883,872	\$ 6,880,203	\$ 7,132,386	\$ 6,962,957	\$ 7,198,903	\$ 6,969,390
Restricted	562,037	348,515	771,393	282,040	152,550	263,997	550,000	781,541	1,281,541
Unrestricted/(Deficit)	<u>(1,857,699)</u>	<u>(1,825,466)</u>	<u>(1,691,779)</u>	<u>(1,613,601)</u>	<u>(1,830,295)</u>	<u>(1,539,466)</u>	<u>(24,983)</u>	<u>(365,159)</u>	<u>(324,461)</u>
Total Governmental Activities Net Position	<u>\$ 4,879,037</u>	<u>\$ 5,825,399</u>	<u>\$ 6,122,937</u>	<u>\$ 5,552,311</u>	<u>\$ 5,202,458</u>	<u>\$ 5,856,917</u>	<u>\$ 7,487,974</u>	<u>\$ 7,615,285</u>	<u>\$ 7,926,470</u>
Business-Type Activities:									
Net Investment in Capital Assets	\$ 8,612	\$ 7,040	\$ 5,725	\$ 73,106	\$ 207,157	\$ 309,819	\$ 275,892	\$ 234,946	\$ 174,825
Unrestricted	<u>290,732</u>	<u>559,449</u>	<u>903,674</u>	<u>1,197,077</u>	<u>1,086,119</u>	<u>1,143,045</u>	<u>1,326,802</u>	<u>1,279,016</u>	<u>1,462,755</u>
Total Business-Type Activities Net Position	<u>\$ 299,344</u>	<u>\$ 566,489</u>	<u>\$ 909,399</u>	<u>\$ 1,270,183</u>	<u>\$ 1,293,276</u>	<u>\$ 1,452,864</u>	<u>\$ 1,602,694</u>	<u>\$ 1,513,962</u>	<u>\$ 1,637,580</u>
District-Wide:									
Net Investment in Capital Assets	\$ 6,183,311	\$ 7,309,390	\$ 7,049,048	\$ 6,956,978	\$ 7,087,360	\$ 7,442,205	\$ 7,238,849	\$ 7,433,849	\$ 7,144,215
Restricted	562,037	348,515	771,393	282,040	152,550	263,997	550,000	781,541	1,281,541
Unrestricted/(Deficit)	<u>(1,566,967)</u>	<u>(1,266,017)</u>	<u>(788,105)</u>	<u>(416,524)</u>	<u>(744,176)</u>	<u>(396,421)</u>	<u>1,301,819</u>	<u>913,857</u>	<u>1,138,294</u>
Total District Net Position	<u>\$ 5,178,381</u>	<u>\$ 6,391,888</u>	<u>\$ 7,032,336</u>	<u>\$ 6,822,494</u>	<u>\$ 6,495,734</u>	<u>\$ 7,309,781</u>	<u>\$ 9,090,668</u>	<u>\$ 9,129,247</u>	<u>\$ 9,564,050</u>

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

Source: School District Financial Reports

HOPATCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST NINE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:									
Governmental Activities:									
Instruction:									
Regular	\$ 13,106,746	\$ 13,826,674	\$ 13,862,525	\$ 14,444,214	\$ 13,254,299	\$ 13,902,752	\$ 12,345,351	\$ 13,412,642	\$ 13,071,673
Special Education	4,550,462	4,764,340	5,023,640	5,541,889	5,434,707	5,723,488	6,013,061	6,431,473	6,701,360
Other Special Instruction	288,561	288,561	250,139	319,533	288,760	304,964	332,974	356,389	357,159
Other Instruction	547,084	557,708	675,338	640,186	572,854	561,692	518,569	519,255	574,548
Support Services:									
Tuition	1,216,495	1,065,056	1,080,164	1,162,193	1,071,923	1,230,195	1,311,153	1,832,766	1,597,291
Student and Instruction Related Services	4,899,411	5,084,229	5,464,308	5,615,025	5,153,975	5,292,807	5,074,553	5,037,583	4,648,101
School Administrative Services	1,761,581	1,776,486	1,761,816	2,056,473	2,144,465	2,029,131	2,275,692	2,310,205	2,636,127
General Administrative Services	1,009,441	811,600	988,415	939,841	787,282	789,890	767,632	733,565	815,909
Central Services	510,796	442,993	782,259	570,377	486,445	512,938	612,440	705,367	724,450
Administrative Information Technology		103,740	160,165	159,202	156,500	167,547	176,248	176,965	183,941
Plant Operations and Maintenance	2,552,591	3,318,884	3,550,874	4,011,730	4,383,947	3,897,821	3,847,245	4,737,246	4,616,222
Pupil Transportation	1,801,722	1,887,484	1,987,796	2,185,958	2,128,095	2,133,535	1,970,453	2,034,204	2,144,137
Capital Outlay	44,871								
Charter Schools	75,572	94,949	173,637	174,484	108,254	262,288	253,373	245,349	370,039
Interest on Long-Term Debt	66,776	57,577	49,910	43,010	36,110	29,210	22,310	15,410	8,510
Unallocated Depreciation	534,566	485,622	703,871	521,897	485,821	455,894	456,042	426,919	326,203
Total Governmental Activities Expenses	<u>32,966,675</u>	<u>34,565,903</u>	<u>36,514,857</u>	<u>38,386,012</u>	<u>36,493,437</u>	<u>37,294,152</u>	<u>35,977,096</u>	<u>38,975,338</u>	<u>38,775,670</u>
Business-Type Activities:									
Enterprise Funds:									
Food Service	764,879	730,425	746,394	765,063	734,383	729,273	661,809	663,523	660,736
Transportation Services	11,321,349	13,654,746	15,301,122	19,777,350	21,845,879	21,186,621	21,227,427	21,317,987	20,980,079
Day Plus Services	177,794	195,687	101,836	131,454	226,511	227,171	208,514	197,966	103,146
Total Business-Type Activities Expense	<u>12,264,022</u>	<u>14,580,858</u>	<u>16,149,352</u>	<u>20,673,867</u>	<u>22,806,773</u>	<u>22,143,065</u>	<u>22,097,750</u>	<u>22,179,476</u>	<u>21,743,961</u>
Total District Expenses	<u>\$ 45,230,697</u>	<u>\$ 49,146,761</u>	<u>\$ 52,664,209</u>	<u>\$ 59,059,879</u>	<u>\$ 59,300,210</u>	<u>\$ 59,437,217</u>	<u>\$ 58,074,846</u>	<u>\$ 61,154,814</u>	<u>\$ 60,519,631</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST NINE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues									
Governmental Activities:									
Charges for Services:									
Tuition	\$ 63,815	\$ 84,479	\$ 92,321	\$ 91,570	\$ 91,807				
Operating Grants and Contributions	5,769,456	6,460,793	7,613,657	7,838,861	4,908,635	\$ 5,310,555	\$ 5,238,968	\$ 5,342,559	\$ 6,090,704
Capital Grants and Contributions		40,020	2,106			93,690			
Total Governmental Activities Program Revenues	<u>5,833,271</u>	<u>6,585,292</u>	<u>7,708,084</u>	<u>7,930,431</u>	<u>5,000,442</u>	<u>5,310,555</u>	<u>5,238,968</u>	<u>5,342,559</u>	<u>6,090,704</u>
Business-Type Activities:									
Charges for Services:									
Enterprise Funds:									
Food Service	524,317	519,346	525,669	533,321	523,004	491,262	443,416	409,700	359,216
Transportation Services	11,332,397	13,882,776	15,545,137	20,083,930	21,927,859	21,382,482	21,369,571	21,272,405	21,203,087
Day Plus Services	216,545	205,191	185,242	182,217	157,290	192,758	211,312	187,717	163,898
Operating Grants and Contributions									
Enterprise Funds:									
Food Service	215,610	229,351	224,507	232,753	220,996	235,654	222,904	220,715	208,101
Total Business Type Activities Program Revenues	<u>12,288,869</u>	<u>14,836,664</u>	<u>16,480,555</u>	<u>21,032,221</u>	<u>22,829,149</u>	<u>22,302,156</u>	<u>22,247,203</u>	<u>22,090,537</u>	<u>21,934,302</u>
Total District Program Revenues	<u>\$ 18,122,140</u>	<u>\$ 21,421,956</u>	<u>\$ 24,188,639</u>	<u>\$ 28,962,652</u>	<u>\$ 27,829,591</u>	<u>\$ 27,612,711</u>	<u>\$ 27,486,171</u>	<u>\$ 27,433,096</u>	<u>\$ 28,025,006</u>
Net (Expense)/Revenue:									
Governmental Activities	\$(27,133,404)	\$(27,980,611)	\$(28,806,773)	\$(30,455,581)	\$(31,492,995)	\$(31,889,907)	\$(30,738,128)	\$(33,632,779)	\$ (32,684,966)
Business-Type Activities	24,847	255,806	331,203	358,354	22,376	159,091	149,453	(88,939)	190,341
Total District-Wide Net Expense	<u>\$(27,108,557)</u>	<u>\$(27,724,805)</u>	<u>\$(28,475,570)</u>	<u>\$(30,097,227)</u>	<u>\$(31,470,619)</u>	<u>\$(31,730,816)</u>	<u>\$(30,588,675)</u>	<u>\$(33,721,718)</u>	<u>\$ (32,494,625)</u>

HOPATCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST NINE FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position:									
Governmental Activities:									
Property Taxes Levied for General Purposes, Net	\$ 17,143,272	\$ 18,593,358	\$ 18,891,056	\$ 19,406,698	\$ 19,882,966	\$ 20,708,854	\$ 22,023,170	\$ 22,023,170	\$ 22,964,246
Taxes Levied for Debt Service	176,083	170,043	131,949	127,421	122,892	118,364	122,780	122,780	113,011
Federal and State Aid Not Restricted	9,812,387	9,810,230	9,714,616	10,062,096	10,876,951	11,448,087	9,951,658	9,951,658	9,725,611
Investment Earnings	92,591	136,887	252,106	173,754	38,937	22,975	20,389	20,389	21,270
Miscellaneous Income	86,140	223,955	122,084	114,986	221,396	246,086	251,188	251,188	172,013
Transfers	(7,500)	(7,500)	(7,500)						
Total Governmental Activities	<u>27,302,973</u>	<u>28,926,973</u>	<u>29,104,311</u>	<u>29,884,955</u>	<u>31,143,142</u>	<u>32,544,366</u>	<u>32,369,185</u>	<u>32,369,185</u>	<u>32,996,151</u>
Business-Type Activities:									
Investment Earnings:									
Food Service	140	331	481	219	85	70	44	44	17
Day Plus Services	1,603	3,508	3,726	2,211	632	427	333	333	164
Special Item - Loss on Disposal of Equipment									(66,904)
Transfers:									
Food Service	7,500	7,500	7,500						
Total Business-Type Activities	<u>9,243</u>	<u>11,339</u>	<u>11,707</u>	<u>2,430</u>	<u>717</u>	<u>497</u>	<u>377</u>	<u>377</u>	<u>(66,723)</u>
Total District-Wide	<u>\$ 27,312,216</u>	<u>\$ 28,938,312</u>	<u>\$ 29,116,018</u>	<u>\$ 29,887,385</u>	<u>\$ 31,143,859</u>	<u>\$ 32,544,863</u>	<u>\$ 32,369,562</u>	<u>\$ 32,369,562</u>	<u>\$ 32,929,428</u>
Change in Net Position									
Governmental Activities	\$ 169,569	\$ 946,362	\$ 297,538	\$ (570,626)	\$ (349,853)	\$ 654,459	\$ 1,631,057	\$ 1,631,057	\$ 311,185
Business-Type Activities	34,090	267,145	342,910	360,784	23,093	159,588	149,830	149,830	123,618
Total District-Wide	<u>\$ 203,659</u>	<u>\$ 1,213,507</u>	<u>\$ 640,448</u>	<u>\$ (209,842)</u>	<u>\$ (326,760)</u>	<u>\$ 814,047</u>	<u>\$ 1,780,887</u>	<u>\$ 1,780,887</u>	<u>\$ 434,803</u>

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

Source: School District Financial Reports

HOPATCONG BOROUGH SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:									
Restricted/Reserved	\$ 564,462	\$ 353,048	\$ 773,813	\$ 289,763	\$ 152,550	\$ 239,444	\$ 550,000	\$ 781,541	\$ 1,281,541
Unreserved/(Deficit)	131,999	271,776	325,363	159,684	(398,060)	(236,493)			
Assigned							1,226,164	794,345	764,413
Total General Fund/(Deficit)	\$ 696,461	\$ 624,824	\$ 1,099,176	\$ 449,447	\$ (245,510)	\$ 2,951	\$ 1,776,164	\$ 1,575,886	\$ 2,045,954
All Other Governmental Funds:									
Reserved/Restricted						\$ 24,533			
Unreserved/(Deficit), Reported In:									
Special Revenue Fund	\$ (2,427)	\$ (2,427)	\$ (2,420)	\$ (7,723)					
Capital Projects Fund		(2,106)							
Debt Service Fund	2								
Total All Other Governmental Funds/(Deficit)	\$ (2,425)	\$ (4,533)	\$ (2,420)	\$ (7,723)	\$ -0-	\$ 24,533	\$ -0-	\$ -0-	\$ -0-

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

Source: School District Financial Reports

HOPATCONG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:									
Tax Levy	\$ 17,319,355	\$ 18,763,401	\$ 19,023,005	\$ 19,534,119	\$ 20,005,858	\$ 20,827,218	\$ 22,145,950	\$ 22,631,863	\$ 23,077,257
Tuition Charges	63,815	84,479	92,321	91,570	91,807				
Interest Earned on Investments	90,953	136,887	249,688	172,497	37,655	22,975	20,389	21,270	12,474
Interest Earned on Capital Reserve Funds	1,638		2,418	1,257	1,282				
Miscellaneous	86,140	223,955	122,084	114,986	221,396	246,086	251,188	247,904	180,809
State Sources	14,843,081	15,286,801	16,411,947	17,004,118	14,840,028	14,524,570	14,009,998	14,802,974	14,673,594
Federal Sources	738,762	1,024,242	918,432	896,839	945,558	2,327,762	1,180,628	1,398,638	1,142,721
Total Revenue	33,143,744	35,519,765	36,819,895	37,815,386	36,143,584	37,948,611	37,608,153	39,102,649	39,086,855
Expenditures:									
Instruction:									
Regular Instruction	10,021,912	10,492,069	10,070,688	10,275,037	9,991,535	10,082,544	8,790,339	9,824,074	8,846,597
Special Education Instruction	3,538,386	3,656,926	3,638,780	3,956,645	4,096,660	4,229,696	4,379,149	4,522,562	4,726,267
Other Special Instruction	217,467	203,443	176,261	220,212	210,041	216,612	239,532	240,552	239,851
Other Instruction	443,226	445,220	500,366	481,732	453,563	436,132	404,540	384,256	432,160
Support Services:									
Tuition	1,216,495	1,065,056	1,080,164	1,162,193	1,071,923	1,230,195	1,311,153	1,832,766	1,597,291
Student and Instruction Related Services	3,791,318	3,816,877	3,947,902	4,045,022	3,909,445	3,835,893	3,613,294	3,374,611	3,252,799
General Administrative Services	894,991	733,805	826,142	740,498	774,094	688,379	688,728	648,931	695,581
School Administrative Services	1,329,316	1,292,858	1,359,157	1,476,691	1,547,071	1,499,395	1,498,210	1,509,412	1,726,807
Central Services	306,239	311,970	370,321	359,896	373,011	360,077	366,917	444,498	437,256
Administrative Information Technology Services	69,587	103,740	158,645	167,376	156,500	167,547	176,248	176,965	183,941
Plant Operations and Maintenance	2,199,763	3,135,161	3,292,722	3,518,727	3,642,886	3,212,019	3,174,440	4,107,147	4,073,712
Pupil Transportation	1,773,338	1,841,768	1,911,766	2,080,808	2,034,869	2,087,525	1,852,861	1,912,262	2,017,522
Unallocated Benefits	6,469,233	7,021,341	8,628,319	9,398,875	7,857,682	8,505,207	8,454,685	8,995,995	9,459,123
Charter Schools	75,572	94,949	173,637	174,484	108,254	262,288	253,373	245,349	370,039
Debt Service:									
Principal	200,000	200,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Interest and Other Charges	68,310	59,110	51,060	44,160	37,260	30,360	23,460	16,560	9,660
Capital Outlay	195,848	1,111,717	1,258,537	670,953	416,024	820,676	482,564	916,987	398,181
Total Expenditures	32,811,001	35,586,010	37,594,467	38,923,309	36,830,818	37,814,545	35,859,493	39,302,927	38,616,787
Excess (Deficiency) of Revenues Over (Under) Expenditures	332,743	(66,245)	(774,572)	(1,107,923)	(687,234)	134,066	1,748,660	(200,278)	470,068

HOPATCONG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses)									
Capital Leases (Non-Budgeted)			\$ 1,258,537	\$ 452,891		\$ 138,948			
Transfers In	\$ 40,652	\$ 163,000				140,535			
Transfers Out	(7,500)	(170,500)	(7,500)			(140,535)			
Total Other Financing Sources (Uses)	<u>33,152</u>	<u>(7,500)</u>	<u>1,251,037</u>	<u>452,891</u>		<u>138,948</u>			
Net Change in Fund Balances	<u>\$ 365,895</u>	<u>\$ (73,745)</u>	<u>\$ 476,465</u>	<u>\$ (655,032)</u>	<u>\$ (687,234)</u>	<u>\$ 273,014</u>	<u>\$ 1,748,660</u>	<u>\$ (200,278)</u>	<u>\$ 470,068</u>
Debt service as a Percentage of Noncapital Expenditures	0.82 %	0.75 %	0.55 %	0.51 %	0.51 %	0.49 %	0.49 %	0.43 %	0.42 %

HOPATCONG BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Tuition	Interest on Investments	Prior Year Appropriation Refunds/Donations	Prior Year Accounts Payable Cancelled	Special/ Community Projects	Rentals	Miscellaneous	Total
2004	\$ 65,642	\$ 59,709	\$ 37,000		\$ 200,683		\$ 45,803	\$ 408,837
2005	63,815	92,591	4,975			\$ 53,694	27,471	242,546
2006	84,479	136,887	102	\$ 101,708		78,732	43,413	445,321
2007	92,321	252,106	13,171			67,743	41,170	466,511
2008	91,570	173,754	33,798			70,168	11,020	380,310
2009	91,807	38,937	7,647	8,000	100,000	72,508	33,241	352,140
2010		22,975	7,689	34,452	70,000	75,116	58,829	269,061
2011		20,389	36,045	10,792	70,000	77,825	56,526	271,577
2012		21,270	62,210	11,050	70,000	79,255	25,389	269,174
2013		12,474	28,049			82,112	70,648	193,283

Source: Hopatcong Borough School District Records

HOPATCONG BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST NINE YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfam	Commercial	Industrial	Total Assessed Value	Public Utilities *	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2004	\$ 19,203,300	\$ 819,378,300	\$ 2,573,600	\$ 194,200	\$ 29,902,400	\$ 195,700	\$ 871,447,500	\$ 1,141,443	\$ 872,588,943	\$ 42,831,000	\$ 1.94	\$ 1,160,875,528
2005	18,572,600	821,842,500	2,573,600	198,700	30,555,800	195,700	873,938,900	932,669	874,871,569	42,883,600	2.06	1,317,528,498
2006	18,079,200	827,960,600	2,573,600	199,800	29,957,300	195,700	878,966,200	784,632	879,750,832	43,978,600	2.15	1,517,906,718
2007 *	44,950,700	1,916,714,600	2,295,400	1,906,200	108,771,800	486,800	2,075,125,500	1,378,353	2,076,503,853	98,598,500	0.93	1,734,782,768
2008	44,278,050	1,912,868,400	2,295,400	247,600	96,350,000	486,800	2,056,526,250	1,463,435	2,057,989,685	98,519,200	0.96	1,858,757,494
2009	42,912,500	1,912,360,300	2,295,400	247,600	89,741,900	486,800	2,048,044,500	1,558,691	2,049,603,191	98,712,100	1.00	1,927,858,579
2010	40,926,100	1,914,150,400	2,980,800	249,500	88,509,500	486,800	2,047,303,100	-0-	2,047,303,100	100,050,600	1.05	1,896,190,997
2011	38,205,400	1,907,643,400	3,344,700	255,800	87,506,900	486,800	2,037,443,000	-0-	2,037,443,000	102,205,800	1.09	1,845,166,470
2012	37,531,500	1,875,303,700	3,320,700	255,800	79,589,300	421,100	1,996,422,100	-0-	1,996,422,100	102,385,600	1.10	1,748,802,573

* Revaluation Year.

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

^b Tax rates are per \$100

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

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

Source: Municipal Tax Assessor

HOPATCONG BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

Year Ended December 31,	Hopatcong Borough School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Hopatcong Borough	Sussex County	
2003	\$ 1.88	\$ 0.02	\$ 1.90	\$ 0.85	\$ 0.62	\$ 3.37
2004	1.92	0.02	1.94	0.87	0.64	3.45
2005	2.04	0.02	2.06	0.91	0.67	3.64
2006	2.13	0.02	2.15	0.95	0.73	3.83
2007	* 0.92	0.01	0.93	0.42	0.33	1.68
2008	0.95	0.01	0.96	0.47	0.34	1.77
2009	0.99	0.01	1.00	0.52	0.36	1.87
2010	1.04	0.01	1.05	0.56	0.37	1.98
2011	1.09	0.01	1.10	0.58	0.39	2.07
2012	1.09	0.01	1.10	0.60	0.41	2.11

* Revaluation Year.

^a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

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

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

Source: Municipal Tax Collector and School Business Administrator

Exhibit J-8

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

<u>Taxpayer</u>	2013		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Weldon Quarry Corporation	\$ 14,000,000	1	1.00 %
Individual Taxpayer #1	4,255,600	2	0.30 %
IAT Reinsurance Company	3,786,500	4	0.27 %
Durling Realty, LLC	2,730,900	3	0.20 %
DBOB Hopatcong LLC	2,491,500	6	0.18 %
River Styx Properties LLC	2,378,000	6	0.17 %
BJ Properties	2,377,300	7	0.17 %
Individual Taxpayer #2	1,858,900	8	0.13 %
Individual Taxpayer #3	1,825,100	9	0.13 %
Individual Taxpayer #4	1,784,000	10	0.13 %
Total	<u>\$ 37,487,800</u>		<u>2.68 %</u>

<u>Taxpayer</u>	2004		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Weldon Industries	\$ 3,775,000	1	0.43 %
All Seasons Hopatcong	2,617,700	2	0.30 %
Individual Taxpayer #1	2,508,200	3	0.29 %
MMK Reinsurance	1,567,000	4	0.18 %
Four C's Lake Front Lodging	1,310,400	5	0.15 %
River Styx Properties, LLC	1,147,100	6	0.13 %
Verizon	1,141,443	7	0.13 %
Individual Taxpayer #2	1,103,600	8	0.13 %
Garden State Yacht Club	908,100	9	0.10 %
Individual Taxpayer #3	767,900	10	0.09 %
Total	<u>\$ 16,846,443</u>		<u>1.93 %</u>

Note: Individual Taxpayers listed may be different in 2013 and 2004

Note: There was a revaluation of property in 2007.

Source: Municipal Tax Assessor

HOPATCONG BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 16,866,415	\$ 16,866,415	100 %	-0-
2005	17,319,355	17,319,355	100 %	-0-
2006	18,763,401	18,763,401	100 %	-0-
2007	19,023,005	19,023,005	100 %	-0-
2008	19,534,119	19,534,119	100 %	-0-
2009	20,005,858	20,005,858	100 %	-0-
2010	20,827,218	20,827,218	100 %	-0-
2011	22,145,950	22,145,950	100 %	-0-
2012	22,631,863	22,631,863	100 %	-0-
2013	23,077,257	23,077,257	100 %	-0-

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

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

HOPATCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OUSTANDING DEBT BY TYPE
LAST NINE FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Business-Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Capital Leases			
2005	\$ 1,385,000	\$ 274,052		\$ 1,659,052	0.25 %	\$ 105.31
2006	1,185,000	238,214		1,423,214	0.20 %	90.84
2007	1,035,000	1,199,024	\$ 39,056	2,273,080	0.30 %	145.57
2008	885,000	1,297,263	70,384	2,252,647	0.29 %	144.65
2009	735,000	973,587	51,568	1,760,155	0.24 %	113.43
2010	585,000	955,832	57,403	1,598,235	0.22 %	105.57
2011	435,000	835,852	10,892	1,281,744	0.17 %	85.18
2012	285,000	602,612		887,612	0.12 %	59.46
2013	135,000	512,610	16,494	664,104	0.09 %	44.49

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

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

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

Source: School District Financial Reports

Exhibit J-11

HOPATCONG BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST NINE FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 1,385,000	\$ -0-	\$ 1,385,000	0.159 %	\$ 87.91
2006	1,185,000	-0-	1,185,000	0.135 %	75.64
2007	1,035,000	-0-	1,035,000	0.118 %	66.28
2008	885,000	-0-	885,000	0.043 %	56.83
2009	735,000	-0-	735,000	0.036 %	47.36
2010	585,000	-0-	585,000	0.029 %	38.64
2011	435,000	-0-	435,000	0.021 %	28.91
2012	285,000	-0-	285,000	0.014 %	19.09
2013	135,000	-0-	135,000	0.007 %	9.04

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

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

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

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

Source: School District Financial Reports

HOPATCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2012
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Hopatcong Borough	\$ 9,504,280	100.00 %	\$ 9,504,280
County of Sussex General Obligation Debt	78,366,014	9.26 %	<u>7,253,968</u>
Subtotal, Overlapping Debt			16,758,248
Hopatcong Borough School District Direct Debt			<u>135,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 16,893,248</u></u>

^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Hopatcong Borough equalized property value that is within Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2013

Equalized Valuation Basis	
2012	\$ 1,692,743,853
2011	1,783,788,303
2010	<u>1,853,098,389</u>
	<u>\$ 5,329,630,545</u>
Average Equalized Valuation of Taxable Property	\$ 1,776,543,515
Debt Limit (4% of Average Equalization Value)	71,061,741 ^a
Net Bonded School Debt as of June 30, 2013	<u>135,000</u>
Legal Debt Margin	<u>\$ 70,926,741</u>

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 73,774,186	\$ 76,330,808	\$ 74,693,436	\$ 72,275,667	\$ 71,061,741
Total Net Debt Applicable to Limit	<u>735,000</u>	<u>585,000</u>	<u>435,000</u>	<u>285,000</u>	<u>135,000</u>
Legal Debt Margin	<u>\$ 73,039,186</u>	<u>\$ 75,745,808</u>	<u>\$ 74,258,436</u>	<u>\$ 71,990,667</u>	<u>\$ 70,926,741</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	1.00 %	0.77 %	0.58 %	0.39 %	0.19 %

	Fiscal Year				
	2004	2005	2006	2007	2008
Debt Limit	\$ 41,312,309	\$ 46,425,537	\$ 53,022,237	\$ 60,619,278	\$ 68,099,281
Total Net Debt Applicable to Limit	<u>1,585,000</u>	<u>1,385,000</u>	<u>1,185,000</u>	<u>1,035,000</u>	<u>885,000</u>
Legal Debt Margin	<u>\$ 39,727,309</u>	<u>\$ 45,040,537</u>	<u>\$ 51,837,237</u>	<u>\$ 59,584,278</u>	<u>\$ 67,214,281</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.84 %	2.98 %	2.23 %	1.71 %	1.30 %

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

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

<u>Year</u>	<u>Population ^a</u>	<u>Sussex County Per Capita Personal Income ^c</u>	<u>Personal Income ^b</u>	<u>Unemployment Rate ^d</u>
2004	15,840	\$ 40,736	\$ 645,258,240	4.4 %
2005	15,754	42,409	668,111,386	5.1 %
2006	15,667	45,436	711,845,812	5.7 %
2007	15,615	48,201	752,658,615	5.4%
2008	15,573	49,575	772,031,475	6.9%
2009	15,518	47,187	732,247,866	11.4%
2010	15,139	47,951	725,930,189	12.1%
2011	15,047	49,782	749,069,754	11.8%
2012	14,927	49,782 *	743,095,914	11.7%
2013	14,927 **	49,782 *	743,095,914	N/A

* - Latest Sussex County per capita personal income available (2011) was used for calculation purposes.

** - Latest population data available (2012) was used for calculation purposes.

N/A - Information unavailable.

- Source:
- ^a Population information provided by the NJ Dept of Labor and Workforce Development
 - ^b Personal income has been estimated based upon the municipal population and per capita personal income presented
 - ^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis
 - ^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

Exhibit J-15

HOPATCONG BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF SUSSEX
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Employer</u>	<u>2013</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
Crystal Springs Golf and Spa Resort	2,000	5.05%
Newton Memorial Hospital	1,200	3.03%
Selective Insurance	900	2.27%
County of Sussex	830	2.10%
Mountain Creek Resort	800	2.02%
Ames Rubber Corp	445	1.12%
Shop Rite Supermarkets (Ronetco)	301	0.76%
Andover Subacute and Rehab Center	300	0.76%
Sussex County Community College	300	0.76%
SCARC Inc.	287	0.72%
	<u>7,363</u>	<u>18.60%</u>

<u>Employer</u>	<u>2004</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>
	-	0.00%

NOT AVAILABLE

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

<u>Function/Program</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>2013</u>
Instruction									
Regular	203	197	204	202	202	178	157	152	152
Support Services:									
Student & Instruction Related Services	49	43	36	37	37	40	40	34	41
School Administrative Services	13	14	13	13	13	14	13	13	17
General and Business Administrative Services	8	8	8	8	8	7	7	7	12.5
Plant Operations and Maintenance	28	25	28	27	27	27	27	27	26.5
Total	<u>301</u>	<u>287</u>	<u>289</u>	<u>287</u>	<u>287</u>	<u>266</u>	<u>244</u>	<u>233</u>	<u>249</u>

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

Source: District Personnel Records

HOPATCONG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST NINE FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment ^c	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2005	2,623	\$ 32,346,843	\$ 12,332	1.13 %	248	1:14	1:11	1:11	2,623	2,417	-1.80 %	92.15 %
2006	2,546	34,215,183	13,439	8.97 %	248	1:12	1:11	1:11	2,546	2,378	-2.94 %	93.40 %
2007	2,488	36,134,870	14,524	8.07 %	243	1:12	1:11	1:11	2,488	2,335	-2.28 %	93.85 %
2008	2,433	38,058,196	15,642	7.70 %	243	1:12	1:11	1:11	2,433	2,240	-2.21 %	92.07 %
2009	2,287	36,227,534	15,841	1.27 %	243	1:12	1:11	1:11	2,287	2,153	-6.00 %	94.14 %
2010	2,195	36,813,509	16,772	5.88 %	218	1:12	1:10	1:11	2,195	2,047	-4.02 %	93.26 %
2011	2,110	35,203,469	16,684	-0.52 %	197	1:21	1:17	1:17	2,110	1,985	-3.87 %	94.08 %
2012	2,021	38,219,380	18,911	13.35 %	186	1:22	1:18	1:18	2,021	1,903	-4.22 %	94.16 %
2013	1,886	38,058,946	20,180	6.71 %	193	1:08	1:09	1:10	1,886	1,790	-6.68 %	94.91 %

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

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

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

^d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil calculations.

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

Source: Hopatcong Borough School District records

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST NINE FISCAL YEARS
UNAUDITED

	<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>2013</u>
<u>District Buildings</u>									
High School									
Square Feet	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855	196,855
Capacity (students)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Enrollment	785	808	787	791	748	729	713	673	622
Durban Avenue School									
Square Feet	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065	55,065
Capacity (students)	487	487	487	487	487	487	487	487	487
Enrollment	380	380	389	380	344	329	312	303	274
Middle School									
Square Feet	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Capacity (students)	791	791	791	791	791	791	791	791	791
Enrollment	651	622	613	612	600	528	518	483	449
Hudson Maxim School									
Square Feet	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660	33,660
Capacity (students)	490	490	490	490	490	490	490	490	490
Enrollment	367	348	339	310	296	313	267	283	288
Tulsa Trail School									
Square Feet	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184	32,184
Capacity (students)	500	500	500	500	500	500	500	500	500
Enrollment	374	389	360	340	323	296	300	279	253
Administration Building									
Square Feet	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735	12,735
Field House									
Square Feet	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840	3,840
Maintenance Sheds									
Square Feet	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Garage									
Square Feet	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Storage Building									
Square Feet	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000

Number of Schools at June 30, 2013

- Elementary = 3
- Middle School = 1
- High School = 1
- Other = 5

Note: Enrollment is based on the annual October district count.

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

Source: Hopatcong Borough School District Facilities Office

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

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

School Facilities *	Fiscal Year Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
High School	\$ 650,711	\$ 832,018	\$ 345,823	\$ 432,226	\$ 423,254	\$ 511,791	\$ 390,163	\$ 426,924	\$ 292,357	\$ 208,858
Durban Avenue School	182,019	232,735	96,735	120,904	118,394	143,160	109,137	119,421	81,779	58,422
Middle School	280,970	359,257	149,323	186,631	182,757	220,986	168,468	184,342	126,237	90,183
Hudson Maxim School	111,264	142,266	59,132	73,906	72,372	87,511	66,713	72,999	49,990	35,712
Tulsa Trail School	106,385	136,027	56,539	70,665	69,198	83,673	63,788	69,798	47,798	34,146
Administration Building	42,096	53,825	22,372	27,962	27,381	33,109	25,240	27,619	18,913	13,512
Field House	12,693	16,230	6,746	8,431	8,256	9,983	7,611	8,328	5,703	4,074
Maintenance Sheds	13,222	16,906	7,027	8,782	8,600	10,399	7,928	8,675	5,941	4,244
Garage	3,967	5,072	2,108	2,635	2,580	3,120	2,378	2,602	1,782	1,273
Storage Building	3,306	4,227	1,757	2,195	2,150	2,600	1,982	2,169	1,485	1,061
Total	<u>\$ 1,406,633</u>	<u>\$ 1,798,563</u>	<u>\$ 747,562</u>	<u>\$ 934,337</u>	<u>\$ 914,942</u>	<u>\$ 1,106,332</u>	<u>\$ 843,408</u>	<u>\$ 922,877</u>	<u>\$ 631,985</u>	<u>\$ 451,485</u>

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

Source: Hopatcong Borough School District records.

Exhibit J-20

HOPATCONG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2013
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund		
Building and Personal Property	\$ 250,000,000	\$ 1,000
Inland Marine - Auto Physical Damage		
General Liability including Auto, Employee Benefits:	5,000,000	
Benefits:		
Each Occurrence		
General Aggregate	50,000,000	Fund Agg.
Product/Completed Ops		
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses (excluding students taking part in athletics)	10,000	
Automobile Coverage		
Combined Single Limit		
Hired/Non-owned		
Environmental Impairment Liability	1,000,000/25,000,000	Fund Agg. 5,000
Crime Coverage	50,000	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler and Machinery	100,000,000	1,000
Excess Liability (AL/GL)	5,000,000	
School Board Legal		
Excess SLPL	5,000,000	1,000
Workers' Compensation	Statutory	
Employer's Liability	5,000,000	
Supplemental Indemnity	Statutory	
Public Official's Bond		
Treasurer of School Monies	230,000	
Business Administrator/Board Secretary	230,000	

Source: Hopatcong Borough School District records.

SINGLE AUDIT SECTION



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Report on Internal Control Over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the 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 prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Hopatcong School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 6, 2013
Mount Arlington, New Jersey


NISIVOCCIA LLP



David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant



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Report on Compliance For Each Major Federal and State Program;
 Report on Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey OMB's Circular 04-04

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Borough of Hopatcong School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2013. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 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 District's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

November 6, 2013
Mount Arlington, New Jersey


NISIVOCIA LLP



David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance	Carryover	Cash	Budgetary	Budgetary Basis		
					Unearned Revenue/ (Accounts Receivable) June 30, 2012				Amount	Received	Expendit- ures
U.S. Department of Agriculture											
Passed-through State Department of Agriculture:											
Child Nutrition Cluster:											
Food Distribution Program	10.555	N/A	7/1/12-6/30/13	\$ 15,987			\$ 15,987	\$ (15,987)			
National School Lunch Program	10.555	N/A	7/1/11-6/30/12	180,655	\$ (6,801)		6,801				
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	176,735			138,535	(176,735)		\$ (38,200)	
School Breakfast Program	10.553	N/A	7/1/11-6/30/12	11,638	(727)		727				
School Breakfast Program	10.553	N/A	7/1/12-6/30/13	8,985			6,675	(8,985)		(2,310)	
Total Child Nutrition Cluster					(7,528)		168,725	(201,707)		(40,510)	
Total U.S. Department of Agriculture					(7,528)		168,725	(201,707)		(40,510)	
U.S. Department of Education											
Passed-through State Department of Education:											
General Fund:											
Educational Jobs Fund	84.410A	N/A	7/1/10-9/30/12	441,536	(47,612)		47,612	(1,099)		(1,099)	
U.S. Department of Health and Human Services -											
Passed-through State Department of Human Services:											
Medicaid Assistance Program	93.778	N/A	7/1/12-6/30/13	48,352			48,352	(48,352)			
Total General Fund					(47,612)		95,964	(49,451)		(1,099)	
Special Revenue Fund:											
NCLB Consolidated:											
Title I	84.010	NCLB-2240-13	9/1/12-8/31/13	206,390			99,798	(164,186)		(64,388)	
Title I Carryover	84.010	NCLB-2240-12	9/1/11-8/31/12	244,528	(107,817)		164,102	(64,005)		(7,720)	
Title I Carryover	84.010	NCLB-2240-11	9/1/10-8/31/11	180,117	(9,565)		9,565				
Title II, Part A	84.367A	NCLB-2240-13	9/1/12-8/31/13	48,645			36,434	(48,645)		(12,211)	
Title II, Part A Carryover	84.367A	NCLB-2240-12	9/1/11-8/31/12	55,015	(31,792)	\$ 425	31,792		\$ 425		
Title II, Part A Carryover	84.367A	NCLB-2240-11	9/1/10-8/31/11	425		(425)	425				
Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	FT-2240-13	9/1/12-8/31/13	620,714			248,193	(620,714)		(372,521)	
I.D.E.A. Part B, Basic Carryover	84.027	FT-2240-12	9/1/11-8/31/12	630,196	(139,980)		269,408	(129,428)			
I.D.E.A. Part B, Preschool	84.173	PS-2240-13	9/1/12-8/31/13	21,125			21,125		21,125		
I.D.E.A. Part B, Preschool Carryover	84.173	PS-2240-12	9/1/11-8/31/12	21,264			21,207	(21,207)			
Total Special Education Cluster					(139,980)		559,933	(771,349)		21,125	(372,521)
Adult director	N/A	N/A	prior to 1993	N/A	(2,884)						(2,884)
E.E.S.A. Title II	N/A	N/A	prior to 1993	N/A	(1,604)						(1,604)
Transition program for refugee children	N/A	N/A	prior to 1993	N/A	(41)						(41)
Marketing education	N/A	N/A	prior to 1993	N/A	(579)						(579)
Drafting technology	N/A	N/A	prior to 1993	N/A	(58)						(58)
U.S. Department of Homeland Security:											
Passed through Federal Emergency											
Management Agency:											
Disaster Grants - Public Assistance - F.E.M.A.	97.036	N/A	7/1/12-6/30/13	29,911			29,911	(29,911)			
Total Special Revenue Fund					(294,320)		931,960	(1,078,096)		21,550	(462,006)
Total Federal Awards					\$ (349,460)	\$ -0-	\$ 1,196,649	\$ (1,329,254)	\$ 21,550	\$ (503,615)	\$ -0-

N/A - Not Applicable/Available

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

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance Unearned Revenue/ Due to Grantor/ (Accounts Receivable) June 30, 2012	Caryover Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2013		MEMO	
								GAAP (Accounts Receivable)	Budgetary Unearned Revenue	Budgetary Receivable June 30, 2013	Cumulative Total Expenditures
State Department of Education:											
General Fund:											
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	\$ 5,355,057	\$ (533,877)		\$ 533,877					\$ 5,355,057
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	4,981,480			4,486,192	\$ (4,981,480)			\$ 495,288	4,981,480
Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	670,858	(66,882)		66,882					670,858
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	667,597			601,221	(667,597)			66,376	667,597
Special Education Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	1,046,775	(104,359)		104,359					1,046,775
Special Education Categorical Aid	13-495-034-5120-089	7/1/12-6/30/13	1,086,387			978,372	(1,086,387)			108,015	1,086,387
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	226,567	(22,588)		22,588					226,567
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	221,085			199,103	(221,085)			21,982	221,085
Adjustment Aid	12-495-034-5120-085	7/1/11-6/30/12	4,567,133	(455,324)		455,324					4,567,133
Adjustment Aid	13-495-034-5120-085	7/1/12-6/30/13	4,145,512			3,733,340	(4,145,512)			412,172	4,145,512
District Reimbursement for Extraordinary Costs	12-100-034-5120-473	7/1/11-6/30/12	293,546	(293,546)		293,546					293,546
District Reimbursement for Extraordinary Costs	13-100-034-5120-473	7/1/12-6/30/13	199,086				(199,086)	\$ (199,086)		199,086	199,086
Nonpublic Transportation Costs	12-495-034-5120-014	7/1/11-6/30/12	11,827	(11,827)		11,827					11,827
Nonpublic Transportation Costs	13-495-034-5120-014	7/1/12-6/30/13	13,264				(13,264)	(13,264)		13,264	13,264
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11-6/30/12	1,085,455	(5,910)		5,910					1,085,455
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12-6/30/13	1,061,201			1,006,764	(1,061,201)	(54,437)		54,437	1,061,201
Total General Fund				(1,494,313)		12,499,305	(12,375,612)	(266,787)		1,370,620	25,632,830
Schools Development Authority:											
Capital Projects Fund:											
Hopatcong Middle School Univentilator Upgrades	SP2240-040-09-1002	N/A	53,594	(52,310)		52,310					53,594
Total Capital Projects Fund				(52,310)		52,310					53,594
Debt Service Fund:											
Debt Service Aid Type II	13-495-034-5120-125	7/1/12-6/30/13	46,649			46,649	(46,649)				46,649
Total Debt Service Fund						46,649	(46,649)				46,649
Enterprise Fund:											
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	7,179	(270)		270					7,633
State School Lunch Program	13-100-010-3350-023	7/1/12-6/30/13	6,394			5,048	(6,394)	(1,346)			7,179
Total Enterprise Fund				(270)		5,318	(6,394)	(1,346)			14,812
Total State Awards				\$ (1,546,893)	\$ -0-	\$ 12,603,582	\$ (12,428,655)	\$ (268,133)	\$ -0-	\$ 1,370,620	\$ 25,747,885

N/A - Not Applicable/Available

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Hopatcong Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2013. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$79,197 for the general fund and \$15,174 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. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$1,019,425 and \$1,152,711 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page.

HOPATCONG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 49,451	\$ 14,626,945	\$ 14,676,396
Special Revenue Fund	1,093,270		1,093,270
Debt Service Fund		46,649	46,649
Food Service Fund	201,707	6,394	208,101
Total Awards	<u>\$ 1,344,428</u>	<u>\$ 14,679,988</u>	<u>\$ 16,024,416</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2013. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB's Circular 04-04*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and Federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.
- The District's programs tested as major programs for the current fiscal year consisted of the following federal and state awards:

	<u>C.F.D.A./</u> <u>State Grant Number</u>	<u>Grant Period</u>	<u>Award</u> <u>Amount</u>	<u>Budgetary</u> <u>Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
IDEA Basic	84.027	9/1/12-8/31/13	620,714	620,714
IDEA Basic Carryover	84.027	9/1/11-8/31/12	630,196	129,428
IDEA Preschool Carryover	84.173	9/1/11-8/31/12	21,264	21,207
<u>State:</u>				
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	4,981,480	4,981,480
Special Education				
Categorical Aid	13-495-034-5120-089	7/1/12-6/30/13	1,086,387	1,086,387
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	221,085	221,085
Adjustment Aid	13-495-034-5120-085	7/1/12-6/30/13	4,145,512	4,145,512

HOPATCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

Summary of Auditors' Results (Cont'd):

- The threshold used for distinguishing between Type A and Type B programs was \$300,000 for federal programs and \$372,860 for state programs.
- The District was determined to be a "low-risk" auditee under the provisions of section 530 of the federal Circular.

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal Circular.

Findings and Questioned Costs for State Awards:

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

HOPATCONG BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Status of Prior Year Findings:

The District had no prior year audit findings.