

NETCONG BOROUGH SCHOOL DISTRICT

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

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

**Comprehensive Annual
Financial Report**

of the

Netcong Borough School District

Netcong, New Jersey

For the Fiscal Year Ended June 30, 2013

Prepared by

**Netcong Borough School District
Board of Education**

NETCONG BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2013

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal.....	1-3
Organizational Chart	4
Roster of Officials	5
Consultants and Advisors.....	6

FINANCIAL SECTION.....7

Independent Auditors' Report.....	8-10
-----------------------------------	------

Required Supplementary Information	11
Management's Discussion and Analysis (Unaudited)	12-19

Basic Financial Statements (Sections A and B)	20
---	----

A. District-Wide Financial Statements	21
A-1 Statement of Net Position	22
A-2 Statement of Activities.....	23-24

B. Fund Financial Statements.....	25
B-1 Balance Sheet – Governmental Funds	26
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.....	27-28
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
B-4 Statement of Net Position – Proprietary Funds.....	30
B-5 Statement of Revenue, Expenses and Changes in Net Position – Proprietary Funds	31
B-6 Statement of Cash Flows – Proprietary Funds	32
B-7 Statement of Fiduciary Net Position – Fiduciary Funds	33
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds (Not Applicable)	34

Notes to the Basic Financial Statements.....	35-53
--	-------

Supplementary Schedules (Sections C through I)

C. Budgetary Comparison Schedules (Unaudited).....	54
C-1 Budgetary Comparison Schedule – Budgetary Basis – General Fund (Unaudited).....	55-68
C-2 Budgetary Comparison Schedule – Budgetary Basis – Special Revenue Fund (Unaudited).....	69
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information (Unaudited).....	70-71

D. School Level Schedules (Not Applicable).....	72
---	----

E. Special Revenue Fund	73
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	74-76
E-2 Pre-School Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	

NETCONG BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

FINANCIAL SECTION (Cont'd)

F. Capital Projects Fund.....	77
F-1 Summary Schedule of Revenue Expenditures, and Changes in Fund Balance – Budgetary Basis	78
F-1a Schedule of Project Revenue, Expenditures, Project Balances, and Project Status – Budgetary Basis – Boiler Replacement Project.....	79
F-1b Schedule of Project Revenue, Expenditures, Project Balances, and Project Status – Budgetary Basis – Renovations to the Netcong Elementary School	80
G. Proprietary Funds.....	81
Enterprise Fund:	
G-1 Statement of Net Position	82
G-2 Statement of Revenue, Expenses and Changes in Net Position.....	83
G-3 Statement of Cash Flows.....	84
H. Fiduciary Funds	85
H-1 Combining Statement of Fiduciary Net Position	86
H-2 Statement of Changes in Fiduciary Net Position (Not Applicable)	87
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	88
H-4 Student Activity Agency Fund Statement of Activity	89
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements	90
I. Long-Term Debt.....	91
I-1 Schedule of Serial Bonds	92
I-2 Schedule of Obligations Under Capital Leases.....	93
I-3 Debt Service Fund Budgetary Comparison Schedule (Unaudited).....	94
J. STATISTICAL SECTION (Unaudited)	95-96
J-1 Net Position by Component	97
J-2 Changes in Net Position.....	98-100
J-3 Fund Balances - Governmental Funds	101
J-4 Changes in Fund Balance – Governmental Funds	102-103
J-5 General Fund Other Local Revenue by Source.....	104
J-6 Assessed Value and Actual Value of Taxable Property.....	105
J-7 Direct and Overlapping Property Tax Rates	106
J-8 Principal Property Tax Payers.....	107
J-9 Property Tax Levies and Collections	108
J-10 Ratios of Outstanding Debt by Type.....	109
J-11 Ratios of Net General Bonded Debt Outstanding	110
J-12 Ratios of Overlapping Governmental Activities Debt	111
J-13 Legal Debt Margin Information	112
J-14 Demographic and Economic Statistics.....	113
J-15 Principal Employers.....	114
J-16 Full-Time Equivalent District Employees by Function/Program	115
J-17 Operating Statistics	116
J-18 School Building Information.....	117
J-19 Schedule of Required Maintenance for School Facilities	118
J-20 Insurance Schedule	119

NETCONG BOROUGH SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2013
(Continued)

K.	SINGLE AUDIT SECTION	120
K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> - Independent Auditors' Report	121-122
K-2	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.....	123-124
	Schedule of Expenditures of Federal Awards.....	125
	Schedule of Expenditures of State Awards	126-127
	Notes to the Schedules of Expenditures of Federal and State Awards	128-129
	Schedule of Findings and Questioned Costs	130-131
	Summary Schedule of Prior Audit Findings	132

INTRODUCTORY SECTION



Netcong Elementary School

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

November 22, 2013

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

Dear Board Members:

The Comprehensive Annual Financial Report of the Netcong Borough School District (the "District") for the fiscal year ended June 30, 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, a roster of officials and a list of principal consultants and advisors. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Pre K through 8. The educational services provided include regular as well as special education for handicapped children. The District completed the 2012-2013 fiscal year with an enrollment of 308 students, which is an increase of 24 students from the previous year's enrollment.

The Honorable President and Members of
the Board of Education of the
Netcong Borough School District
County of Morris, New Jersey
Page 2

2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Netcong is primarily residential and a few commercial ratable with little space remaining to be developed. As state and federal aid to education declines, the local tax levy has assumed a larger percentage of the school budget in 2012-13.

Families with young children choose Netcong Borough School District for its excellent schools. The school system is expected to continue to maintain enrollment at approximately 308 students for the next ten years.

3) MAJOR INITIATIVES: The Netcong School District has been looking to update the curricular resources it uses for English Language Arts for grades Kindergarten through eighth and science for the middle school. Preschool curriculum resources were scheduled for purchase and the math resources just updated were continued. These investments will support the teachers and students with the CCSS and the NJCCCS.

Technology upgrades were researched. Infrastructure upgrades and more affordable and accessible hardware for students and teachers were planned for future investments to be inline with the PARCC coming out in 2015.

The Interdistrict Public School Choice Program accepted eight students to the school. The additional funding from the State offset the tax levy so the increase was only 1%.

The Board and administration worked diligently on closing out the referendum projects from prior years. The SDA grants will go towards the note taken out for the projects to be finished.

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

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

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

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

The Honorable President and Members of
the Board of Education of the
Netcong Borough School District
County of Morris, New Jersey
Page 3

5) BUDGETARY CONTROLS: An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 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 Basic Financial Statements", Note 1.

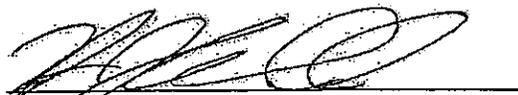
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under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

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 Board oversees Risk Management for the District. A schedule of insurance coverage is found in J-20.

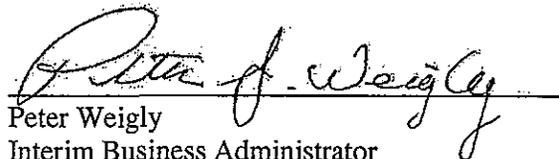
9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth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

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

Respectfully submitted,

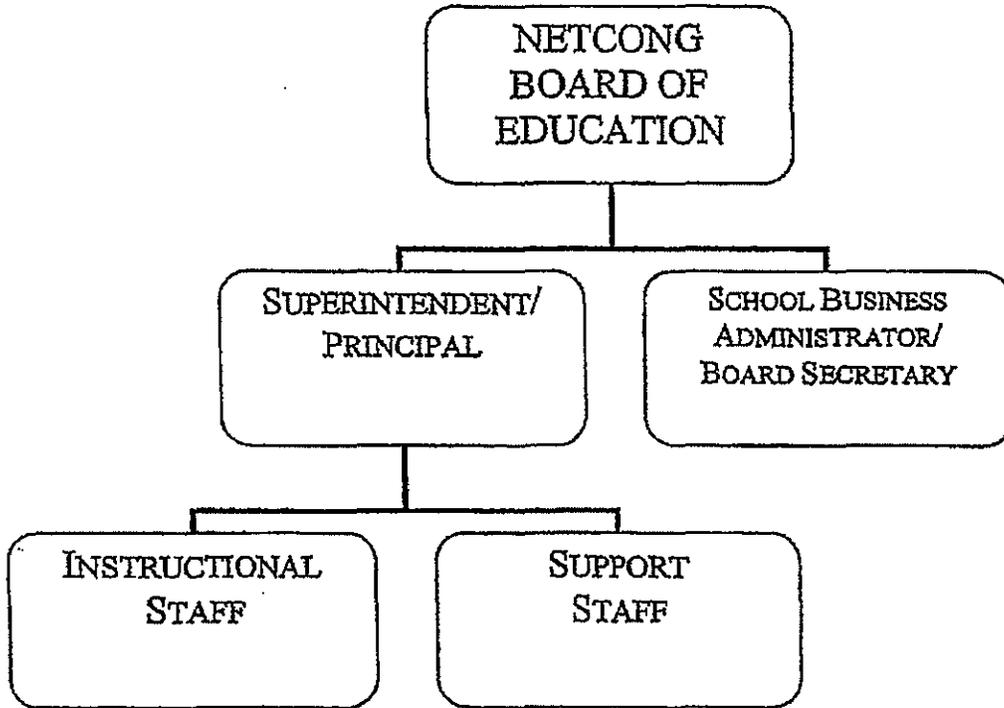


Kevin J. Carroll
Chief School Administrator



Peter Weigly
Interim Business Administrator

NETCONG PUBLIC SCHOOLS
ORGANIZATIONAL CHART



NETCONG BOROUGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2013

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Bernadette Dalesandro, President	2014
Marianne Callahan, Vice President	2013
Joseph Coldarci III	2013
Patrick McQueeney	2014
Todd Morton	2013
Lynn Popelka	2015
Jennifer Santana	2013
William Stevens	2015
Colleen Suflay	2015

OTHER OFFICIALS

TITLE

Kevin J. Carroll	Chief School Administrator
Peter J. Weigly	Interim Business Administrator
Nicole Sylvester	Board Secretary
Sallyanne McCarty	Treasurer

NETCONG BOROUGH SCHOOL DISTRICT

CONSULTANTS AND ADVISORS

ARCHITECT

Gianforcaro Architects, Engineers & Planners
555 East Main Street, Suite One
Chester, New Jersey 07930

ATTORNEY

Andrew Brown, Esq.
Schwartz, Simon, Edelstein, Celso and Kessler, LLP
100 South Jefferson Road, Suite 200
Whippany, New Jersey 07984

AUDIT FIRM

Nisivoccia LLP
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856

BOND COUNSEL

Lisa Gorab, Esq.
Wilentz, Goldman and Spitzer, P.A.
90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, New Jersey 07095

OFFICIAL DEPOSITORIES

Valley National Bank
410 Route 94
Newton, New Jersey 07860

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

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

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

Independent Auditors' Report

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

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 Netcong Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise of 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 of the
Netcong Borough School District
Page 2

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 Netcong Borough School District, in the County of Morris, 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 OMB's 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 of the
Netcong Borough School District
Page 3

Other Matters

Other Information

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 22, 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 22, 2013
Mount Arlington, New Jersey

Nisivoccia, LLP

NISIVOCCIA LLP

Kathryn L. Mantell

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

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

This section of the Netcong Borough Board of Education's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 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

- Total net position have increased by \$828,268 or 38.80%.
- Overall revenue was \$5,826,611.
- Overall expenditures were \$4,998,343.

Overview of the Financial Statements

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

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

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

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

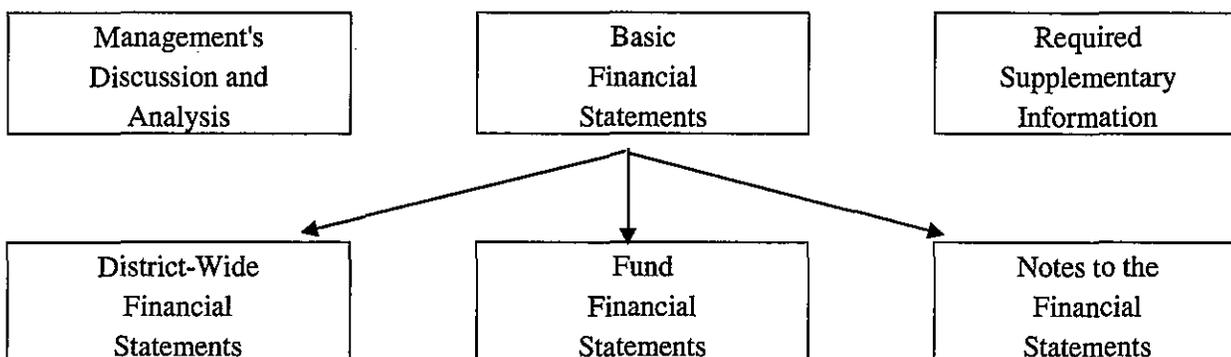


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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 service and special programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

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

Notes to the Basic Financial Statements

The notes provide information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's *combined* net position was \$2,962,773 on June 30, 2013, \$828,268 or 38.80% more than governmental activities the year before. (See Figure A-3).

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	
Current and Other Assets	\$ 2,128,976	\$ 282,703	\$ 4,266	\$ 17,554	\$ 2,133,242	\$ 300,257	610.47%
Capital Assets	4,452,746	4,431,927	27,276	31,084	4,480,022	4,463,011	0.38%
Total Assets	<u>6,581,722</u>	<u>4,714,630</u>	<u>31,542</u>	<u>48,638</u>	<u>6,613,264</u>	<u>4,763,268</u>	38.84%
Long-Term Liabilities	2,050,803	2,109,434			2,050,803	2,109,434	-2.78%
Other Liabilities	1,599,688	508,041	14,336	11,288	1,614,024	519,329	210.79%
Total Liabilities	<u>3,650,491</u>	<u>2,617,475</u>	<u>14,336</u>	<u>11,288</u>	<u>3,664,827</u>	<u>2,628,763</u>	39.41%
Net Position:							
Net Investment in Capital							
Assets	2,507,424	2,391,653	27,277	31,084	2,534,701	2,422,737	4.62%
Restricted	441,199	348,805			441,199	348,805	26.49%
Unrestricted/(Deficit)	<u>(17,392)</u>	<u>(643,303)</u>	<u>4,266</u>	<u>6,266</u>	<u>(13,126)</u>	<u>(637,037)</u>	97.94%
Total Net Position	<u>\$ 2,931,231</u>	<u>\$ 2,097,155</u>	<u>\$ 31,543</u>	<u>\$ 37,350</u>	<u>\$ 2,962,774</u>	<u>\$ 2,134,505</u>	38.80%

Changes in Net Position. The District's combined net position increased \$828,268 or 38.80%. Net position from governmental activities increased \$834,076 and net position from business-type activities decreased by \$5,808. Net position invested in capital assets for governmental activities increased \$111,963 due to an increase in capital assets from the construction of renovations to the Netcong Elementary School offset by current year depreciation. Restricted net position for governmental activities increased \$92,394 primarily due to Capital Projects expenses. Unrestricted net position for governmental activities increased by \$623,911 primarily as a result of increased capital project fund balance.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	
Revenue:							
Program Revenue:							
Charges for Services			\$ 31,239	\$ 34,263	\$ 31,239	\$ 34,263	-8.83%
Operating Grants & Contributions	\$ 862,230	\$ 856,353	51,302	46,227	913,532	902,580	1.21%
General Revenue:							
Property Taxes	2,863,560	2,857,682			2,863,560	2,857,682	0.21%
Unrestricted Federal & State Aid	1,956,081	854,135			1,956,081	854,135	129.01%
Other	62,181	68,374	18	50	62,199	68,424	-9.10%
Total Revenue	<u>5,744,052</u>	<u>4,636,544</u>	<u>82,559</u>	<u>80,540</u>	<u>5,826,611</u>	<u>4,717,084</u>	23.52%
Expenses:							
Instruction	3,474,722	3,123,366			3,474,722	3,123,366	11.25%
Pupil and Instruction Services	451,934	414,900			451,934	414,900	8.93%
Administrative and Business	478,048	412,796			478,048	412,796	15.81%
Maintenance and Operations	313,484	287,218			313,484	287,218	9.14%
Transportation	59,966	29,545			59,966	29,545	102.96%
Other	131,822	117,273	88,367	83,889	220,189	201,162	9.46%
Total Expenses	<u>4,909,976</u>	<u>4,385,098</u>	<u>88,367</u>	<u>83,889</u>	<u>4,998,343</u>	<u>4,468,987</u>	11.85%
Increase/(Decrease) in Net Position	<u>\$ 834,076</u>	<u>\$ 251,446</u>	<u>\$ (5,808)</u>	<u>\$ (3,349)</u>	<u>\$ 828,268</u>	<u>\$ 248,097</u>	233.85%

Revenue Sources. The District's total revenue for the 2012-2013 school year was \$5,826,611. (See Figure A-4). Property taxes accounted for most of the District's revenue with local taxes accounting for \$2,863,560 of the total, or 49.14%. (See Figure A-5). Another 49.26% came from state and federal aid and the remainder from miscellaneous sources. The Netcong Borough Board of Education basically conducts its operations from the revenues it receives from its local taxpayers.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2013 and 2012**

	2013	Percentage	2012	Percentage
Sources of Income:				
Property Taxes	\$ 2,863,560	49.14%	\$ 2,857,682	60.58%
Federal and State Grants and Aid	2,869,613	49.26%	1,756,715	37.24%
Charges for Services	31,239	0.54%	34,263	0.73%
Other	62,199	1.06%	68,424	1.45%
	<u>\$ 5,826,611</u>	<u>100.00%</u>	<u>\$ 4,717,084</u>	<u>100.00%</u>

The total cost of all programs and services was \$4,998,343. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.76 percent). (See Figure A-6). The District's administrative and business activities accounted for 9.56%. The Netcong Borough Board of Education operates a school and an administration building which results in maintenance costs of 6.27 percent.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

**Figure A-6
Sources of School District Expenses - Fiscal Year 2013 and 2012**

Expense Category:	2013	Percentage	2013	Percentage
Instruction	\$ 3,474,722	69.52%	\$ 3,123,366	69.89%
Pupil and Instruction Services	451,934	9.04%	414,900	9.28%
Administrative and Business	478,048	9.56%	412,796	9.24%
Maintenance and Operations	313,484	6.27%	287,218	6.43%
Transportation	59,966	1.20%	29,545	0.66%
Other	220,189	4.41%	201,162	4.50%
	<u>\$ 4,998,343</u>	<u>100.00%</u>	<u>\$ 4,468,987</u>	<u>100.00%</u>

Governmental Activities

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

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

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

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

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

	Total Costs of Services		Net Cost of Services	
	2012/2013	2011/2012	2012/2013	2011/2012
Instruction	\$ 3,474,722	\$ 3,123,366	\$ 2,634,633	\$ 2,284,900
Pupil and Instruction Services	451,934	414,900	451,934	414,900
Administrative and Business	478,048	412,796	455,907	394,909
Maintenance and Operations	313,484	287,218	313,484	287,218
Transportation	59,966	29,545	59,966	29,545
Other	131,822	117,273	131,822	117,273
	<u>\$ 4,909,976</u>	<u>\$ 4,385,098</u>	<u>\$ 4,047,746</u>	<u>\$ 3,528,745</u>

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Governmental Activities

- The cost of all governmental activities this year was \$4,909,976.
- The federal and state governments subsidized certain programs with grants and contributions (\$2,869,613).
- Most of the District's costs were financed by \$2,863,560 of District taxes.
- The remaining \$93,438 of the District's funding came from \$62,199 in miscellaneous revenue.

Business-Type Activities

- Net position from the District's business-type activity decreased \$5,808 - \$2,000 from operations and \$3,808 net reduction in capital assets. (Refer to Figure A-4).

General Fund Budgetary Highlights

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

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

Capital Asset and Debt Administration

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Percentage Change</u>
	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2011/2012</u>	
Land	\$ 892	\$ 892			\$ 892	\$ 892	0.00%
Buildings and Improvements	1,153,588	1,184,118			1,153,588	1,184,118	-2.58%
Machinery and Equipment	29,671	38,700	\$ 27,276	\$ 31,084	56,947	69,784	-18.40%
Construction in Progress	<u>3,268,595</u>	<u>3,208,217</u>			<u>3,268,595</u>	<u>3,208,217</u>	1.88%
Total Capital Assets (Net)	<u>\$ 4,452,746</u>	<u>\$ 4,431,927</u>	<u>\$ 27,276</u>	<u>\$ 31,084</u>	<u>\$ 4,480,022</u>	<u>\$ 4,463,011</u>	0.38%

The District's capital assets increased by \$17,011. Capital acquisitions were \$60,378 offset by depreciation of \$39,559 from its governmental activities and \$3,807 from its business type activities. Major acquisitions of the District were mainly continued construction of renovations to the Netcong Elementary School. More detailed information regarding the District's Capital Assets is presented in Note 6 to the basic financial statements.

Long-term Debt

The District continued to paydown its Serial Bonds and Capital Leases during the year. At year-end, the District had \$105,481 in Compensated Absences Payable outstanding – an increase of \$36,321 from the prior year - as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

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

	Total School District		Percentage Change
	2012/2013	2011/2012	
Serial Bonds	\$ 1,892,000	\$ 1,962,000	-3.57%
Compensated Absences Payable	105,481	69,160	52.52%
Capital Leases Payable	53,322	78,274	-31.88%
	<u>\$ 2,050,803</u>	<u>\$ 2,031,160</u>	52.52%

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

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

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

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 701,236	\$ 11,667	\$ 712,903
Receivables from Federal Government	152,549	4,034	156,583
Receivables from State Government	1,246,344	69	1,246,413
Internal Balances	(1,952)	1,952	
Other Accounts Receivable	23,861		23,861
Inventory		880	880
Restricted Assets - Cash and Cash Equivalents:			
Capital Reserve Account	6,938		6,938
Capital Assets, Net:			
Sites (Land) and Construction in Progress	3,269,487		3,269,487
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	1,183,259	27,277	1,210,536
Total Assets	<u>6,581,722</u>	<u>45,879</u>	<u>6,627,601</u>
LIABILITIES			
Accrued Interest Payable	9,194		9,194
Payable to Federal Government	30,864		30,864
Payable to State Government	31,352		31,352
Bond Anticipation Notes Payable	1,516,840		1,516,840
Accounts Payable - Vendors	8,417	14,057	22,474
Unearned Revenue	3,021	279	3,300
Noncurrent Liabilities:			
Due Within One Year	96,074		96,074
Due Beyond One Year	1,954,729		1,954,729
Total Liabilities	<u>3,650,491</u>	<u>14,336</u>	<u>3,664,827</u>
NET POSITION			
Net Investment in Capital Assets	2,507,424	27,277	2,534,701
Restricted for:			
Capital Projects	223,933		223,933
Other Purposes	217,266		217,266
Unrestricted/(Deficit)	(17,392)	4,266	(13,126)
Total Net Position	<u>\$ 2,931,231</u>	<u>\$ 31,543</u>	<u>\$ 2,962,774</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues 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	\$ 2,564,121		\$ 454,472		\$ (2,109,649)		\$ (2,109,649)
Special Education	791,797		368,560		(423,237)		(423,237)
Other Instruction	90,223		13,075		(77,148)		(77,148)
School-Sponsored Instruction	28,581		3,982		(24,599)		(24,599)
Support Services:							
Tuition	6,546				(6,546)		(6,546)
Student & Instruction Related Services	445,388				(445,388)		(445,388)
General Administrative Services	185,961				(185,961)		(185,961)
School Administrative Services	157,953		22,141		(135,812)		(135,812)
Central Services	118,437				(118,437)		(118,437)
Administration Information Technology	15,697				(15,697)		(15,697)
Plant Operations and Maintenance	313,484				(313,484)		(313,484)
Pupil Transportation	59,966				(59,966)		(59,966)
Unallocated Depreciation	31,939				(31,939)		(31,939)
Capital Outlay	24,952				(24,952)		(24,952)
Interest on Long-Term Debt	74,931				(74,931)		(74,931)
Total Governmental Activities	4,909,976		862,230		(4,047,746)		(4,047,746)

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues 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:							
Food Service	\$ 88,367	\$ 31,239	\$ 51,302			\$ (5,826)	\$ (5,826)
Total Business-Type Activities	<u>88,367</u>	<u>31,239</u>	<u>51,302</u>			<u>(5,826)</u>	<u>(5,826)</u>
Total Primary Government	<u>\$ 4,998,343</u>	<u>\$ 31,239</u>	<u>\$ 913,532</u>		<u>\$ (4,047,746)</u>	<u>(5,826)</u>	<u>(4,053,572)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 2,718,432			\$ 2,718,432
Taxes Levied for Debt Service				145,128			145,128
Federal and State Aid Not Restricted				1,956,081			1,956,081
Investment Earnings				2	\$ 18		20
Miscellaneous Income				62,179			62,179
Total General Revenues				<u>4,881,822</u>	<u>18</u>		<u>4,881,840</u>
Change in Net Position				834,076	(5,808)		828,268
Net Position - Beginning				<u>2,097,155</u>	<u>37,351</u>		<u>2,134,506</u>
Net Position - Ending				<u>\$ 2,931,231</u>	<u>\$ 31,543</u>		<u>\$ 2,962,774</u>

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 196,820		\$ 504,416		\$ 701,236
Interfund Receivable	100,289				100,289
Receivables from Federal Government		\$ 152,549			152,549
Receivables from State Government	8,888		1,237,456		1,246,344
Other Accounts Receivable	7,933		15,928		23,861
Restricted Cash and Cash Equivalents	6,938				6,938
Total Assets	\$ 320,868	\$ 152,549	\$ 1,757,800	\$ -0-	\$ 2,231,217
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	\$ 1,952	\$ 78,895	\$ 21,394		\$ 102,241
Payable to Federal Government		30,864			30,864
Payable to State Government		31,352			31,352
Bond Anticipation Notes Payable			1,516,840		1,516,840
Accounts Payable - Vendors		8,417			8,417
Unearned Revenue		3,021			3,021
Total Liabilities	1,952	152,549	1,538,234		1,692,735
Fund Balances:					
Restricted					
Capital Reserve Account	6,938				6,938
Excess Surplus - Subsequent Year	217,266				217,266
Capital Projects Fund			216,995		216,995
Committed			2,571		2,571
Assigned:					
For Subsequent Year's Expenditures	840				840
Year End Encumbrances	29,310				29,310
Unassigned	64,562				64,562
Total Fund Balances	318,916		219,566		538,482
Total Liabilities and Fund Balances	\$ 320,868	\$ 152,549	\$ 1,757,800	\$ -0-	

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

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The cost of the assets is \$5,807,376 and the accumulated depreciation is \$1,354,630.	4,452,746
Interest on long term debt is not accrued in government funds, but rather is recognized as expenditure when due.	(9,194)
Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds.	(2,050,803)
Net Position of Governmental Activities	\$ 2,931,231

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 2,718,432			\$ 145,128	\$ 2,863,560
Tuition	19,938				19,938
Interest Earned on Capital Reserve Funds	2				2
Miscellaneous	42,241				42,241
Total - Local Sources	2,780,613			145,128	2,925,741
State Sources	1,517,868	\$ 64,378	\$ 1,082,949		2,665,195
Federal Sources		153,116			153,116
Total Revenues	4,298,481	217,494	1,082,949	145,128	5,744,052
EXPENDITURES					
Current:					
Regular Instruction	1,665,529	119,923			1,785,452
Special Education Instruction	481,158	97,571			578,729
Other Instruction	63,380				63,380
School Sponsored Instruction	20,406				20,406
Support Services and Undistributed Costs:					
Tuition	6,546				6,546
Student & Instruction Related Services	376,678				376,678
General Administrative Services	163,212				163,212
School Administrative Services	109,645				109,645
Central Services	118,460				118,460
Administrative Information Technology	15,697				15,697
Plant Operations and Maintenance	281,872				281,872

NETCONG 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
EXPENDITURES					
Current:					
Pupil Transportation	\$ 59,966				\$ 59,966
Allocated Benefits	83,839				83,839
Unallocated Benefits	1,095,283				1,095,283
Capital Outlay	24,952		\$ 60,378		85,330
Debt Service:					
Principal				\$ 70,000	70,000
Interest and Other Charges				75,128	75,128
Total Expenditures	4,566,623	\$ 217,494	60,378	145,128	4,989,623
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(268,142)		1,022,571		754,429
OTHER FINANCING SOURCES/(USES)					
Transfers In	2,224				2,224
Transfers Out			(2,224)		(2,224)
Total Other Financing Sources/(Uses)	2,224		(2,224)		
Net Change in Fund Balances	(265,918)		1,020,347		754,429
Fund Balance/(Deficit)—July 1	584,834		(800,781)		(215,947)
Fund Balance—June 30	\$ 318,916	\$ -0-	\$ 219,566	\$ -0-	\$ 538,482

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

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

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 754,429

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

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

	Depreciation expense	\$ (39,559)	
	Capital outlays	<u>60,378</u>	
			20,819

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+). (36,321)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 197

Capital leases are a financing source in the governmental funds. They are not revenue in the statement of activities; capital leases increase long-term liabilities in the statement of net position. 24,952

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

Change in Net Position of Governmental Activities \$ 834,076

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

Exhibit B-4

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 11,667
Intergovernmental Receivable:	
Federal	4,034
State	69
Interfund Receivable	1,952
Inventory	880
	18,602
Total Current Assets	18,602
Non-Current Assets:	
Capital Assets:	
Depreciable Furniture and Equipment, Net	27,277
	27,277
Total Non-Current Assets	27,277
Total Assets	45,879
LIABILITIES:	
Accounts Payable	14,057
Unearned Revenue	279
	14,336
Total Liabilities	14,336
NET POSITION:	
Net Investment in Capital Assets	27,277
Unrestricted	4,266
	31,543
Total Net Position	\$ 31,543

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE

Exhibit B-5

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

	Business-Type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 21,750
Daily Sales - Non-Reimbursable Programs	9,489
Total Operating Revenue	31,239
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	29,677
Cost of Sales	41,565
Supplies, Insurance & Other Costs	6,121
Purchased Professional Services	7,197
Depreciation Expense	3,807
Total Operating Expenses	88,367
Operating Loss	(57,128)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	40,913
National School Breakfast Program	2,860
Food Distribution Program	6,462
State Sources	
State School Lunch Program	1,067
Interest Income	18
Total Non-Operating Revenue	51,320
Change in Net Position	(5,808)
Net Position - Beginning of Year	37,351
Net Position - End of Year	\$ 31,543

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

Exhibit B-6

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

	Business-Type Activities - Enterprise Funds
	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 31,382
Payments to Employees	2,520
Payments to Food Service Vendor	(77,991)
Net Cash Used for Operating Activities	(44,089)
Cash Flows from Investing Activities:	
Interest on Investments	18
Net Cash Provided by Investing Activities	18
Cash Flows from Noncapital Financing Activities:	
Advanced from General Fund	12,598
Federal Subsidy Reimbursements	42,078
State Subsidy Reimbursements	1,062
Net Cash Provided by Noncapital Financing Activities	55,738
Net Increase in Cash and Cash Equivalents	11,667
Cash and Cash Equivalents, July 1	- 0 -
Cash and Cash Equivalents, June 30	\$ 11,667
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (57,128)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	3,807
Food Distribution Program	6,462
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	143
(Increase) in Inventory	(421)
Increase in Accounts Payable	2,815
Increase in Deferred Revenue	233
Net Cash Used for Operating Activities	\$ (44,089)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$6,695 and utilized \$6,462 of commodities from the Federal Food Distribution Program for the year ended June 30, 2013.

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

Exhibit B-7

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>
ASSETS:	
Cash and Cash Equivalents	\$ 19,874
Total Assets	<u>19,874</u>
 LIABILITIES:	
Payroll Deductions and Withholdings	6,858
Due to Student Groups	<u>13,016</u>
Total Liabilities	<u>\$ 19,874</u>

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

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

NOT APPLICABLE

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency 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 significance) 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 an elementary school located in Netcong Borough. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements:

The statement of net 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 non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

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

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

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

B. Basis of Presentation (Cont'd)

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

The District reports the following governmental funds:

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

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

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

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

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

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

(Continued)

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

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net 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.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC 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 and Special Revenue 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 budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 4,310,757	\$ 238,003
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, whereas the GAAP Basis does not		(20,509)
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	(103,677)	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>91,401</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 4,298,481</u>	<u>\$ 217,494</u>

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC 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)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 4,566,623	\$ 238,003
Differences - Budget to GAAP		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, whereas the GAAP Basis does not		(20,509)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 4,566,623	\$ 217,494
	Capital Projects Fund	
	Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per F-1)	\$ 2,224	\$ 655,682
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended.	1,080,725	(436,116)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per B-2)	\$ 1,082,949	\$ 219,566

E. Cash and Cash Equivalents

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

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

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

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

(Continued)

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

F. Interfund Transactions

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

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances

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

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

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

(Continued)

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

K. Capital Assets

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

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

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

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

L. Accrued Salaries and Wages

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

M. 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 premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

N. Compensated Absences

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

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

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

N. Compensated Absences (Cont'd)

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

In the district-wide *Statement of Net 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. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated

General Fund: Of the \$318,916 General Fund fund balance at June 30, 2013, \$29,310 is assigned for encumbrances; \$6,938 is restricted in the capital reserve account; \$840 is assigned and designated for subsequent year's expenditures; \$217,266 is restricted as excess surplus in accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) and will be appropriated and included as anticipated revenue for the year ending June 30, 2014; and \$64,562 is unassigned, which is \$103,677 less on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

Capital Projects Fund: Of the \$219,566 Capital Projects Fund fund balance at June 30, 2013, \$216,995 is restricted and \$2,571 is committed.

Calculation of Excess Surplus: The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District did not have excess fund balance at June 30, 2013.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$103,677 as reported in the fund financial statements (modified accrual basis). P.L. 2004, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

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

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

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.

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.

R. 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 excess surplus, capital reserve account, Capital Projects Fund and Debt Service Fund.

The District's Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has \$2,571 of committed resources in the Capital Projects Fund at June 30, 2013.

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

(Continued)

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

R. Fund Balance Restrictions, Commitments and Assignments (Cont' d)

The assignment of resources is generally made by the District's Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned \$29,310 for year-end encumbrances and \$840 for subsequent year's expenditures in the General Fund at June 30, 2013.

S. Revenue - Exchange and Non-exchange Transactions

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

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

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

T. Operating Revenue and Expenses

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

U. Management Estimates

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

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

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC 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 a bank failure, the government's deposits may not be returned.

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

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

Deposits:

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

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

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

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

Investments:

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

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

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

(Continued)

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

Investments (Cont' d)

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

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

	Cash and Cash Equivalents	Capital Reserve Account	Total
Checking and Savings Accounts	\$ 732,777	\$ 6,938	\$ 739,715

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 and investments at June 30, 2013, was a \$739,715 and the bank balance was \$761,447.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

Balance June 30, 2012	\$	4,712
Interest Earnings		2
Transfer from Capital Projects Fund - Completed Projects		2,224
		2,224
Balance June 30, 2013	\$	6,938

The balance in the capital reserve at June 30, 2013 did not exceed the balance of the local support costs of uncompleted capital projects in the District's approved LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2013, the District transferred \$35,559 to the capital outlay accounts for equipment which did not require the County Superintendent's approval.

NOTE 6. 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)	\$ 892			\$ 892
Construction in Progress	3,208,217	\$ 60,378		3,268,595
Total Capital Assets Not Being Depreciated	3,209,109	60,378		3,269,487
Capital Assets Being Depreciated:				
Buildings and Building Improvements	2,186,369			2,186,369
Machinery and Equipment	351,520			351,520
Total Capital Assets Being Depreciated	2,537,889			2,537,889
Governmental Activities Capital Assets	5,746,998	60,378		5,807,376
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,002,251)	(30,531)		(1,032,782)
Machinery and Equipment	(312,820)	(9,028)		(321,848)
	(1,315,071)	(39,559)		(1,354,630)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 4,431,927	\$ 20,819	\$ -0-	\$ 4,452,746
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 59,250			\$ 59,250
Less Accumulated Depreciation	(28,166)	(3,807)		(31,973)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 31,084	\$ (3,807)	\$ -0-	\$ 27,277

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

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	4,042
General and School Administrative Services		2,852
Operations and Maintenance of Plant		726
General/Unallocated		31,939
		<u>31,939</u>
	\$	<u>39,559</u>

NOTE 7. LONG-TERM LIABILITIES

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

	Balance 6/30/2012	Accrued	Retired	Balance 6/30/2013
Serial Bonds Payable	\$ 1,962,000		\$ 70,000	\$ 1,892,000
Capital Leases Payable	78,274		24,952	53,322
Compensated Absences Payable	69,160	\$ 36,321		105,481
	<u>\$ 2,109,434</u>	<u>\$ 36,321</u>	<u>\$ 94,952</u>	<u>\$ 2,050,803</u>

A. Bonds and Loans Payable:

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

The District had bonds outstanding as of June 30, 2013 as follows:

Maturity Date	Interest Rate	Amount
5/15/2031	2.25% - 4.50%	<u>\$ 1,892,000</u>

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

Year	Bonds		Total
	Principal	Interest	
2014	\$ 70,000	\$ 73,552	\$ 143,552
2015	75,000	71,978	146,978
2016	80,000	70,290	150,290
2017	85,000	68,390	153,390
2018	85,000	66,052	151,052
2019-2023	505,000	285,508	790,508
2024-2028	605,000	169,882	774,882
2029-2031	387,000	17,348	404,348
	<u>\$ 1,892,000</u>	<u>\$ 823,000</u>	<u>\$ 2,715,000</u>

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

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

B. Bonds Authorized But Not Issued:

The District had \$162 of bonds authorized but not issued as of June 30, 2013.

C. Capital Leases Payable:

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

<u>Year</u>	<u>Amount</u>
2014	\$ 28,474
2015	28,474
	<u>56,948</u>
Less: Amount representing interest	<u>(3,626)</u>
Present value of net minimum lease payments	<u>\$ 53,322</u>

As of June 30, 2013, the current portion of capital leases payable is \$26,074 and the long-term portion is \$27,248.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. There is no current portion of the compensated absences balance of the governmental funds in the current year; therefore, the entire \$105,481 represents the long-term liability balance of compensated absences and will be liquidated through the General Fund.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2013, no liability existed for compensated absences in the Enterprise Funds.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

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

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

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

NOTE 8. PENSION PLANS (Cont'd)

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey 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 in the PERS and TPAF. 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 \$21,313, \$29,020, and \$33,815 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 \$140,397, \$70,838, and \$0-, respectively, to the TPAF for pension benefits on-behalf of the District.

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through 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 prefunding 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 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$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 Benefit Contributions for TPAF for the District amount to \$158,753, \$142,404 and \$146,906, for 2013, 2012, and 2011, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health and dental coverage through the New Jersey State Health Benefits Plan.

Property and Liability Insurance

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

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

(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

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

As a member of the NJSBAIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSBAIG was to be exhausted, members would become responsible for their respective shares of the NJSBAIG's liabilities. The NJSBAIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No. 10 of the 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.

Selected summarized financial information for NJSBAIG as of June 30, 2013 is as follows:

	New Jersey School Boards Association Insurance Group
Total Assets	\$ 267,924,509
Net Position	\$ 64,143,384
Total Revenue	\$ 85,639,095
Total Expenses	\$ 84,297,968
Change in Net Position	\$ 1,341,127
Member Dividends	\$ -0-

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

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

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

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 100,289	\$ 1,952
Special Revenue Fund		78,895
Capital Projects Fund		21,394
Proprietary Funds	1,952	
	<u>\$ 102,241</u>	<u>\$ 102,241</u>

The interfunds between the General Fund and the Special Revenue and Capital Projects Funds represent cash advanced for cash flow purposes awaiting the receipt of federal and state grant awards. The interfund between the General Fund and the Proprietary Fund represents federal and state food subsidies and insurance reimbursements collected in the General Fund but not turned over to the Proprietary Fund as of June 30, 2013.

NOTE 12. DEFERRED COMPENSATION

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

AXA Equitable	Lincoln Investments
Aflac	Prudential
MetLife Investors	

NOTE 13. TAX CALENDAR

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

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

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

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. COMMITMENTS AND CONTINGENCIES

Grant Programs

The school district participates in state and federally assisted grant program. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to 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 claims and lawsuits arising from operations. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2013, there were encumbrances in the General Fund in the amount of \$29,310 which constituted total encumbrances in the Governmental Funds.

BUDGETARY COMPARISON SCHEDULES

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL 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>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,718,432		\$ 2,718,432	\$ 2,718,432	
Tuition	20,000		20,000	19,938	\$ (62)
Interest on Capital Reserve	20		20	2	(18)
Miscellaneous	60,000		60,000	42,241	(17,759)
Total - Local Sources	2,798,452		2,798,452	2,780,613	(17,839)
State Sources:					
Equalization Aid	882,759		882,759	882,759	
Special Education Categorical Aid	165,811		165,811	165,811	
Extraordinary Aid	90,000		90,000		(90,000)
Security Aid	9,338		9,338	9,338	
NonPublic Transportation Aid	1,258		1,258	1,258	
Nonbudgeted:					
On-Behalf TPAF Pension Contributions				140,397	140,397
On-Behalf Post Retirement Benefit Contributions				158,753	158,753
Reimbursed TPAF FICA Contributions				171,828	171,828
Total State Sources	1,149,166		1,149,166	1,530,144	380,978
TOTAL REVENUES	3,947,618		3,947,618	4,310,757	363,139

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 138,829	\$ 580	\$ 139,409	\$ 139,409	
Grades 1-5 - Salaries of Teachers	832,231	26,499	858,730	858,730	
Grades 6-8 - Salaries of Teachers	514,642	4,793	519,435	518,954	\$ 481
Regular Programs - Home Instruction:					
Salaries of Teachers	2,500	3,641	6,141	6,141	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	80,823	14,637	95,460	95,460	
Purchased Professional - Educational Services	250	(230)	20	20	
Other Purchased Services (400-500 series)	3,130	(697)	2,433	2,433	
General Supplies	75,329	(30,449)	44,880	43,174	1,706
Textbooks	12,000	(11,957)	43	43	
Other Objects	100	1,065	1,165	1,165	
Total Regular Programs - Instruction	<u>1,659,834</u>	<u>7,882</u>	<u>1,667,716</u>	<u>1,665,529</u>	<u>2,187</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	220,659	13,246	233,905	233,904	1
General Supplies	1,000	(659)	341	341	
Total Learning and/or Language Disabilities	<u>221,659</u>	<u>12,587</u>	<u>234,246</u>	<u>234,245</u>	<u>1</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 220,659	\$ 24,446	\$ 245,105	\$ 245,105	
General Supplies	1,000	(627)	373	373	
Total Resource Room/Resource Center	221,659	23,819	245,478	245,478	
Preschool Disabilities - Full-Time:					
Salaries of Teachers	20,000	(20,000)			
General Supplies	250	(250)			
Total Preschool Disabilities - Full-Time	20,250	(20,250)			
Home Instruction:					
Salaries of Teachers	2,500	(1,065)	1,435	1,435	
Total Home Instruction	2,500	(1,065)	1,435	1,435	
Total Special Education Instruction	466,068	15,091	481,159	481,158	\$ 1
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	25,000	30,126	55,126	54,906	220
General Supplies	250	(133)	117	117	
Total Basic Skills/Remedial - Instruction	25,250	29,993	55,243	55,023	220

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 18,940	\$ (10,583)	\$ 8,357	\$ 8,357	
General Supplies	250	(250)			
Total Bilingual Education - Instruction	19,190	(10,833)	8,357	8,357	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	20,000	(92)	19,908	16,440	\$ 3,468
Purchased Services (300-500 series)	5,250	(4,990)	260	260	
Supplies and Materials	200	(200)			
Total School-Sponsored Cocurricular Activities - Instruction	25,450	(5,282)	20,168	16,700	3,468
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	4,500	3,000	7,500	2,826	4,674
Purchased Services (300-500 series)	2,100	(1,220)	880	880	
Supplies and Materials	1,200	(1,200)			
Other Objects	500	(500)			
Total School-Sponsored Cocurricular Athletics - Instruction	8,300	80	8,380	3,706	4,674
Community Services Program:					
Supplies and Materials	150	(15)	135		135
Total Community Services Program	150	(15)	135		135
Total Instruction	2,204,242	36,916	2,241,158	2,230,473	10,685

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special		\$ 1,795	\$ 1,795	\$ 1,795	
Tuition to Private Schools for the Disabled - Within the State	\$ 5,000	(249)	4,751	4,751	
Total Undistributed Expenditures - Instruction:	<u>5,000</u>	<u>1,546</u>	<u>6,546</u>	<u>6,546</u>	
Health Services:					
Salaries	64,680	1,243	65,923	65,923	
Purchased Professional and Technical Services	2,500	(2,271)	229	229	
Supplies and Materials	2,000	131	2,131	2,131	
Other Objects	500	(353)	147	147	
Total Health Services	<u>69,680</u>	<u>(1,250)</u>	<u>68,430</u>	<u>68,430</u>	
Speech, OT, PT and Related Services:					
Salaries	43,581	18,653	62,234	62,128	\$ 106
Purchased Professional - Educational Services	5,500	(5,043)	457	457	
Supplies and Materials	750	370	1,120	784	336
Total Speech, OT, PT and Related Services	<u>49,831</u>	<u>13,980</u>	<u>63,811</u>	<u>63,369</u>	<u>442</u>
Other Support Services - Students - Extraordinary					
Purchased Professional - Educational Services	84,347	(5,644)	78,703	76,188	2,515
Total Other Support Services - Students - Extraordinary	<u>84,347</u>	<u>(5,644)</u>	<u>78,703</u>	<u>76,188</u>	<u>2,515</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Guidance:					
Salaries of Other Professional Staff	\$ 35,000	\$ (31,484)	\$ 3,516	\$ 673	\$ 2,843
Salaries of Secretarial and Clerical Assistants	16,313	21,178	37,491	37,491	
Other Purchased Services (400-500 series)	3,000	(3,000)			
Supplies and Materials	2,000	(1,307)	693	290	403
Total Guidance	56,313	(14,613)	41,700	38,454	3,246
Child Study Teams:					
Salaries		26,000	26,000	26,000	
Salaries of Other Professional Staff	83,632	(7,160)	76,472	76,472	
Salaries of Secretarial and Clerical Assistants	11,000	(480)	10,520	9,700	820
Purchased Professional - Educational Services	5,000	7,283	12,283	11,640	643
Miscellaneous Purchased Services (400-500 Series)	200	268	468	468	
Supplies and Materials	1,500	5,614	7,114	5,017	2,097
Total Child Study Teams	101,332	31,525	132,857	129,297	3,560
Educational Media Services/School Library:					
Purchased Professional and Technical Services	2,000	(2,000)			
Supplies and Materials	1,000	(1,000)			
Total Educational Media Services/School Library	3,000	(3,000)			

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$ 1,000	\$ 834	\$ 1,834	\$ 940	\$ 894
Purchased Professional and Technical Services	250	650	900		900
Total Instructional Staff Training Services	1,250	1,484	2,734	940	1,794
General Administration:					
Salaries	87,700	12,039	99,739	99,739	
Legal Services	19,000	(6,851)	12,149	12,149	
Audit Fees	13,000	5,600	18,600	18,600	
Other Purchased Professional Services		3,990	3,990	3,990	
Purchased Technical Services	3,950	(2,917)	1,033	1,000	33
Communications/Telephone	13,000	(4,648)	8,352	7,755	597
Board of Education Other Purchased Services	750	2,150	2,900	2,681	219
Miscellaneous Purchased Services (400-500 series)	5,000	(2,420)	2,580	2,580	
General Supplies	4,000	4,708	8,708	8,619	89
Miscellaneous Expenditures	2,650	(1,620)	1,030	1,030	
Board of Education Membership Dues and Fees	3,500	1,569	5,069	5,069	
Total General Administration	152,550	11,600	164,150	163,212	938
School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	60,000	27,875	87,875	87,875	
Salaries of Secretarial and Clerical Assistants	38,069	(18,818)	19,251	19,251	
Supplies and Materials	4,000	(2,928)	1,072	925	147
Other Objects	2,000	(406)	1,594	1,594	
Total School Administration	104,069	5,723	109,792	109,645	147

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 71,827	\$ (2,928)	\$ 68,899	\$ 68,898	\$ 1
Purchased Professional Services	200	31,056	31,256	31,256	
Other Purchased Services (400-500 series)	100	12,488	12,588	12,588	
Sale/Lease Back Payments	24,952	(24,951)	1		1
Supplies and Materials	2,000	(204)	1,796	1,796	
Interest on Lease Purchase Agreements	3,523	(1)	3,522	3,522	
Miscellaneous Expenditures	325	75	400	400	
Total Central Services	102,927	15,535	118,462	118,460	2
Administrative Information Technology:					
Purchased Professional Services	6,500	6,201	12,701	12,623	78
Supplies and Materials	500	2,578	3,078	3,074	4
Total Administrative Information Technology	7,000	8,779	15,779	15,697	82
Required Maintenance of School Facilities:					
Salaries	15,000	22,476	37,476	37,476	
Cleaning, Repair and Maintenance Services	27,900	(11,621)	16,279	16,279	
General Supplies	6,000	(513)	5,487	5,487	
Total Required Maintenance of School Facilities	48,900	10,342	59,242	59,242	

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 109,046	\$ (4,860)	\$ 104,186	\$ 104,186	
Cleaning, Repair and Maintenance Services	16,700	(5,239)	11,461	10,891	\$ 570
Insurance	30,000	(9,891)	20,109	20,109	
General Supplies	21,000	(12,054)	8,946	8,687	259
Energy (Natural Gas)	55,000	(11,510)	43,490	42,307	1,183
Energy (Electricity)	60,000	(23,739)	36,261	36,139	122
Other Objects	500	(189)	311	311	
Total Custodial Services	292,246	(67,482)	224,764	222,630	2,134
Student Transportation Services:					
Contracted Services:					
Other than Between Home and School - Vendors	9,500	623	10,123	10,122	1
Special Education Students - ESCs & CTSAs	30,000	13,057	43,057	42,330	727
Aid in Lieu Payments - Charter School	6,500	1,014	7,514	7,514	
Total Student Transportation Services	46,000	14,694	60,694	59,966	728
Allocated Benefits - Employee Benefits:					
Regular Programs:					
Social Security Contributions	12,750	(5,579)	7,171	7,171	
Other Retirement Contributions - PERS	10,000	(10,000)			
Health Benefits	370,601	(326,305)	44,296	44,296	
Total Allocated Benefits - Regular Programs	393,351	(341,884)	51,467	51,467	

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CURRENT EXPENSE					
Allocated Benefits - Employee Benefits: (Cont'd)					
Special Programs:					
Health Benefits	\$ 131,389	\$ (117,940)	\$ 13,449	\$ 13,449	
Total Allocated Benefits - Special Programs	<u>131,389</u>	<u>(117,940)</u>	<u>13,449</u>	<u>13,449</u>	
Other Instructional Programs - Instruction					
Social Security Contributions	2,500	(2,309)	191	191	
Total Allocated Benefits - Other Instructional Programs	<u>2,500</u>	<u>(2,309)</u>	<u>191</u>	<u>191</u>	
Health Services:					
Health Benefits	29,549	(25,972)	3,577	3,577	
Total Allocated Benefits - Health Services	<u>29,549</u>	<u>(25,972)</u>	<u>3,577</u>	<u>3,577</u>	
Speech, OT, PT, & Related Services					
Other Employee Benefits	2,500	(2,500)			
Total Allocated Benefits - Speech, OT, PT, & Related Services	<u>2,500</u>	<u>(2,500)</u>			
Guidance:					
Social Security Contributions	1,400	(987)	413	413	
Health Benefits	16,535	(16,081)	454	454	
Total Allocated Benefits - Guidance	<u>17,935</u>	<u>(17,068)</u>	<u>867</u>	<u>867</u>	

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CURRENT EXPENSE					
Allocated Benefits - Employee Benefits: (Cont'd)					
Child Study Team:					
Health Benefits	\$ 27,577	\$ (24,198)	\$ 3,379	\$ 3,379	
Total Allocated Benefits - Child Study Team	<u>27,577</u>	<u>(24,198)</u>	<u>3,379</u>	<u>3,379</u>	
General Administration					
Social Security Contributions	2,500	(2,499)	1		\$ 1
Other Retirement Contributions - PERS	7,154	(7,154)			
Health Benefits	<u>21,001</u>	<u>(19,999)</u>	<u>1,002</u>	<u>1,002</u>	
Total Allocated Benefits - General Administration	<u>30,655</u>	<u>(29,652)</u>	<u>1,003</u>	<u>1,002</u>	<u>1</u>
School Administration					
Social Security Contributions	3,200	(3,199)	1		1
Other Retirement Contributions - PERS	5,235	(5,235)			
Health Benefits	<u>22,000</u>	<u>(22,000)</u>			
Total Allocated Benefits - School Administration	<u>30,435</u>	<u>(30,434)</u>	<u>1</u>		<u>1</u>
Central Services:					
Social Security Contributions	1,530	(1,529)	1		1
Other Retirement Contributions - PERS	1,000	(1,000)			
Health Benefits	<u>3,577</u>		<u>3,577</u>	\$ 3,577	
Total Allocated Benefits - Central Services	<u>6,107</u>	<u>(2,529)</u>	<u>3,578</u>	<u>3,577</u>	<u>1</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Allocated Benefits - Employee Benefits: (Cont'd)					
Administrative Information Technology:					
Social Security Contributions	\$ 10,500	\$ (7,013)	\$ 3,487		\$ 3,487
Other Retirement Contributions - PERS	10,000	(10,000)			
Health Benefits	54,330	(48,000)	6,330	\$ 6,330	
Total Allocated Benefits - Admin. Information Technology	74,830	(65,013)	9,817	6,330	3,487
Total Allocated Benefits	746,828	(659,499)	87,329	83,839	3,490
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	5,000	37,458	42,458	42,458	
Other Employee Benefits - PERS		21,313	21,313	21,313	
Health Benefits		520,002	520,002	520,002	
Unemployment Compensation	8,000	2,867	10,867	10,867	
Workmen's Compensation	26,000	(2,962)	23,038	23,038	
Tuition Reimbursement	21,000	(14,602)	6,398	6,398	
Other Employee Benefits	500	(271)	229	229	
Total Unallocated Benefits - Employee Benefits	60,500	563,805	624,305	624,305	
Nonbudgeted:					
On-Behalf TPAF Pension Contributions				140,397	(140,397)
On-Behalf Post Retirement Benefit Contributions				158,753	(158,753)
Reimbursed TPAF FICA Contributions				171,828	(171,828)
Total On-Behalf Payments				470,978	(470,978)

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

EXPENDITURES:	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
CURRENT EXPENSE					
Total Personal Services - Employee Benefits	\$ 807,328	\$ (95,694)	\$ 711,634	1,179,122	(467,488)
Total Undistributed Expenditures	1,931,773	(72,475)	1,859,298	2,311,198	(451,900)
TOTAL GENERAL CURRENT EXPENSE	4,136,015	(35,559)	4,100,456	4,541,671	(441,215)
CAPITAL OUTLAY					
Equipment:					
General Administration	15,000	35,559	50,559	24,952	25,607
Total Equipment	15,000	35,559	50,559	24,952	25,607
TOTAL CAPITAL OUTLAY	15,000	35,559	50,559	24,952	25,607
TOTAL EXPENDITURES	4,151,015	(35,559)	4,115,456	4,566,623	(451,167)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(203,397)		(203,397)	(255,866)	(52,469)
Other Financing Sources:					
Transfers In - Capital Projects Fund				2,224	2,224
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(203,397)		(203,397)	(253,642)	(50,245)
Fund Balance, July 1	676,235		676,235	676,235	
Fund Balance, June 30	\$ 472,838	\$ -0-	\$ 472,838	\$ 422,593	\$ (50,245)

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Analysis of Balance:					
Restricted Fund Balance:					
Capital Reserve				\$ 6,938	
Excess Surplus - Designated for Subsequent Years				217,266	
Assigned Fund Balance:					
Year-End Encumbrances				29,310	
Designated for Subsequent Year's Expenditures				840	
Unassigned Fund Balance				168,239	
Fund Balance per Governmental Funds (Budgetary Basis)				422,593	
Reconciliation to Governmental Funds Statements (GAAP):					
Less: Last state aid payment not recognized on a GAAP basis				(103,677)	
Fund Balance per Governmental Funds (GAAP)				\$ 318,916	

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE 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>
REVENUES:					
State Sources	\$ 150,000	\$ (54,048)	\$ 95,952	\$ 64,599	\$ (31,353)
Federal Sources	113,000	97,500	210,500	173,404	(37,096)
Total Revenues	<u>\$ 263,000</u>	<u>\$ 43,452</u>	<u>\$ 306,452</u>	<u>\$ 238,003</u>	<u>\$ (68,449)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	\$ 30,000	\$ 12,084	\$ 42,084	\$ 42,084	
Other Salaries for Instruction	3,000	(1,687)	1,313	1,313	
Other Purchased Services	189,000	(25,766)	163,234	135,001	\$ 28,233
General Supplies		36,981	36,981	34,112	2,869
Textbooks	20,000	(11,546)	8,454	8,454	
Total Instruction	<u>242,000</u>	<u>10,066</u>	<u>252,066</u>	<u>220,964</u>	<u>31,102</u>
Support Services					
Purchased Professional - Educational Services		2,258	2,258	2,258	
Personal Services - Employee Benefits	5,000	14,049	19,049	8,417	10,632
Other Purchased Professional Services	6,000	20,381	26,381	2,786	23,595
General Supplies		70	70	70	
Total Support Services	<u>11,000</u>	<u>36,758</u>	<u>47,758</u>	<u>13,531</u>	<u>34,227</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	10,000	(3,372)	6,628	3,508	3,120
Total Facilities Acquisition and Construction Services	<u>10,000</u>	<u>(3,372)</u>	<u>6,628</u>	<u>3,508</u>	<u>3,120</u>
Total Expenditures	<u>\$ 263,000</u>	<u>\$ 43,452</u>	<u>\$ 306,452</u>	<u>\$ 238,003</u>	<u>\$ 68,449</u>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 4,310,757	\$ 238,003
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not.		(20,509)
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(103,677)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	<u>91,401</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 4,298,481</u>	<u>\$ 217,494</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 4,566,623	\$ 238,003
Differences - Budget to GAAP		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not.		<u>(20,509)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 4,566,623</u>	<u>\$ 217,494</u>

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

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service funds. The budgets are submitted to the County office and are 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)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

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

	<u>No Child Left Behind</u>		<u>IDEA Part B</u>	
	<u>Title I</u>	<u>Title II Part A</u>	<u>Basic</u>	<u>Preschool</u>
REVENUE:				
State Sources				
Federal Sources	\$ 50,501	\$ 5,044	\$ 112,345	\$ 5,514
Total Revenue	<u>50,501</u>	<u>5,044</u>	<u>112,345</u>	<u>5,514</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	42,084			
Other Salaries for Instruction				1,313
Other Purchased Services			78,856	
General Supplies			29,911	4,201
Textbooks				
Total Instruction	<u>42,084</u>		<u>108,767</u>	<u>5,514</u>
Support Services:				
Purchased Professional/Educational Services		2,258		
Personal Services - Employee Benefits	8,417			
Other Purchased Professional Services		2,786		
Purchased Professional/Technical Services			70	
Total Support Services	<u>8,417</u>	<u>5,044</u>	<u>70</u>	
Facilities Acquisition:				
Instructional Equipment			3,508	
Total Facilities Acquisition			<u>3,508</u>	
Total Expenditures	<u>\$ 50,501</u>	<u>\$ 5,044</u>	<u>\$ 112,345</u>	<u>\$ 5,514</u>

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

	<u>Nonpublic Nursing</u>	<u>Nonpublic Technology</u>	<u>Nonpublic Textbook</u>	<u>Chapter 192 Compensatory Education</u>
REVENUE:				
State Sources	\$ 11,734	\$ 3,120	\$ 8,454	\$ 10,869
Federal Sources				
Total Revenue	<u>11,734</u>	<u>3,120</u>	<u>8,454</u>	<u>10,869</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				
Other Salaries for Instruction				
Other Purchased Services	11,734	3,120		10,869
General Supplies				
Textbooks			8,454	
Total Instruction	<u>11,734</u>	<u>3,120</u>	<u>8,454</u>	<u>10,869</u>
Support Services:				
Purchased Professional/Educational Services				
Personal Services - Employee Benefits				
Other Purchased Professional Services				
Purchased Professional/Technical Services				
Total Support Services				
Facilities Construction:				
Construction				
Total Facilities Acquisition				
Total Expenditures	<u>\$ 11,734</u>	<u>\$ 3,120</u>	<u>\$ 8,454</u>	<u>\$ 10,869</u>

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

	Chapter 193			Total
	Examination/ Classification	Corrective Speech	Supplementary Instruction	
REVENUE:				
State Sources	\$ 9,875	\$ 12,499	\$ 8,048	\$ 64,599
Federal Sources				173,404
Total Revenue	<u>9,875</u>	<u>12,499</u>	<u>8,048</u>	<u>238,003</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				42,084
Other Salaries for Instruction				1,313
Other Purchased Services	9,875	12,499	8,048	135,001
General Supplies				34,112
Textbooks				8,454
Total Instruction	<u>9,875</u>	<u>12,499</u>	<u>8,048</u>	<u>220,964</u>
Support Services:				
Purchased Professional/Educational Services				2,258
Personal Services - Employee Benefits				8,417
Other Purchased Professional Services				2,786
Purchased Professional/Technical Services				70
Total Support Services				<u>13,531</u>
Facilities Acquisition:				
Instructional Equipment				3,508
Total Facilities Acquisition				<u>3,508</u>
Total Expenditures	<u>\$ 9,875</u>	<u>\$ 12,499</u>	<u>\$ 8,048</u>	<u>\$ 238,003</u>

CAPITAL PROJECTS FUND

Exhibit F-1

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

Revenues:	
State Sources - SDA Grant	\$ 2,224
Total Revenues	<u>2,224</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	16,567
Construction Services	43,811
Transfer to General Fund - Capital Reserve Account	<u>2,224</u>
Total Expenditures and Other Financing Uses	<u>62,602</u>
Excess/(Deficiency) of Revenues and Other Financing Sources	
Over/(Under) Expenditures and Other Financing (Uses)	(60,378)
Fund Balance - Beginning Balance	<u>716,060</u>
Fund Balance - Ending Balance	<u>\$ 655,682</u>
<u>Recapitulation:</u>	
Restricted Fund Balance	\$ 655,682
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	<u>(436,116)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 219,566</u>

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
BOILER REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenues and Other Financing Sources (Uses):				
SDA Grant	\$ 154,508	\$ 2,224	\$ 156,732	\$ 156,732
Lease Purchase Proceeds	140,928		140,928	140,928
Transfer from/(to) Capital Reserve	85,000	(2,224)	82,776	82,776
Total Revenues and Other Financing Sources (Uses)	380,436	- 0 -	380,436	380,436
Expenditures:				
Purchased Professional and Technical Services	58,350	\$ 4,411	62,761	60,000
Construction Services	315,104		315,104	320,436
Total Expenditures	373,454	4,411	377,865	380,436
Excess of Revenue and Other Financing Sources (Uses)				
Over/(Under) Expenditures	\$ 6,982	\$ (4,411)	\$ 2,571	\$ - 0 -

Additional Project Information:

Project Numbers	3520-060-09-1001
Grant Date	01/15/09
Original Authorized Cost	\$ 386,058
SDA Grant Cancelled	\$ (5,622)
Revised Authorized Cost	\$ 380,436
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	September 2009
Revised Target Completion Date	September 2013

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
RENOVATIONS TO THE NETCONG ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenues and Other Financing Sources:				
SDA Grant	\$ 1,516,840		\$ 1,516,840	\$ 1,516,840
Bond Proceeds	2,027,000		2,027,000	2,027,162
Total Revenues and Other Financing Sources	3,543,840		3,543,840	3,544,002
Expenditures:				
Purchased Professional and Technical Services	390,681	\$ 12,156	402,837	384,262
Construction Services	2,444,082	43,811	2,487,893	3,159,740
Total Expenditures	2,834,763	55,967	2,890,730	3,544,002
Excess of Revenue and Other Financing Sources Over/Under Expenditures	\$ 709,077	\$ (55,967)	\$ 653,110	\$ - 0 -

Additional Project Information:

Project Number:	3520-090-10-1001, 3520-060-10-1002, and 3520-060-10-1003
Grant Date:	07/23/10
Bond Authorization Date:	09/28/10
Bonds Authorized:	\$ 2,027,162
Bonds Issued:	\$ 2,027,000
Original Authorized Cost:	\$ 3,544,002
Revised Authorized Cost:	\$ 3,544,002
Percentage Increase over Original Authorized Cost:	N/A
Percentage Completion:	79.99%
Original Target Completion Date:	September 1, 2012
Revised Target Completion Date:	September 1, 2013

PROPRIETARY FUNDS

Exhibit G-1

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 11,667
Intergovernmental Receivable:	
Federal	4,034
State	69
Interfund Receivable	1,952
Inventory	<u>880</u>
Total Current Assets	<u>18,602</u>
Non-Current Assets:	
Capital Assets	
Depreciable Furniture and Equipment, Net	<u>27,277</u>
Total Non-Current Assets	<u>27,277</u>
Total Assets	<u>45,879</u>
LIABILITIES:	
Accounts Payable - Vendors	14,057
Unearned Revenue	<u>279</u>
Total Current Liabilities	<u>14,336</u>
Total Liabilities	<u>14,336</u>
NET POSITION:	
Net Investment in Capital Assets	27,277
Unrestricted	<u>4,266</u>
Total Net Position	<u>\$ 31,543</u>

Exhibit G-2

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

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 21,750
Daily Sales - Non-Reimbursable Programs	9,489
	<hr/>
Total Operating Revenue	31,239
	<hr/>
Operating Expenses:	
Cost of Sales	41,565
Supplies, Insurance & Other Costs	6,121
Salaries & Benefits	26,007
Payroll Taxes	3,670
Management Fee	7,197
Depreciation Expense	3,807
	<hr/>
Total Operating Expenses	88,367
	<hr/>
Operating Loss	(57,128)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	40,913
National School Breakfast Program	2,860
Food Distribution Program	6,462
State Sources	
State School Lunch Program	1,067
Interest and Investment Revenue	18
	<hr/>
Total Non-Operating Revenue	51,320
	<hr/>
Change in Net Position	(5,808)
	<hr/>
Net Position - Beginning of Year	37,351
	<hr/>
Net Position - End of Year	\$ 31,543
	<hr/> <hr/>

Exhibit G-3

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 31,382
Payments to Other Vendors	2,520
Payments to Food Service Vendor	(77,991)
Net Cash Used for Operating Activities	<u>(44,089)</u>
Cash Flows from Investing Activities:	
Interest on Investments	18
Net Cash Provided by Investing Activities	<u>18</u>
Cash Flows from Noncapital Financing Activities:	
Advanced from General Fund	12,598
Federal Subsidy Reimbursements	42,078
State Subsidy Reimbursements	1,062
Net Cash Provided by Noncapital Financing Activities	<u>55,738</u>
Net Increase in Cash and Cash Equivalents	11,667
Cash and Cash Equivalents, July 1	<u>- 0 -</u>
Cash and Cash Equivalents, June 30	<u>\$ 11,667</u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (57,128)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	3,807
Food Distribution Program	6,462
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	143
(Increase) in Inventory	(421)
Increase in Accounts Payable	2,815
Increase in Unearned Revenue	233
Net Cash (Used for) Operating Activities	<u>\$ (44,089)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$6,695 and utilized \$6,462 of commodities from the Federal Food Distribution Program for the year ended June 30, 2013.

FIDUCIARY FUNDS

Exhibit H-1

NETCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Agency</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 13,016	\$ 6,858	\$ 19,874
Total Assets	<u>13,016</u>	<u>6,858</u>	<u>19,874</u>
LIABILITIES:			
Payroll Deductions and Withholdings Due to Student Groups	<u>13,016</u>	<u>6,858</u>	<u>6,858</u> <u>13,016</u>
Total Liabilities	<u>\$ 13,016</u>	<u>\$ 6,858</u>	<u>\$ 19,874</u>

Exhibit H-2

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

NOT APPLICABLE

Exhibit H-3

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS:				
Cash and Cash Equivalents	\$ 14,903	\$ 44,462	\$ 46,349	\$ 13,016
Total Assets	<u>\$ 14,903</u>	<u>\$ 44,462</u>	<u>\$ 46,349</u>	<u>\$ 13,016</u>
LIABILITIES:				
Due to Student Groups	\$ 14,903	\$ 44,462	\$ 46,349	\$ 13,016
Total Liabilities	<u>\$ 14,903</u>	<u>\$ 44,462</u>	<u>\$ 46,349</u>	<u>\$ 13,016</u>

Exhibit H-4

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Netcong Elementary School	<u>\$ 14,903</u>	<u>\$ 44,462</u>	<u>\$ 46,349</u>	<u>\$ 13,016</u>
Total All Schools	<u><u>\$ 14,903</u></u>	<u><u>\$ 44,462</u></u>	<u><u>\$ 46,349</u></u>	<u><u>\$ 13,016</u></u>

Exhibit H-5

NETCONG 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>
ASSETS:				
Cash and Cash Equivalents	\$ 16,605	\$ 3,220,256	\$ 3,230,003	\$ 6,858
Total Assets	<u>\$ 16,605</u>	<u>\$ 3,220,256</u>	<u>\$ 3,230,003</u>	<u>\$ 6,858</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 16,605	\$ 3,220,256	\$ 3,230,003	\$ 6,858
Total Liabilities	<u>\$ 16,605</u>	<u>\$ 3,220,256</u>	<u>\$ 3,230,003</u>	<u>\$ 6,858</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2013		Interest Rate	Balance June 30, 2012	Matured	Balance June 30, 2013
			Date	Amount				
School Bonds	05/12/11	\$ 2,027,000	5/15/2014	\$ 70,000	2.250%			
			5/15/2015	75,000	2.250%			
			5/15/2016	80,000	2.375%			
			5/15/2017	85,000	2.750%			
			5/15/2018	85,000	3.000%			
			5/15/2019	95,000	3.125%			
			5/15/2020	95,000	3.125%			
			5/15/2021	100,000	3.250%			
			5/15/2022	105,000	4.500%			
			5/15/2023	110,000	4.500%			
			5/15/2024	115,000	4.500%			
			5/15/2025	120,000	4.500%			
			5/15/2026	120,000	4.500%			
			5/15/2027	125,000	4.500%			
			5/15/2028	125,000	4.500%			
			5/15/2029	130,000	4.500%			
			5/15/2030	130,000	4.500%			
5/15/2031	127,000	4.500%						
						\$ 1,962,000	\$ 70,000	\$ 1,892,000
						\$ 1,962,000	\$ 70,000	\$ 1,892,000

Exhibit I-2

NETCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2012</u>	<u>Matured</u>	<u>Balance June 30, 2013</u>
Boiler Replacement	4.50%	\$ 125,000	<u>\$ 78,274</u>	<u>\$ 24,952</u>	<u>\$ 53,322</u>
			<u>\$ 78,274</u>	<u>\$ 24,952</u>	<u>\$ 53,322</u>

NETCONG 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>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 145,128		\$ 145,128	\$ 145,128	
Total Revenues	<u>145,128</u>		<u>145,128</u>	<u>145,128</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	75,128		75,128	75,128	
Redemption of Principal	70,000		70,000	70,000	
Total Regular Debt Service	<u>145,128</u>		<u>145,128</u>	<u>145,128</u>	
Total Expenditures	<u>145,128</u>		<u>145,128</u>	<u>145,128</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	- 0 -	\$ - 0 -	- 0 -	- 0 -	\$ - 0 -
Fund Balance, July 1	<u>- 0 -</u>	<u>- 0 -</u>	<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

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, 2004.

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
Net Investment in Capital										
Assets										
Restricted	\$ 675,675	\$ 1,339,732	\$ 1,314,824	\$ 1,443,594	\$ 1,386,165	\$ 1,369,758	\$ 1,565,309	\$ (1,347)	\$ 2,391,653	\$ 2,507,424
Unrestricted/(Deficit)	1,111,221	319,874	261,869	95,988	44,578	510,150	12,626	1,814,214	348,805	441,199
	(2,408)	(16,109)	(27,395)	72,796	106,647	(90,507)	36,649	97,739	(643,303)	(17,392)
Total Governmental Activities	\$ 1,784,488	\$ 1,643,497	\$ 1,549,298	\$ 1,612,378	\$ 1,537,390	\$ 1,789,401	\$ 1,614,584	\$ 1,910,606	\$ 2,097,155	\$ 2,931,231
Business-type Activities:										
Net Investment in Capital										
Assets										
Unrestricted	\$ 1,335	\$ 2,154	\$ 1,924	\$ 1,694	\$ 1,464	\$ 2,909	\$ 2,539	\$ 5,119	\$ 31,084	\$ 27,277
	8,668	8,350	12,651	10,564	11,737	16,484	8,091	8,757	6,266	4,266
Total Business-Type Activities	\$ 10,003	\$ 10,504	\$ 14,575	\$ 12,258	\$ 13,201	\$ 19,393	\$ 10,630	\$ 13,876	\$ 37,350	\$ 31,543
District-Wide:										
Net Investment in Capital Assets,										
Net of Related Debt	\$ 677,010	\$ 1,341,886	\$ 1,316,748	\$ 1,445,288	\$ 1,387,629	\$ 1,372,667	\$ 1,567,848	\$ 3,772	\$ 2,422,737	\$ 2,534,701
Restricted	1,111,221	319,874	261,869	95,988	44,578	510,150	12,626	1,814,214	348,805	441,199
Unrestricted/(Deficit)	6,260	(7,759)	(14,744)	83,360	118,384	(74,023)	44,740	106,496	(637,037)	(13,126)
Total District-Wide Net Position	\$ 1,794,491	\$ 1,654,001	\$ 1,563,873	\$ 1,624,636	\$ 1,550,591	\$ 1,808,794	\$ 1,625,214	\$ 1,924,482	\$ 2,134,505	\$ 2,962,774

Source: Netcong Borough School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 1,905,904	\$ 1,812,305	\$ 2,198,141	\$ 2,211,072	\$ 2,216,848	\$ 2,152,490	\$ 2,180,516	\$ 2,108,316	\$ 2,365,805	\$ 2,564,121
Special Education	497,830	620,449	516,867	685,686	761,135	740,473	723,124	833,346	685,609	791,797
Other Instruction	117,402	166,679	109,824	111,639	123,526	127,915	142,052	51,099	36,689	90,223
School Sponsored Instruction									35,263	28,581
Support Services:										
Tuition		7,673	5,488	2,526	4,508	71,737	11,576	61,629	42,550	6,546
Student/Instruction-Related Services	483,429	466,024	412,849	454,973	449,480	454,521	499,572	430,902	372,350	445,388
General Administrative Services	359,425	316,291	349,931	331,466	287,639	286,479	302,516	285,703	135,467	185,961
School Administrative Services	160,698	129,549	99,501	109,290	106,015	122,394	122,261	129,509	151,594	157,953
Central Services									117,723	118,437
Admin. Information Technology									8,012	15,697
Plant Operations and Maintenance	302,848	281,599	361,122	359,914	379,865	393,255	409,875	275,380	287,218	313,484
Pupil Transportation	32,778	56,891	43,678	36,517	28,745	55,873	54,437	55,140	29,545	59,966
Unallocated Depreciation									32,558	31,939
Capital Outlay									10,063	24,952
Interest on Long-Term Debt								8,989	74,652	74,931
Total Governmental Activities	3,860,314	3,857,460	4,107,701	4,311,089	4,357,761	4,405,137	4,445,929	4,240,013	4,385,098	4,909,976
Business-Type Activities:										
Food Service	18,486	34,954	72,901	77,636	78,920	76,316	79,596	78,818	83,889	88,367
After Care Program						22,228	8,313			
Total Business-Type Activities	18,486	34,954	72,901	77,636	78,920	98,544	87,909	78,818	83,889	88,367
Total District-wide Expenses	3,878,800	3,892,414	4,180,602	4,388,725	4,436,681	4,503,681	4,533,838	4,318,831	4,468,987	4,998,343
Program Revenues:										
Governmental Activities:										
Operating Grants and Contributions	755,962	766,733	810,592	989,940	998,343	630,004	941,538	935,539	1,614,389	862,230
Total Governmental Activities	755,962	766,733	810,592	989,940	998,343	630,004	941,538	935,539	1,614,389	862,230

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues:										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 8,130	\$ 22,541	\$ 54,012	\$ 47,932	\$ 49,069	\$ 45,524	\$ 37,898	\$ 40,902	\$ 34,263	\$ 31,239
Child Care						28,331	5,289			
Operating Grants and Contributions	10,987	12,720	22,640	26,761	30,484	30,449	39,271	41,136	46,227	51,302
Total Business-Type Activities	19,117	35,261	76,652	74,693	79,553	104,304	82,458	82,038	80,490	82,541
Total District-wide Program Revenues	775,079	801,994	887,244	1,064,633	1,077,896	734,308	1,023,996	1,017,577	1,694,879	944,771
Net (Expense)/Revenue:										
Governmental Activities	(3,104,352)	(3,090,727)	(3,297,109)	(3,321,149)	(3,359,418)	(3,775,133)	(3,504,391)	(3,304,474)	(2,770,709)	(4,047,746)
Business-Type Activities	631	307	3,751	(2,943)	633	5,760	(5,451)	3,220	(3,399)	(5,826)
Total District-Wide Net (Expense)/Revenue	(3,103,721)	(3,090,420)	(3,293,358)	(3,324,092)	(3,358,785)	(3,769,373)	(3,509,842)	(3,301,254)	(2,774,108)	(4,053,572)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	2,367,298	2,338,068	2,555,346	2,713,134	2,635,485	2,635,485	2,635,485	2,718,432	2,718,432	2,718,432
Taxes Levied for Debt Service									139,250	145,128
Federal and State Aid not Restricted	605,061	587,657	613,852	598,693	621,578	1,153,676	932,374	760,595	96,099	1,956,081
N.J. E.D.A. Grants	407,844			(11,958)						
Tuition Charges						4,150	6,000	20,154		
Investment Earnings	11,495	9,944	22,716	22,955	12,833	4,816	2,742	1,804	2	2
Miscellaneous Income	76,771	14,066	10,995	14,063	14,589	229,018	3,204	99,510	68,372	62,179
Prior Year Adj. - Reallocate Expenditures							(40,229)			
Transfers	(1,000)			47,345			(210,000)			
Total Governmental Activities	3,467,469	2,949,735	3,202,909	3,384,232	3,284,485	4,027,145	3,329,576	3,600,495	3,022,155	4,881,822

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position:										
Business-Type Activities										
Investment Earnings	\$ 5	\$ 193	\$ 320	\$ 626	\$ 310	\$ 150	\$ 80	\$ 32	\$ 50	\$ 18
Miscellaneous Income	1,000						(3,393)	(4)		
Total Business-type Activities	1,005	193	320	626	310	150	(3,313)	28	50	18
Total District-wide General Revenues and Other Changes in Net Position	\$ 3,468,474	2,949,928	3,203,229	3,384,858	3,284,795	4,027,295	\$ 3,326,263	\$ 3,600,523	\$ 3,022,205	\$ 4,881,840
Change in Net Position:										
Governmental Activities	363,117	(140,992)	(94,200)	63,083	(74,933)	252,012	(174,815)	296,021	251,446	834,076
Business-Type Activities	1,636	500	4,071	(2,317)	943	5,910	(8,764)	3,248	(3,349)	(5,808)
Total District-Wide Change in Net Position	\$ 364,753	\$ (140,492)	\$ (90,129)	\$ 60,766	\$ (73,990)	\$ 257,922	\$ (183,579)	\$ 299,269	\$ 248,097	\$ 828,268

Source: Netcong Borough School District Financial Reports.

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund:										
Reserved	\$ 479,696	\$ 372,888	\$ 197,262	\$ 95,988	\$ 46,466	\$ 147,554				
Unreserved (Deficit)	92,216	71,747	68,463	158,206	192,283	(4,381)	\$ 132,584	\$ 203,905		
Restricted							4,693	226,557	\$ 348,805	\$ 224,204
Assigned									76,590	30,150
Unassigned									162,374	64,562
Total General Fund	\$ 571,912	\$ 444,635	\$ 265,725	\$ 254,194	\$ 238,749	\$ 143,173	\$ 137,277	\$ 430,462	\$ 587,769	\$ 318,916
All Other Governmental Funds:										
Reserved		\$ 10,950	\$ 1,555							
Unreserved (Deficit):										
Special Revenue Fund	\$ (280)	(280)	(366)		\$ (1,888)					
Capital Projects Fund	631,805	(63,683)	63,419			\$ 362,596	\$ 7,932			
Restricted								\$ 1,587,657		\$ 216,995
Committed										2,571
Unassigned (Deficit)									\$ (800,781)	
Total All Other Governmental Funds	\$ 631,525	\$ (53,013)	\$ 64,608	\$ - 0 -	\$ (1,888)	\$ 362,596	\$ 7,932	\$ 1,587,657	\$ (800,781)	\$ 219,566
Total All Governmental Funds:										
Reserved	\$ 479,696	\$ 383,838	\$ 198,817	\$ 95,988	\$ 46,466	\$ 147,554				
Unreserved	723,741	7,784	131,516	158,206	190,395	358,215	\$ 140,516	\$ 203,905		
Restricted								1,814,214	\$ 348,805	\$ 441,199
Committed										2,571
Assigned									76,590	30,150
Unassigned									(638,407)	64,562
Total All Governmental Funds	\$ 1,203,437	\$ 391,622	\$ 330,333	\$ 254,194	\$ 236,861	\$ 505,769	\$ 140,516	\$ 2,018,119	\$ (213,012)	\$ 538,482

Source: Netcong Borough School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Tax Levy	\$ 2,367,298	\$ 2,338,068	\$ 2,555,346	\$ 2,713,134	\$ 2,635,485	\$ 2,635,485	\$ 2,635,485	\$ 2,718,432	\$ 2,857,682	\$ 2,863,560
Tuition Charges						4,150	6,000	20,154	17,750	19,938
Interest Earnings	11,495	9,944	22,716	22,955	12,833	4,816	2,742	1,804	2	2
Miscellaneous	76,771	14,066	10,995	17,537	14,589	229,018	3,204	99,510	50,622	42,241
State Sources	1,258,476	1,246,795	1,304,068	1,460,073	1,493,281	1,597,203	1,518,906	1,425,653	1,513,503	2,665,195
Federal Sources	102,548	107,595	120,376	125,087	126,639	186,477	355,007	270,481	196,985	153,116
Total Revenues	3,816,588	3,716,468	4,013,501	4,338,786	4,282,827	4,657,149	4,521,344	4,536,034	4,636,544	5,744,052
Expenditures:										
Instruction:										
Regular Instruction	1,486,895	1,364,691	1,650,770	1,561,043	1,546,032	1,598,493	1,632,884	1,570,834	1,755,785	1,785,452
Special Education Instruction	403,061	521,849	400,990	547,171	617,150	619,800	586,264	677,183	528,134	578,729
Other Instruction	90,845	125,184	82,421	89,206	105,292	115,125	122,984	46,046	29,531	63,380
School Sponsored Instruction									30,552	20,406
Support Services:										
Tuition		7,673	5,488	2,526	4,508	71,737	11,576	61,629	42,550	6,546
Student & Instruction-Related	399,734	394,841	340,573	362,911	330,117	350,086	393,294	340,212	333,489	376,678
General Administration	312,315	254,509	273,107	267,292	230,966	233,386	234,904	218,663	120,142	163,212
School Administration	135,420	97,618	71,732	73,946	83,579	83,245	90,032	86,971	104,294	109,645
Central Services									121,973	118,460
Administrative Information Technology									8,012	15,697
Plant Operations and Maintenance	274,017	260,993	318,284	311,194	321,779	330,814	355,928	236,224	278,434	281,872
Pupil Transportation	32,778	56,891	43,678	36,517	28,745	55,873	54,437	55,140	29,545	59,966
Allocated Benefits									496,991	83,839
Unallocated Benefits	648,854	723,710	799,026	958,400	1,022,591	890,285	910,674	916,584	432,668	1,095,283

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenditures:										
Special Schools			\$ 10,300	\$ 8,006						
Capital Outlay	\$ 258,134	\$ 720,326	78,421	232,100	\$ 9,400	\$ 39,399	\$ 363,696	\$ 480,639	\$ 2,419,260	\$ 85,330
Debt Service:										
Principal									65,000	70,000
Interest and Other Charges									74,250	75,128
Total Expenditures	4,042,053	4,528,285	4,074,790	4,450,312	4,300,159	4,388,243	4,756,673	4,690,125	6,870,610	4,989,623
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(225,465)	(811,817)	(61,289)	(111,526)	(17,332)	268,906	(235,329)	(154,091)	(2,234,066)	754,429
Other Financing Sources (Uses)										
Bond Proceeds								2,027,000		
NJEDA Grants	407,884			(11,958)						
P/Y Adjustment - Expenditures							(40,229)			
Transfers In	372,770	18,260	150,000	87,565			3			
Transfers Out	(373,770)	(18,260)	(150,000)	(40,221)			(85,003)			
Total Other Financing Sources (Uses)	406,884			35,386			(125,229)	2,027,000		
Net Change in Fund Balances	\$ 181,419	\$ (811,817)	\$ (61,289)	\$ (76,140)	\$ (17,332)	\$ 268,906	\$ (360,558)	\$ 1,872,909	\$(2,234,066)	\$ 754,429
Debt Service as a Percentage of										
Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	3.0%

Source: Netcong Borough School District Financial Reports.

Exhibit J-5

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2004		\$ 11,495	\$ 43,144	\$ 33,626	\$ 88,265
2005		9,944	10,740	3,326	24,010
2006		22,716		10,995	33,711
2007		22,955		14,063	37,018
2008	\$ 4,500	12,833		8,539	25,872
2009	4,150	4,634	3,090		11,874
2010	6,000	2,742		3,204	11,946
2011	20,154	1,804		91,166 *	113,124
2012	17,750	1,297	11,475	20,102	50,624
2013	19,938	580	26,079	15,584	62,181

* - Includes \$57,557 of employee contributions for health insurance premiums.

Source: Netcong Borough School District Financial Reports.

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

Year Ended Dec. 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax	Estimated Actual (County Equalized Value)
2003	\$ 2,601,800	\$ 117,027,200	\$ 23,591,000	\$ 12,668,200	\$ 20,575,300	\$ 176,463,500	\$ 2,905,800	\$ 179,369,300	\$ 9,971,700	\$0.694	\$ 207,063,460
2004	2,582,200	117,313,600	24,191,100	11,034,300	20,575,300	175,696,500	2,527,089	178,223,589	10,090,600	0.674	237,999,980
2005	2,536,700	117,883,500	24,191,100	11,034,300	20,575,300	176,220,900	2,300,929	178,521,829	10,224,500	0.614	264,940,372
2006*	6,204,500	240,251,700	43,753,700	21,202,500	32,118,300	343,530,700	3,404,862	346,935,562	20,827,100	1.224	296,693,704
2007	6,504,500	239,878,700	43,595,500	21,202,500	32,118,300	343,299,500	3,063,631	346,363,131	20,827,100	1.204	327,168,674
2008	6,520,600	240,262,300	44,059,600	20,396,900	27,085,700	338,325,100	3,132,783	341,457,883	20,644,400	1.204	332,550,953
2009	6,240,200	240,485,300	43,745,600	20,196,900	27,085,700	337,753,700	3,159,554	340,913,254	20,966,400	1.204	342,948,236
2010	6,002,600	240,302,400	43,259,800	18,796,900	25,781,800	334,143,500	3,085,763	337,229,263	21,259,300	1.184	318,940,713
2011	5,892,600	240,069,800	43,115,700	18,746,800	25,781,800	333,606,700	3,043,835	336,650,535	21,583,300	1.248	321,029,391
2012	5,892,600	239,449,400	43,109,000	18,746,800	25,781,800	332,979,600	3,117,096	336,096,696	21,567,700	1.251	303,147,024

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

* - Revaluation became effective.

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

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

Source: Netcong Borough Tax Assessor.

Exhibit J-7

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

Year Ended December 31,	Borough of Netcong School District Direct Rate			Overlapping Rates			
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Netcong Borough	Regional High School	Morris County	Total Direct
2003	\$ 0.694		\$ 0.694	\$ 0.770	\$ 1.280	\$ 0.337	\$ 3.081
2004	0.674		0.674	0.827	1.300	0.372	3.173
2005	0.614		0.614	0.905	1.360	0.395	3.274
2006*	1.224		1.224	0.504	0.750	0.214	2.692
2007	1.204		1.204	0.565	0.770	0.225	2.764
2008	1.204		1.204	0.630	0.770	0.226	2.830
2009	1.204		1.204	0.656	0.770	0.231	2.861
2010	1.184		1.184	0.681	0.790	0.216	2.871
2011	1.184	\$ 0.064	1.248	0.701	0.790	0.225	2.964
2012	1.184	0.067	1.251	0.714	0.790	0.221	2.976

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.

* - Revaluation became effective.

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.

Source: Netcong Borough Tax Collector and School Business Administrator.

Exhibit J-8

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

<u>Taxpayer</u>	<u>2013</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Netcong Heights	\$ 506,755	1	0.15%
Dowel-Netcong, LLC	172,461	2	0.05%
Semper Development Group, LLC	82,495	3	0.02%
Pruden, Timothy	74,646	4	0.02%
Netcong 201 LLC Morris Canal Plaza	65,689	5	0.02%
U S Mineral Wool Products	63,078	6	0.02%
Pruden, Timothy & Karen	59,234	7	0.02%
Quirk Realty, LLC	57,711	8	0.02%
Bell Atlantic-NJ	48,624	9	0.01%
Mark Appraisals LLC	40,323	10	0.01%
Total	\$ 1,171,016		0.35%

<u>Taxpayer</u>	<u>2004</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
INFORMATION IS NOT AVAILABLE			

Exhibit J-9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	\$ 2,367,298	\$ 2,367,298	100.00%	\$ - 0 -
2006	2,338,068	2,338,068	100.00%	- 0 -
2007	2,555,346	2,555,346	100.00%	- 0 -
2008	2,713,134	2,713,134	100.00%	- 0 -
2009	2,635,485	2,635,485	100.00%	- 0 -
2010	2,635,485	2,635,485	100.00%	- 0 -
2011	2,635,485	2,635,485	100.00%	- 0 -
2012	2,857,682	2,857,682	100.00%	- 0 -
2013	2,863,560	2,863,560	100.00%	- 0 -

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

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

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

Exhibit J-10

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2004	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.00%	\$ - 0 -
2005	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2006	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2007	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2008	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2009	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2010	- 0 -	125,000	125,000	0.06%	38.65
2011	2,027,000	102,151	2,129,151	0.91%	655.12
2012	1,962,000	78,274	2,040,274	0.87%	624.32
2013	1,892,000	53,322	1,945,322	0.83%	595.26

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

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

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2004	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.000%	\$ - 0 -
2005	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2006	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2007	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2008	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2009	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2010	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2011	2,027,000	- 0 -	2,027,000	0.601%	623.69
2012	1,962,000	- 0 -	1,962,000	0.583%	600.37
2013	1,892,000	- 0 -	1,892,000	0.563%	578.95

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

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

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

Source: Netcong Borough School District Financial Reports.

Exhibit J-12

NETCONG 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:			
Borough of Netcong	\$ 1,217,494	100.00%	\$ 1,217,494
Morris County General Obligation Debt	258,802,126	0.32%	<u>825,873</u>
Subtotal, Overlapping Debt			2,043,367
Netcong Borough School District Direct Debt			<u>1,962,000</u>
Total Direct and Overlapping Debt			<u>\$ 4,005,367</u>

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

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

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

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

	Fiscal Year					Fiscal Year					
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 5,033,664	\$ 5,252,796	\$ 5,644,954	\$ 6,168,628	\$ 8,801,876	\$ 9,527,135	\$ 10,014,232	\$ 9,740,546	\$ 9,709,801	\$ 9,314,227	\$ 8,886,748
Total Net Debt Applicable to Limit									2,152,162	1,962,000	1,892,000
Legal Debt Margin	\$ 5,033,664	\$ 5,252,796	\$ 5,644,954	\$ 6,168,628	\$ 8,801,876	\$ 9,527,135	\$ 10,014,232	\$ 9,740,546	\$ 7,557,639	\$ 7,352,227	\$ 6,994,748
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	22.16%	21.06%	21.29%

Legal Debt Margin Calculation for Fiscal Year 2013

Equalized valuation basis	
2012	\$ 274,034,730
2011	298,395,975
2010	316,244,085
	<u>\$ 888,674,790</u>
Average Equalized Valuation of Taxable Property	<u>\$ 296,224,930</u>
Debt Limit (3% of average equalization value) ^a	\$ 8,886,748
Net Bonded School Debt as of June 30, 2013	<u>1,892,000</u>
Legal Debt Margin	<u>\$ 6,994,748</u>

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

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

Exhibit J-14

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

<u>Year</u>	<u>Population ^a</u>	<u>Morris County Per Capita Income ^b</u>	<u>Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2003	3,266	\$ 56,804	\$ 185,521,864	5.10%
2004	3,258	60,780	198,021,240	4.10%
2005	3,248	62,930	204,396,640	3.10%
2006	3,224	67,918	218,967,632	3.30%
2007	3,210	71,191	228,523,110	3.00%
2008	3,207	74,025	237,398,175	3.90%
2009	3,211	67,614	217,108,554	6.70%
2010	3,234	69,811	225,768,774	6.80%
2011	3,250	71,730	233,122,500	6.60%
2012	3,268	71,730 *	234,413,640	6.80%
2013	3,268 **	71,730 *	234,413,640	6.80%

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

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

Sources:

- a - Population information provided by the US Department of Census - Population Division.
- b - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- c - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

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

<u>2013</u>			<u>2004</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Novartis	6,200	2.42%			
US Army Armament Research and Development	5,841	2.28%			
Atlantic Health System	5,576	2.18%			
Automatic Data Processing, Inc.	1,947	0.76%			
County of Morris	1,838	0.72%			
Saint Claire's	1,662	0.65%			
Wyndham Worldwide Corporation	1,546	0.60%			
BASF Corporation	1,500	0.59%			
Accenture	1,498	0.59%			
Chilton Memorial	1,440	0.56%			
	<u>29,048</u>	<u>11.35%</u>			
Total Employment*	<u>255,907</u>				

INFORMATION IS NOT AVAILABLE

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

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

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction:										
Regular	21.0	22.0	23.0	23.0	24.0	24.0	23.0	24.0	24.0	24.0
Special Education	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Support Services:										
Student & Instruction Related Services	10.0	8.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
General Administrative Services	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	1.0
School Administrative Services	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	3.0
Central Services	2.0	2.0	2.0	2.0	1.0				1.0	1.0
Plant Operations and Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	<u>45.0</u>	<u>45.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>49.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>

Source: Netcong Borough School District Personnel Records.

NETCONG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2004	296.0	\$ 3,521,737	\$ 11,898	11.11%	29.0	1:10	1:11	288.0	273.0	1.05%	94.79%
2005	285.0	3,570,554	12,528	5.30%	32.0	1:12	1:16	278.0	262.0	-3.47%	94.24%
2006	288.0	3,693,006	12,823	2.35%	32.0	1:12	1:15	279.0	265.0	0.36%	94.98%
2007	282.0	4,218,211	14,958	16.65%	32.0	1:10	1:11	282.0	267.0	1.08%	94.68%
2008	280.0	4,290,760	15,324	2.45%	33.0	1:10	1:11	280.0	262.0	-0.71%	93.57%
2009	305.0	4,348,843	14,259	-6.95%	32.0	1:12	1:11	297.0	279.0	6.07%	93.94%
2010	291.0	4,392,978	15,096	5.87%	32.0	1:12	1:11	284.0	267.0	-4.38%	94.01%
2011	286.0	4,209,486	14,718	-2.50%	32.0	1:12	1:11	285.0	270.0	0.35%	94.74%
2012	284.0	4,312,100	15,183	3.16%	32.0	1:12	1:11	284.4	267.5	-0.21%	94.06%
2013	308.0	4,759,165	15,452	1.77%	32.0	1:12	1:11	308.5	272.0	8.47%	88.17%

Note: Enrollment based on annual October District count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Source: Netcong Borough School District Records.

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>District Building</u>										
Netcong Elementary (1926)										
Square Feet	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135
Capacity (students)	310	310	310	310	310	310	310	310	310	310
Enrollment	296	285	288	282	280	305	291	286	284	308

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

Source: Netcong Borough School District Records.

Exhibit J-19

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

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

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Netcong Elementary Board Office	N/A	\$172,402	\$ 55,369	\$ 58,493	\$ 46,037	\$ 38,950 6,985
Grand Total		<u>\$172,402</u>	<u>\$ 55,369</u>	<u>\$ 58,493</u>	<u>\$ 46,037</u>	<u>\$ 45,634</u>

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Netcong Elementary Board Office	N/A	\$ 50,610 11,998	\$ 43,287	\$ 39,280	\$ 40,901	\$ 59,242
Grand Total		<u>\$ 62,608</u>	<u>\$ 43,287</u>	<u>\$ 39,280</u>	<u>\$ 40,901</u>	<u>\$ 59,242</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: Netcong Borough School District Financial Reports.

Exhibit J-20

NETCONG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2013
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package - NJSBAIG:		
Property - Blanket Building and Contents	\$ 500,000,000	\$ 1,000
Accounts Receivable	(Per Occurrence) 250,000	1,000
Automobile Physical Damage	In Blanket Limit	1,000
Electronic Data Processing Equipment	(Per Occurrence) 475,000	1,000
Comprehensive General Liability - NJSBAIG:		
Occurrence Limit	5,000,000	1,000
Automobile	(Per Accident) 16,000,000	1,000
Employee Benefit Liability	16,000,000	1,000
Workers' Compensation - NJSBAIG:		
Statutory Benefits	Included	
Employer's Liability	2,000,000	
Supplemental Coverage	Included	
Umbrella Liability - NJSBAIG:		
Catastrophe Excess Liability		
Aggregate Limit	Included in Limit	
School Board Legal Liability - NJSBAIG:		
Directors' and Officers' Policy		
Limit Each Loss	(Per Policy Period) 16,000,000	5,000
Crime - NJSBAIG:		
Blanket Employee Dishonesty	100,000	500
(Per Loss Member Aggregate Limit)	50,000	
Forgery	50,000	500
Theft/Disappearance/Destruction:		
Inside	50,000	500
Outside	50,000	500
Public Official Bonds - RLI Insurance Company:		
Treasurer	175,000	
School Business Administrator/Board Secretary	175,000	

Source: Netcong Borough School District Financial Reports.

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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 of the
 Netcong Borough School District
 County of Morris, 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 Netcong Borough School District, in the County of Morris (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 basis financial statements, and have issued our report thereon dated November 22, 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 of the
Netcong Borough School District
Page 2

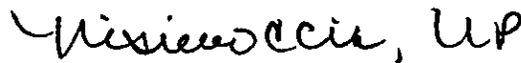
Compliance and Other Matters

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*.

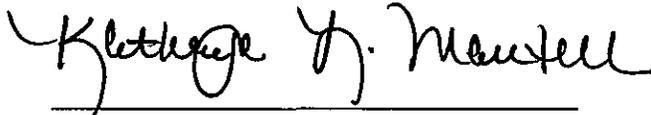
Purpose of this Report

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 22, 2013
Mount Arlington, New Jersey



NISIVOCCIA LLP



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



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

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

Report on Compliance For Each Major 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 of the
 Netcong Borough School District
 County of Morris, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Netcong Borough 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 state programs for the fiscal year ended June 30, 2013. The District's major 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 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 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 state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major 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 state programs for the fiscal year ended June 30, 2013.

The Honorable President and Members
of the Board of Education
Netcong 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 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 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.

Nisivoccia, LLP

November 22, 2013
Mount Arlington, New Jersey

NISIVOCCIA LLP

Kathryn L. Mantell

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

NETCONG 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		Program or Award Amount	Balance at	Adjust- ments	Cash Received	Budgetary Expenditures	Balance at June 30, 2013		
			From	To		Budgetary (Accounts Receivable)				Budgetary Unearned Revenue	Due to Grantor	
Special Revenue Fund:												
Special Education Cluster:												
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-13	9/1/12	8/31/13	\$ 98,483			\$ (112,345)	\$ (112,345)			
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-12	9/1/11	8/31/12	98,313	\$ (1,054)	\$ 26,855					\$ 25,801
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-13	9/1/12	8/31/13	5,514			(5,514)	(5,514)			
Total Special Education Cluster						<u>(1,054)</u>	<u>26,855</u>	<u>(117,859)</u>	<u>(117,859)</u>			<u>25,801</u>
No Child Left Behind:												
Title I	84.010A	NCLB-3520-13	9/1/12	8/31/13	50,501			(50,501)	(50,501)			
Title I	84.010A	NCLB-3520-12	9/1/11	8/31/12	56,779	\$ (2,576)	7,639					5,063
Title IIA	84.367A	NCLB-3520-13	9/1/12	8/31/13	10,632			(5,044)	(5,044)			
Title IIA - Carryover	84.367A	NCLB-3520-12	9/1/11	8/31/12	11,659	(4,018)	\$ (1)	4,019				
Title III	84.365A	NCLB-3520-12	9/1/11	8/31/12	11,109	(2,247)			(2,247)			
						<u>(8,841)</u>	<u>(1)</u>	<u>11,658</u>	<u>(55,545)</u>	<u>(57,792)</u>		<u>5,063</u>
Total U.S. Department of Education - Special Revenue Fund						<u>(9,895)</u>	<u>(1)</u>	<u>38,513</u>	<u>(173,404)</u>	<u>(175,651)</u>		<u>30,864</u>
U.S. Department of Agriculture -												
Passed-through State Department of Education:												
Enterprise Fund												
Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/12	6/30/13	6,695			6,695	(6,416)		\$ 279	
Food Distribution Program	10.555	N/A	7/1/11	6/30/12	5,879	46			(46)			
School Breakfast Program	10.553	N/A	7/1/12	6/30/13	2,860			2,811	(2,860)	(49)		
School Breakfast Program	10.553	N/A	7/1/11	6/30/12	2,328	(108)		108				
National School Lunch Program	10.555	N/A	7/1/12	6/30/13	40,913			36,928	(40,913)	(3,985)		
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	36,977	(2,231)		2,231				
Total Enterprise Fund						<u>(2,293)</u>		<u>48,773</u>	<u>(50,235)</u>	<u>(4,034)</u>	<u>279</u>	
TOTAL FEDERAL AWARDS						<u>\$ (12,188)</u>	<u>\$ (1)</u>	<u>\$ 87,286</u>	<u>\$ (223,639)</u>	<u>\$ (179,685)</u>	<u>\$ 279</u>	<u>\$ 30,864</u>

N/A - Not Available/Applicable

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

NETCONG 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		Program or Award Amount	Balance at June 30, 2012			Canceled	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2013		MEMO	
		From	To		Budgetary (Accounts Receivable)	Due to Grantor	Cash Received				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:														
General Fund:														
Equalization Aid	13-495-034-5120-078	7/1/12	6/30/13	\$ 882,759					\$ 796,350				\$ (86,409)	\$ 882,759
Categorical Special Education Aid	13-495-034-5120-089	7/1/12	6/30/13	165,811					149,580	(165,811)			(16,231)	165,811
Security Aid	13-495-034-5120-084	7/1/12	6/30/13	9,338					8,424	(9,338)			(914)	9,338
Transportation Aid	13-495-034-5120-014	7/1/12	6/30/13	1,258					1,135	(1,258)			(123)	1,258
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12	6/30/13	171,828					162,940	(171,828)		\$ (8,888)	(8,888)	171,828
Equalization Aid	12-495-034-5120-078	7/1/11	6/30/12	835,075	\$ (77,039)				77,039					835,075
Categorical Special Education Aid	12-495-034-5120-089	7/1/11	6/30/12	155,673	(14,362)				14,362					155,673
Extraordinary Aid	12-495-034-5120-044	7/1/11	6/30/12	95,229	(95,229)				95,229					95,229
Nonpublic Transportation Aid	12-495-034-5120-014	7/1/11	6/30/12	870	(870)				870					870
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11	6/30/12	166,291	(16,110)				16,110					166,291
Total General Fund State Aid					(203,610)				1,322,039	(1,230,994)			(8,888)	2,484,132
State Department of Education:														
Special Revenue Fund:														
Nonpublic Textbook Aid	13-100-034-5120-064	7/1/12	6/30/13	8,454					8,454	(8,454)				10,385
Nonpublic Nursing Aid	13-100-034-5120-070	7/1/12	6/30/13	11,734					11,734	(11,734)				11,734
Nonpublic Technology Initiative	13-100-034-5120-373	7/1/12	6/30/13	3,120					3,120	(3,120)				3,120
Auxiliary Services:														
Compensatory Education	13-100-034-5120-067	7/1/12	6/30/13	18,394					18,394	(10,869)		\$ 7,525		10,869
English as a Second Language	13-100-034-5120-067	7/1/12	6/30/13	13,641					13,641			13,641		
Handicapped Services:														
Examination and Classification	13-100-034-5120-066	7/1/12	6/30/13	15,445					15,445	(9,875)		5,570		14,509
Corrective Speech	13-100-034-5120-066	7/1/12	6/30/13	14,062					14,062	(12,499)		1,563		12,517
Supplementary Instruction	13-100-034-5120-066	7/1/12	6/30/13	11,101					11,101	(8,048)		3,053		9,449
Character Education	06-100-034-5120-053	7/1/05	6/30/06	4,000		\$ 19		\$ (19)						
Nonpublic Textbook Aid	12-100-034-5120-064	7/1/11	6/30/12	8,114		284					\$ 284			7,830
Auxiliary Services:														
Compensatory Education	12-100-034-5120-067	7/1/11	6/30/12	21,979		6,933					6,933			15,046
Handicapped Services:														
Examination and Classification	12-100-034-5120-066	7/1/11	6/30/12	14,332		3,708					3,708			10,624
Corrective Speech	12-100-034-5120-066	7/1/11	6/30/12	18,167		7,267					7,267			10,900
Supplementary Instruction	12-100-034-5120-066	7/1/11	6/30/12	9,821		4,069					4,069			5,752
Total Special Revenue Fund						22,280		(19)	95,951	(64,599)		22,261	31,352	122,735
Total State Department of Education					(203,610)	22,280		(19)	1,417,990	(1,295,593)		22,261	(8,888)	2,606,867

NETCONG 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		Program or Award Amount	Balance at June 30, 2012				Repayment of Prior Years' Balances	Balance at June 30, 2013		MEMO		
		From	To		Budgetary/ (Accounts Receivable)	Due to Grantor	Cash Received	Canceled		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Agriculture:														
Enterprise Fund:														
State School Lunch Program	13-100-010-3350-023	7/1/12	6/30/13	\$ 1,133				\$ 998	\$ (1,067)		\$ (69)	\$ (69)	\$ 1,133	
State School Lunch Program	12-100-010-3350-023	7/1/11	6/30/12	1,089	\$ (64)			64					1,089	
Total Enterprise Fund					(64)			1,062	(1,067)		(69)	(69)	2,222	
Capital Projects Fund:														
Schools Development Authority:														
Educational Facilities Construction & Financing Act:														
Boiler Replacement	3520-060-090-1001	1/15/2009	6/30/2013	160,130	(154,508)				(2,224)		(156,732)	(156,732)	156,732	
Light Fixtures and Locker Upgrades	3520-060-010-1001	7/23/2010	6/30/2013	479,364	(479,364)				(191,746)		(191,746)	(479,364)	191,746	
Roof Replacement	3520-060-010-1002	7/23/2010	6/30/2013	393,319	(393,319)				(373,653)		(373,653)	(393,319)	373,653	
Various Improvements	3520-060-010-1003	7/23/2010	6/30/2013	644,157	(644,157)				(515,326)		(515,326)	(644,157)	515,326	
Total Capital Projects Fund					(1,671,348)				(1,082,949)		(1,237,457)	(1,673,572)	1,237,457	
TOTAL STATE AWARDS					\$ (1,875,022)	\$ 22,280	\$ 1,419,052	\$ (19)	\$ (2,379,609)	\$ 22,261	\$ (1,246,414)	\$ 31,352	\$ (1,786,206)	\$ 3,846,546

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 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, Netcong Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2013. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position 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 and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(12,276) for the General Fund and \$(20,509) Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. The schedule of expenditures of state awards does not include the on-behalf TPAF Pension or Post-Retirement Medical Benefits Contributions revenue of \$140,397 and \$158,753 respectively.

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

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,517,868	\$ 1,517,868
Special Revenue Fund	\$ 153,116	64,378	217,494
Capital Projects Fund		1,082,949	1,082,949
Food Service Fund	50,235	1,067	51,302
Total Financial Assistance	<u>\$ 203,351</u>	<u>\$ 2,666,262</u>	<u>\$ 2,869,613</u>

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

NOTE 5. SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has an SDA grants associated with its various capital projects in the amount of \$436,116 and have been recognize in full on the Budgetary Basis. A reimbursement request has been submitted in the amount of \$1,082,949 for eligible costs which are recognized as revenue on the GAAP basis.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2013.

NETCONG 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 state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major 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 state programs for the District expresses an unmodified opinion on all major 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 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2013 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>CFDA or State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	\$ 882,759	\$ 882,759
Categorical Special Education	13-495-034-5120-089	7/1/12-6/30/13	165,811	165,811
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	9,338	9,338
Schools Development Authority:				
Boiler Replacement	3520-060-090-1001	1/15/09-6/30/13	160,130	2,224
Light Fixtures/Locker Upgrade	3520-060-010-1001	7/23/10-6/30/13	479,364	191,746
Roof Replacement	3520-060-010-1002	7/23/10-6/30/13	393,319	373,653
Various Improvements	3520-060-010-1003	7/23/10-6/30/13	644,157	515,326

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

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

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

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

Status of Prior Year Findings:

The District had no prior year audit findings.