

**POHATCONG TOWNSHIP
SCHOOL DISTRICT**

**Pohatcong Township School District
Board of Education
Phillipsburg, Warren County
New Jersey**

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

Comprehensive Annual

Financial Report

of the

Pohatcong Township School District

Board of Education

Phillipsburg, New Jersey

For the Fiscal Year Ending June 30, 2013

Prepared by

Pohatcong Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

Pohatcong Township Board of Education

240 Route 519
Phillipsburg, NJ 08864
(908) 859-8155 Tel.
(908) 859-8067 Fax

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

Dear Board Members:

The comprehensive annual financial report of the Township of Pohatcong School District (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 (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 financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non Profit Organizations", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES: The Pohatcong Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report.

The Pohatcong Township Board of Education and all its schools constitute the District's reporting entity.

The district provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped youngsters. The district completed the 2012-13 fiscal year with an enrollment of 353 students. The following details the changes in the student enrollment over the last five years.

Fiscal Year	<u>Average Daily Enrollment</u>	
	Student Enrollment	Percentage Change
2012-13	349	-.57
2011-12	351	2.0
2010-11	344	-1.7
2009-10	350	-2.8
2008-09	360	-1.4
2007-08	365	-2.4
2006-07	374	2.2
2005-06	366	-2.9
2004-05	377	1.9
2003-04	370	-4.8
2002-03	388	0.2

TUITION PUPILS: Pohatcong Township School District sends our grade 9 to 12 students to Phillipsburg High School on a tuition basis. Approximately 131 students attended Phillipsburg High School while 21 students attended the Warren County Technical School District.

From the township, 11 children attended non-public and charter schools including Saints Phillip and James, Bethlehem Catholic, Immaculate Conception, Notre Dame High School, Moravian Academy and the Ridge & Valley Charter School. Currently the district sends approximately 14 children, ages three through twenty-one, for special educational instruction outside the Pohatcong Township School District as per the individual student's educational placement requirements.

PRESENT CONDITION AND OUTLOOK

The Pohatcong School will be entering its fourteenth year in 2013-14. The building is a modern, well equipped, facility with more than enough space to accommodate current enrollment. There are six classrooms that are not used on a daily basis. We have one room that is used for Occupational and Physical Therapy.

The Pohatcong School receives regular cleaning and maintenance of all building systems. Community groups and sports teams hold many activities and events on nights and weekends inside and outside of the building. Student activities and events at night cause heavy use of the facilities.

Large sections of Pohatcong Township are in the hands of developers. There continues to be a great deal of discussion concerning pending housing projects. The township Land Use Board is

working to ensure that development progresses in a planned and orderly manner.

MAJOR INITIATIVES/PLANNING:

In 2012-13, we continued to incorporate technology into the daily instruction for all grades and worked with consultants in order to fully implement all the technology standards into our curriculum. We continued with the second year of our major schedule change in fifth through eighth grades that includes one hour math and science periods and language arts being taught in a block and continued professional development regarding differentiated instruction. We focused on writing instruction through our Professional Learning Community (PLC) in language arts from fifth through eighth grades. In addition, we focused on Common Core math standards in the sixth through eighth grades to prepare for future implementation. We also aligned our existing materials to the Common Core for ELA. Progress of students was once again monitored through ongoing standardized assessments within math and language arts in order to further individualize instruction and also prepare students for the NJ ASK.

Our Response to Intervention Program continued in kindergarten through fifth grade grades for language arts. We also continued character education initiatives through our Student Council with a focus on positive behavior and developing a sense of community.

The articulation meetings among the sending districts and the high school continued in the subjects of math, language arts, science, social studies, and world languages to ensure a more uniform transition from the middle school to the high school for students.

In order to maintain a through and efficient education throughout the district, the Pohatcong Township Board of Education was monitored through the New Jersey Quality Single Accountability Continuum (QSAC) with school goals and objectives embedded within QSAC requirements. Monitoring was completed and we achieved the rating of “high performing.”

Our major initiatives for 2013-14 year are to implement full day kindergarten, deliver the Common Core Math Standards for grades six through eight, prepare for the PARCC assessment, and investigate online data and assessment systems. In addition, ChromeBooks and iPads, new additions to technology, will be used in the classrooms. We will also utilize the new teacher and principal evaluation model as required by the NJDOE.

Our school district will continue to identify student weaknesses based on the results of standardized assessments in order to differentiate instruction and prepare for the NJASK. We will continue to use the supplemental program, My Sidewalks, as our Response to Intervention program. In addition, we will continue with our schedule to include targeted instruction blocks at the kindergarten through fourth grades, which will assist teachers in giving them more instructional time to focus on specific students and the skills they need in order to be successful at their next grade level in both language arts and math, and it will also allow teachers the ability to meet the needs of students who may need enrichment activities. We will continue with the Scholastic Math Inventory at designated grade levels in order to specifically target math weaknesses in students who may be struggling with certain concepts and will determine if we

will expand to more grades.

For professional development, we will continue utilize an in class coaching model for teachers. Consultants will work closely with our teachers on an ongoing basis in order to facilitate the team teaching concept, differentiated instruction, and best practices in integrating reading and writing. We will also form Professional Learning Communities to coordinate integration of technology in all subjects and delivery of the Common Core in math and ELA. In addition, teachers will have professional development opportunities for personal needs and small group needs, including preparation for the administration of PARCC testing and iPad usage.

Pohatcong School District will continue to instill character education into our students through lessons, discussions, speakers, assemblies, and programs. Again, we will focus on school wide programs and positive behavioral choices with our students.

Articulation meetings will continue to be held with the high school in all major subjects in order to make the transition between middle school and high school a smooth one.

BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. The final budget amount is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2013.

ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups.

ECONOMIC CONDITION: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

BUDGET INFORMATION SHEET - OVERALL COMMENTS:

The Pohatcong Township School District's 2012-13 School Budget encompassed the educational programs for students from grades kindergarten through twelfth grade in regular education, and preschool through age twenty-one in special education. In addition, the district's budget included the operational expenses for the township school.

The 2012-13 budget was developed to stay within the "Maximum Permitted Net Budget" as defined by the State of New Jersey Department of Education. The 2012-13 budget needed to support the

educational and operational costs of delivering a thorough and efficient education was developed using the allowable spending growth limitation adjustments in the area of non-remote transportation.

The district Long Range Facility Plan includes the development of a solar panel field at the Pohatcong School. To support this project, Pohatcong Township maintains an approved capital reserve account.

While state aid did show an increase over that of the 2011-12 aid package, revenues to support the 2012-13 budget were principally derived from the local tax levy.

DEBT ADMINISTRATION: The district had debt service payments of interest and principal totaling \$1,033,310.02 for the 2012-13 school year. State aid for debt service was 16.5% of total cost.

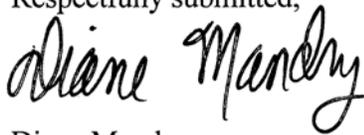
CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government 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. Cash, not immediately required for district payments, is invested in a Municipal Sweep account with PNC.

RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. During 2012-13, the district participated in the New Jersey School Board Association Insurance Group. This is a joint insurance fund specializing in insurance for public education entities.

OTHER INFORMATION: State statutes require an annual audit by independent certified public accountants or registered municipal accounts. The Board selected the accounting firm of Ardito & Co. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Pohatcong Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and diligent auditing services of the firm of Ardito & Co.

Respectfully submitted,



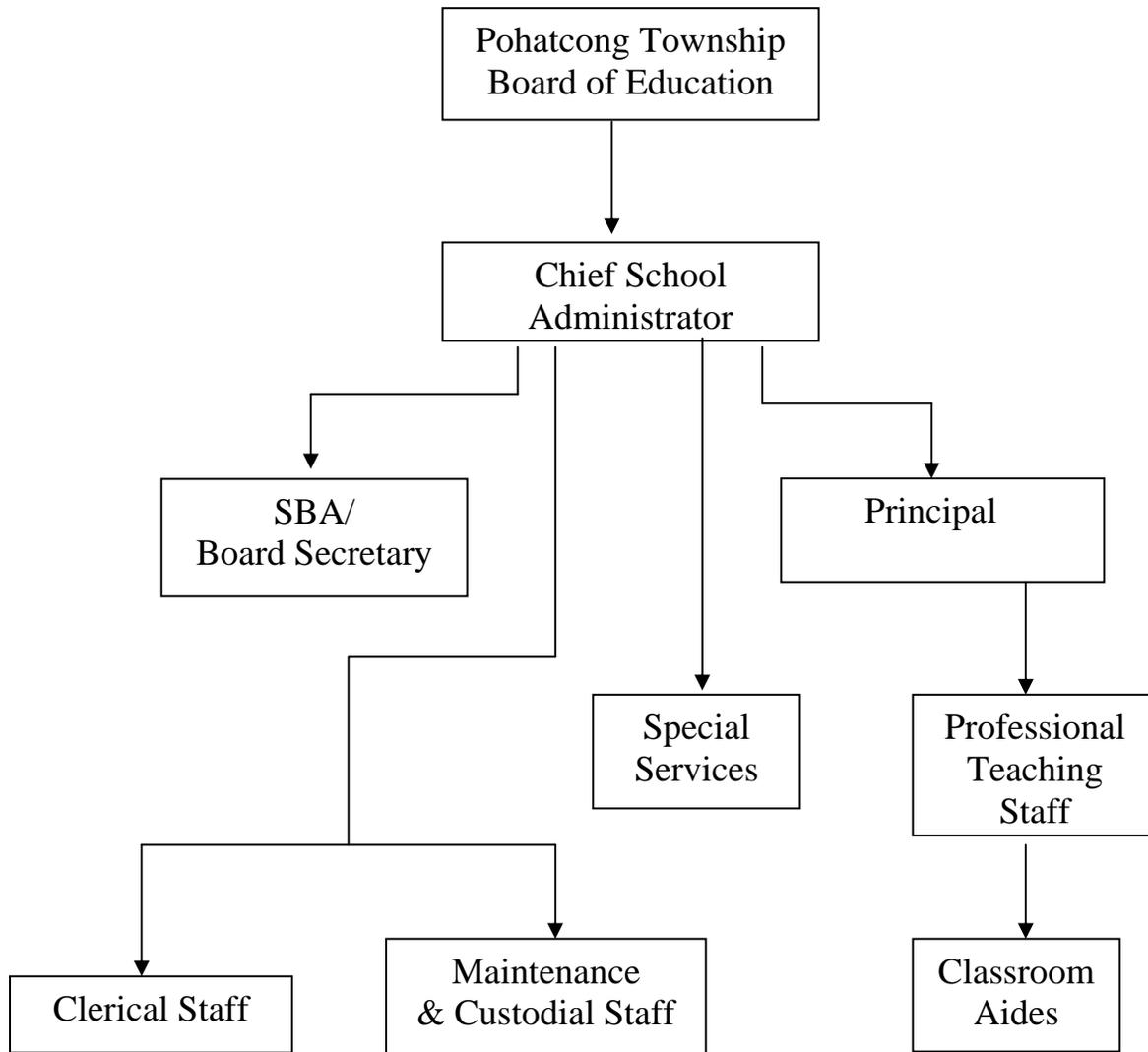
Diane Mandry
Chief School Administrator



Tim Mantz
Board Secretary/Business Administrator

Pohatcong Township Board of Education

Organization Chart 2012-13



**Pohatcong Township School District
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2013

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dean McBride, President	2013
Patricia Babcock, Vice President	2015
Kristine Griesmeyer	2014
Joseph Delesky	2014
Regina Blair	2013
Glen Ehrhardt	2015
Stephanie Snyder	2015
Wayne Hahn	2014
Beverly Weihz	2013

Other Officials

Diane Mandry, Chief School Administrator

Tim Mantz, Board Secretary/School Business Administrator

Cindy L. Hanics, Treasurer

Dan Patton, Principal

**Pohatcong Township School District
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ATTORNEY

Comegno Law Group P.C.
Tall Oaks Corp. Ctr. 11
Maple Shade, New Jersey 08052

AUDIT FIRM

Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

BOND COUNSEL

Wilentz, Goldman & Spitzer
Anthony J. Pannella Jr.
90 Woodbridge Center Drive
Woodbridge, NJ 08525

ARCHITECT

Focus Architecture, LLC
3 Tree Farm Road, Suite 200
Pennington, NJ 08534

OFFICIAL DEPOSITORIES

PNC Bank
331 3rd Avenue
Alpha, NJ 08865

Bank of America
International Trade Center
200 N. College Street NC1-004-03-43
Charlotte, NC 28255-0001

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

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

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Pohatcong Township School District
County of Warren
Phillipsburg, New Jersey 08865

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pohatcong Township School District Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pohatcong Township School District Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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.

Auditor's 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 and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Pohatcong Township School District Board of Education, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 and budgetary comparison information on pages 8 through 8.7 and 38 through 48 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 Pohatcong Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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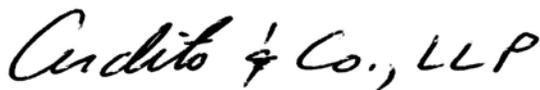
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management 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 combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2013, on our consideration of the Pohatcong Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP
August 31, 2013



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

The discussion and analysis of Pohatcong Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- ◆ In total, net position increased \$529,720 which represents a 268.7 percent increase from 2012.
- ◆ General revenues accounted for \$5,955,750 in revenue or 67.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,920,649 or 32.9 percent of total revenues of \$8,876,399.
- ◆ Total assets of governmental activities decreased by \$42,332 as cash and cash equivalents increased by \$196,652, receivables decreased by \$32,837, and capital assets decreased by \$206,783.
- ◆ The School District had \$8,346,679 in expenses; only \$2,920,649 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$5,955,750 were adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,374,700 in revenues and \$7,210,275 in expenditures. The General Fund's surplus balance increased \$164,425 over 2012. This increase is a result of \$5,696 in unbudgeted state aid increases, and across the board budget expense savings.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

POHATCONG TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District’s net position for 2013 compared to 2012.

**Table 1
Net Position**

	<u>2013</u>	<u>2012</u>
Assets		
Current and Other Assets	\$ 2,821,389	\$ 2,656,938
Capital Assets	<u>7,264,037</u>	<u>7,470,820</u>
Total Assets	<u>10,085,426</u>	<u>10,127,758</u>
 Liabilities		
Long-Term Liabilities	8,523,165	9,131,596
Other Liabilities	<u>835,396</u>	<u>799,017</u>
Total Liabilities	<u>9,358,561</u>	<u>9,930,613</u>
 Net Position		
Invested in Capital Assets, Net of Debt	(1,830,963)	(2,189,180)
Restricted	1,350,985	1,877,063
Unrestricted	<u>1,206,843</u>	<u>259,262</u>
Total Net Position	<u>\$ 726,865</u>	<u>\$ (52,855)</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

Total assets decreased \$42,332. Cash and cash equivalents increased by \$195,562, receivables decreased by \$32,837, and capital assets decreased by \$206,783. Cash increased due to operational budget efficiencies and increased unbudgeted state aid, receivables decreased due to the collection Ed Jobs grant funds spent in the prior year, and capital assets decreased due to depreciation. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District increased by \$947,981 due to the transfer of capital reserve for solar panel field to encumbrances, which is reflected as unreserved net position in the statement of net position.

Table 2 shows the changes in net position from fiscal year 2012.

Table 2
Changes in Net Position

	<u>2013</u>	<u>2012</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 255,572	\$ 289,208
Operating Grants and Contributions	2,665,077	2,456,272
General Revenues:		
Property Taxes	5,918,358	5,810,482
Federal and State Aid for Capital Asset Projects		
Other	<u>37,392</u>	<u>23,990</u>
Total Revenues	<u>8,876,399</u>	<u>8,579,952</u>
Program Expenses		
Instruction	3,537,176	3,317,588
Support Services:		
Pupils and Instructional Staff	2,465,784	2,228,515
General Administration, School Administration, Business	616,986	579,938
Operations and Maintenance of Facilities	658,986	632,184
Pupil Transportation	305,367	364,951
Business-Type Activities	298,762	295,190
Interest and Fiscal Charges	<u>463,618</u>	<u>476,770</u>
Total Expenses	<u>8,346,679</u>	<u>7,895,136</u>
Increase/(Decrease) in Net Position	<u>\$ 529,720</u>	<u>\$ 684,816</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 66.7 percent of revenues for governmental activities for the Pohatcong Township School District for the fiscal year 2013.

Instruction comprises 42.4 percent of district expenses. Support services expenses make up 48.5 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2012. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2013</u>	<u>Net Cost of Services 2013</u>	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>
Instruction	\$3,537,176	\$2,332,141	\$3,317,588	\$2,212,462
Support Services:				
Pupils and Instructional Staff	2,465,784	1,692,814	2,228,515	1,554,787
General Admin., School Admin., Business	616,986	431,368	579,938	411,104
Operation and Maintenance of Facilities	658,986	460,731	632,184	448,139
Pupil Transportation	305,367	213,498	364,951	217,244
Business-Type Activities	298,762	2,415	295,190	3,543
Interest and Fiscal Charges	<u>463,618</u>	<u>293,063</u>	<u>476,770</u>	<u>302,377</u>
Total Expenses	<u>\$8,346,679</u>	<u>\$5,426,030</u>	<u>\$7,895,136</u>	<u>\$5,149,656</u>

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

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

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

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

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

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

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

The dependence upon tax revenues is apparent. Over 65.9 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 69.1 percent. The community, as a whole, is the primary support for the Pohatcong Township School District.

The School District's Funds

Information about the School District's major funds starts on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,580,037 and expenditures of \$8,415,611. The change in fund balance of \$164,426 for the year was significant in the general fund as a result of unbudgeted state aid increases, and across the board budget expense savings.

General Fund Budgeting Highlights

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

During the course of the fiscal 2013 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

Salary costs proved to be slightly lower than anticipated in the original budget due to unanticipated staff resignations as well as staff members being moved within programs accounted for lower salary costs in several accounts.

For the General Fund, budget basis revenue and other financing sources, excluding TPAF on-behalf amount, was \$6,866,173, \$8,977 under original budgeted estimates of \$6,875,150. This difference was due primarily to over budgeted transportation revenue.

General fund budget basis expenditures, excluding TPAF on-behalf amount, was \$6,694,352, \$1,661,177 under adjusted budget estimate of \$8,355,529. This favorable difference was due primarily to the solar feild project budget of \$1,000,000 not being spent during the year, and overall expense savings in the maintenance and operations, administration, related services, and instruction budget areas.

The general fund revenues and other financing sources of the School District exceeded expenses by approximately \$171,821 making the financial position of the School District strong.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

Capital Assets

At the end of the fiscal year 2013, the School District had \$7,248,341 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2013 balances compared to 2012.

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

	<u>2013</u>	<u>2012</u>
Land Improvements	\$ 575,912	\$ 602,127
Buildings and Improvements	6,395,907	6,622,098
Machinery and Equipment	<u>276,522</u>	<u>226,505</u>
Totals	<u>\$ 7,248,341</u>	<u>\$ 7,450,730</u>

Overall capital assets decreased \$202,389 from fiscal year 2012 to fiscal year 2013, due primarily to depreciation expense.

\$115,204 in major capital assets were purchased during fiscal year 2013.

Debt Administration

At June 30, 2013, the School District had \$9,133,165 as outstanding debt. Of this amount \$38,165 is for compensated absences and other retirement liabilities, and the balance of \$9,095,000 is for bonds for school construction.

At June 30, 2013, the School District's overall legal debt margin was \$11,880,364 and the unvoted debt margin was \$2,785,364.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED

For the Future

The Pohatcong Township School District is in very good financial condition presently. A major concern is declining property valuations coupled with heavy reliance on local property taxes to fund the school's operations. In conclusion, the Pohatcong Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Tim Mantz, School Business Administrator/Board Secretary at Pohatcong Township School District, 240 Route 519, Phillipsburg, NJ 08865.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2013

	GOVERNMENTAL		BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES		
ASSETS				
Cash and Cash Equivalents	\$ 2,169,116	\$ 22,736		\$ 2,191,852
Receivables, Net	95,015	1,213		96,228
Interfund Receivable		8,657		8,657
Inventory		1,745		1,745
Restricted Assets:				
Capital Reserve Account - Cash	272,907			272,907
Emergency Reserve Account - Cash	250,000			250,000
Capital Assets, Net (Note 6):	7,248,341	15,696		7,264,037
Total Assets	10,035,379	50,047		10,085,426
LIABILITIES				
Accounts Payable	100			100
Interfund Payable	8,657			8,657
Unearned Revenue	4,305	1,018		5,323
Accrued Interest	211,316			211,316
Noncurrent Liabilities (Note 7):				
Due Within One Year	610,000			610,000
Due Beyond One Year	8,523,165			8,523,165
Total Liabilities	9,357,543	1,018		9,358,561
NET POSITION				
Invested in Capital Assets, Net of Related Debt	(1,846,659)	15,696		(1,830,963)
Restricted for:				
Capital Reserve Account	272,907			272,907
Emergency Reserve Account	250,000			250,000
Other Purposes	828,078			828,078
Unrestricted	1,173,510	33,333		1,206,843
Total Net Position	\$ 677,836	\$ 49,029		\$ 726,865

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
Governmental Activities:							
Instruction:							
Regular	\$ 2,620,573		\$ 929,277		\$ (1,691,296)	\$ (1,691,296)	
Special Education	620,131		186,565		(433,566)	(433,566)	
Other Special Instruction	296,472		89,193		(207,279)	(207,279)	
Support Services:							
Tuition	1,709,734		514,370		(1,195,364)	(1,195,364)	
Student & Instruction Related Services	756,050		258,600		(497,450)	(497,450)	
School Administrative Services	174,168		52,398		(121,770)	(121,770)	
General and Business Admin. Services	442,818		133,220		(309,598)	(309,598)	
Plant Operations and Maintenance	658,986		198,255		(460,731)	(460,731)	
Pupil Transportation	305,367		91,869		(213,498)	(213,498)	
Interest on Long-Term Debt	463,618		170,555		(293,063)	(293,063)	
Unallocated Depreciation					-	-	
Total Governmental Activities	8,047,917	-	2,624,302		(5,423,615)	(5,423,615)	
Business-Type Activities:							
Food Service	94,513	51,323	40,775		\$ (2,415)	(2,415)	
Shared Services	204,249	204,249			-	-	
Total Business-Type Activities	298,762	255,572	40,775	-	-	(2,415)	
Total Primary Government	\$ 8,346,679	\$ 255,572	\$ 2,665,077		\$ (5,423,615)	\$ (2,415)	\$ (5,426,030)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 5,055,602		\$ 5,055,602	
Taxes Levied for Debt Service				862,756		862,756	
Investment Earnings				2,067	15	2,082	
Miscellaneous Income				35,310		35,310	
Total General Revenues, Special Items, Extraordinary Items and Transfers				5,955,735	15	5,955,750	
Change in Net Position				532,120	(2,400)	529,720	
Net Position—Beginning				145,716	51,429	197,145	
Net Position—Ending				\$ 677,836	\$ 49,029	\$ 726,865	

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

FUND FINANCIAL STATEMENTS

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,517,613		\$ 174,408	\$ 2	\$ 2,692,023
Interfund Receivables	77,930	\$ 421			78,351
Other Receivables	296				296
Receivables from Other Governments	12,805	81,914			94,719
TOTAL ASSETS	\$ 2,608,644	\$ 82,335	\$ 174,408	\$ 2	\$ 2,865,389
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable		\$ 100			\$ 100
Interfund Payable	\$ 9,078	77,930			87,008
Reserve for Payment of Debt Service					
Deferred Revenue		4,305			4,305
Total Liabilities	9,078	82,335	-		91,413
Fund Balances:					
<u>Restricted for:</u>					
Capital Reserve Account	\$ 272,907				\$ 272,907
Emergency Reserve	250,000				250,000
Excess Surplus	553,538				553,538
Excess Surplus - Designated for Subsequent Year's Expenditures	274,540				274,540
<u>Assigned to:</u>					
Year-End Encumbrances	1,166,801				1,166,801
Capital Projects Fund			\$ 174,408		174,408
Debt Service Fund				\$ 2	2
<u>Unassigned:</u>					
General Fund	81,780				81,780
Total Fund Balances	2,599,566	-	174,408	2	2,773,976
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,608,644	\$ 82,335	\$ 174,408	\$ 2	\$ 2,865,389

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 \$10,461,497 and the accumulated depreciation is \$3,213,156.	\$7,248,341
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(211,316)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	<u>(9,133,165)</u>
Net Position of governmental activities	<u>\$ 677,836</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 5,055,602			\$ 862,756	\$ 5,918,358
Transportation	-				-
Interest on Capital Reserve	812				812
Miscellaneous	36,565				36,565
Total - Local Sources	5,092,979	-		862,756	5,955,735
State Sources	2,281,721		-	170,555	2,452,276
Federal Sources		\$ 172,026	-		172,026
Total Revenues	7,374,700	172,026	-	1,033,311	8,580,037
EXPENDITURES					
Current:					
Regular Instruction	1,927,498	140,882			2,068,380
Special Education Instruction	540,937				540,937
Other Special Instruction	258,611				258,611
Support services and undistributed costs:					
Tuition	1,709,734				1,709,734
Student and Instruction Related Services	599,771	31,144			630,915
School Administrative Services	142,398				142,398
Other Administrative Services	364,033				364,033
Plant Operations and Maintenance	533,543				533,543
Pupil Transportation	305,367				305,367
Unallocated Benefits	661,318				661,318
Transfer to Charter School	49,901				49,901
Debt Service:					
Principal				565,000	565,000
Interest and Other Charges				468,310	468,310
Capital Outlay	117,164		-		117,164
Total Expenditures	7,210,275	172,026	-	1,033,310	8,415,611
Excess (Deficiency) of Revenues Over Expenditures	164,425	-	-	1	164,426
Net Change in Fund Balances	164,425	-	-	1	164,426
Fund Balance—July 1	2,435,141	-	\$ 174,408	1	2,609,550
Fund Balance—June 30	\$ 2,599,566	-	\$ 174,408	\$ 2	\$ 2,773,976

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 164,426

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

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

Depreciation Expense	\$ (317,593)	
Capital Outlays	<u>115,204</u>	(202,389)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 565,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which the prior year's amount of interest accrual exceeds the current year's amount. 6,652

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This amount is the amount by which the current year's compensated absence payments exceed the current year's amount earned. (1,569)

Change in Net Position of Governmental Activities \$ 532,120

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

June 30, 2013

		Business-Type Activities - Enterprise Funds	
		Food Service	Totals
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$	22,736	\$ 22,736
Accounts Receivable		1,213	1,213
Interfund Receivables		8,657	8,657
Inventories		1,745	1,745
Total Current Assets		<u>34,351</u>	<u>34,351</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment		79,400	79,400
Less Accumulated Depreciation		(63,704)	(63,704)
Total Noncurrent Assets		<u>15,696</u>	<u>15,696</u>
		<u>50,047</u>	<u>50,047</u>
LIABILITIES			
Current liabilities:			
Deferred Revenue		1,018	1,018
Total Current Liabilities		<u>1,018</u>	<u>1,018</u>
		<u>1,018</u>	<u>1,018</u>
NET POSITION			
Invested in Capital Assets Net of Related Debt		15,696	15,696
Unrestricted		33,333	33,333
Total Net Position	\$	<u>49,029</u>	<u>\$ 49,029</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Fund		
	Food Service	Shared Services	Total Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable/Non-Reimb. Programs	\$ 51,323		\$ 51,323
Miscellaneous		\$ 204,249	204,249
Interest Income	15		15
Total Operating Revenues	<u>51,338</u>	<u>204,249</u>	<u>255,587</u>
Operating Expenses:			
Cost of Sales	46,843		46,843
Salaries	21,461	199,256	220,717
Employee Benefits	6,013	4,993	11,006
Other Purchased Professional Services	15,803		15,803
Depreciation	4,393		4,393
Total Operating Expenses	<u>94,513</u>	<u>204,249</u>	<u>298,762</u>
Operating Income (Loss)	<u>(43,175)</u>		<u>(43,175)</u>
Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	1,222		1,222
Federal Sources:			
National School Lunch Program	32,825		32,825
Food Distribution Program	6,728		6,728
Total Nonoperating Revenues (Expenses)	<u>40,775</u>		<u>40,775</u>
Income (Loss)	<u>(2,400)</u>		<u>(2,400)</u>
Change in Net Position	<u>(2,400)</u>		<u>(2,400)</u>
Total Net Position—Beginning (As Restated)	51,429		51,429
Total Net Position—Ending	<u>\$ 49,029</u>	-	<u>\$ 49,029</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2013

Business-Type Activities -
Enterprise Funds

	<u>Food Service</u>	<u>Shared Services</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 51,338	\$ 204,249	\$ 255,587
Payments to Employees	(21,461)	(204,249)	(225,710)
Payments for Employee Benefits	(6,013)		(6,013)
Payments to Suppliers	(56,053)		(56,053)
Net Cash Provided by (used for) Operating Activities	<u>(32,189)</u>	-	<u>(32,189)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Local Sources			-
State Sources	1,194		1,194
Federal Sources	31,953		31,953
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>33,147</u>	-	<u>33,147</u>
Net Increase (Decrease) in Cash and Cash Equivalents	958	-	958
Balances—Beginning of Year	21,778	-	21,778
Balances—End of Year	<u>\$ 22,736</u>	-	<u>\$ 22,736</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating Income (Loss)	\$ (43,175)	-	\$ (43,175)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	4,393		4,393
Federal Commodities	6,728		6,728
(Increase) Decrease in Accounts Receivable, Net			
(Increase) Decrease in Inventories	(135)		(135)
Increase (Decrease) in Accounts Payable			
Total Adjustments	<u>10,986</u>		<u>10,986</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (32,189)</u>	-	<u>\$ (32,189)</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Exhibit B-7

June 30, 2013

		Agency Fund
ASSETS		
Cash and Cash Equivalents		\$ 116,104
	Total Assets	<u>116,104</u>
LIABILITIES		
Payroll Deductions and Withholding		\$ 85,149
Payable to Student Groups		<u>30,955</u>
	Total Liabilities	<u>\$ 116,104</u>
NET POSITION		

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

Notes to Financial Statements

POHATCONG TOWNSHIP
SCHOOL DISTRICT

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities. The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2012.

A. Reporting Entity:

The Pohatcong Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Pohatcong Township School District had an approximate enrollment at June 30, 2013, of 353 students.

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

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Basis of Accounting

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

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

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave with the District's personnel policies. Upon termination, employees are paid 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.

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

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Position:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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.

The Board has no policy regarding custodial risk for deposits.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2013, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

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

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	\$2,191,852	\$116,104	\$2,307,956
Checking Accounts-Emergency Reserve	250,000		250,000
Checking Accounts-Capital Reserve	272,907		272,907
	<u>\$2,714,759</u>	<u>\$116,104</u>	<u>\$2,830,863</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2013, was \$2,830,863 and the bank balance was \$3,264,691. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$3,014,691 was covered by collateral pool.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3: RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants and aid. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$12,805	\$12,846
Federal Aid	81,914	83,086
Other Receivables	296	296
Gross Receivable	\$95,015	96,228
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$95,015	96,228

NOTE 4: INVENTORY

Inventory in the Food Service Fund at June 30, 2013, consisted of the following:

Food	\$ <u>1,745</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 956,030			\$ 956,030
Buildings and Building Improvements	8,947,600			8,947,600
Machinery and Equipment	442,663	\$ 115,204		557,867
Total at Historical Cost	10,346,293	115,204	-	10,461,497
Less Accumulated Depreciation for:				
Land Improvements	(353,903)	\$ (26,215)		(380,118)
Building and Improvements	(2,325,502)	(226,191)		(2,551,693)
Equipment	(216,158)	(65,187)		(281,345)
Total Accumulated Depreciation	(2,895,563)	(317,593)		(3,213,156)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	7,450,730	(202,389)	-	7,248,341
Government Activity Capital Assets, Net	\$ 7,450,730	\$ (202,389)	\$ -	\$ 7,248,341

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 215,963
Support - Students	28,583
General Administration	15,880
School Administration	9,528
Business Administration	6,352
Plant and Operations	41,287
Total	\$ 317,593

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7: LONG-TERM OBLIGATIONS

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.

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2013, are as follows:

	Balance			Balance	Amounts
	<u>7/1/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/13</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$9,660,000		(\$565,000)	\$9,095,000	\$610,000
Other Liabilities:					
Retirement Obligations Payable	22,160	\$1,280		23,440	
Compensated Absences Payable	14,436	289		14,725	
Total	\$9,696,596	\$1,569	(\$565,000)	\$9,133,165	\$610,000

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

On September 3, 2009, \$1,545,000 in School Bonds were issued to advance refund a portion (\$1,530,000) of the 1996 School Bonds. The balance outstanding on the refunded 1996 School Bonds was -0- at June 30, 2013.

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

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

For the year ended June 30, 2013, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			
	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>Balance</u> <u>6/30/13</u>
Bonds Payable	4/30/98	4.4%-5.25%	7/15/2026	<u>\$ 9,095,000</u>
Total Bonds				<u>\$ 9,095,000</u>

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2013, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 610,000	\$ 446,260	\$ 1,056,260
2015	635,000	416,069	1,051,069
2016	640,000	385,070	1,025,070
2017	635,000	353,991	988,991
2018	655,000	322,548	977,548
Thereafter	<u>5,920,000</u>	<u>1,405,055</u>	<u>7,325,055</u>
	<u>\$ 9,095,000</u>	<u>\$ 3,328,993</u>	<u>\$12,423,993</u>

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8: PENSION PLANS

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

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

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

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8: PENSION PLANS (Continued)

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

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

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2013	\$47,134	100%	-0-
6/30/2012	\$45,594	100%	-0-
6/30/2011	\$41,134	100%	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2013	\$344,745	100%	-0-
6/30/2012	\$151,462	100%	-0-
6/30/2011	\$160,155	100%	-0-

During the fiscal year ended June 30, 2013, the State of New Jersey did contribute \$344,745 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$171,178 during the year ended June 30, 2013, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the District-wide financial statements, and the fund-based statements and schedules as revenues and expenditures in accordance with GASB Statement No.24.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2012 there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide any post-employment benefits other than pension.

NOTE 10: DEFERRED COMPENSATION

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

Siracusa - SBP Sun National
John Hancock Signature Services
Lincoln National Life

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11: COMPENSATED ABSENCES

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of retirement within the state pension plan, an employee is reimbursed for accumulated vacation and/or unused sick days. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial employment. The balance at June 30, 2013 is \$14,436.

In addition, full time teachers are granted retirement compensation according to their contract of \$200 per year of full time service if they retire with more than 25 years of service. The liability and the balance remaining at June 30, 2013, is \$23,440.

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

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

NOTE 12: RISK MANAGEMENT

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

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

Joint Insurance Fund - The District participates in the School Alliance Insurance Fund (SAIF) comprised of state-wide boards of education. It was formed July 1, 1996 under the provisions of NJSA 18A:18B-1 et. seq. The group offers its member districts worker's compensation and employer's liability, automobile and equipment liability, general liability and property damage, school board legal liability, and boiler and machinery coverage.

The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies. No contingency or provision has been made in these financial statements, as no deficiencies occurred as of June 30, 2013 for the joint insurance pool. The coverage in this program is shown on exhibit J-20.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

ARBITRAGE REBATE

As part of a major school building program, bonded debt was issued in excess of limits that could require payment of arbitrage rebates as required under applicable provisions of the Internal Revenue Code. Arbitrage reporting and tracking is maintained by the District and estimated future value of such liability, if any, will be determined at completion of the capital project.

LITIGATION

The Board is not involved in claims and lawsuits incidental to its operations, except for a dispute regarding sewer and water billings by the Borough of Alpha. The amount of the potential dispute and the board's liability are unknown at this time.

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$2,599,566 General Fund fund balance at June 30, 2013, \$828,078 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 \$274,540 of the total reserve for excess surplus will be appropriated and included as anticipated revenue for the year ending June 30, 2014); \$250,000 is reserved in the Emergency Reserve Account; \$272,907 is reserved in the Capital Reserve Account; \$1,166,801 is reserved for encumbrances; and \$81,780 is unreserved and undesignated.

Debt Service Fund - The \$2 Debt Service fund balance at June 30, 2013 is anticipated to be included as anticipated revenue for subsequent fiscal years.

NOTE 15: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2013 is \$553,538.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 16: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Pohatcong Township School District Board of Education by inclusion of \$1. on October 16, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

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

Beginning Balance, July 1, 2012	\$ 1,122,094
Interest Earnings	813
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/2013	150,000
Total Withdrawals (Budgeted)	<u>(1,000,000)</u>
Ending Balance, June 30, 2013	<u><u>\$ 272,907</u></u>

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

The amount of \$8,657 interfund receivable in the Food Service Fund represents state and federal lunch reimbursements received in the general fund and not yet transferred to the food service fund.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 5,055,602		\$ 5,055,602	\$ 5,055,602	
Transportation	40,000		40,000		\$ (40,000)
Interest on Capital Reserve	50		50	812	762
Miscellaneous	12,000		12,000	36,565	24,565
Total - Local Sources	5,107,652		5,107,652	5,092,979	(14,673)
State Sources:					
Equalization Aid	1,432,615		1,432,615	1,432,615	
Transportation Aid	36,735		36,735	36,735	
Special Education Aid	264,975		264,975	264,975	
Security Aid	33,173		33,173	33,173	
Other State Aid				5,696	5,696
TPAF Pension and PRM (On-Behalf - Non-Budgeted)				344,745	344,745
TPAF Social Security (Reimbursed - Non-Budgeted)				171,178	171,178
Total State Sources	1,767,498		1,767,498	2,289,117	521,619
TOTAL REVENUES	6,875,150		6,875,150	7,382,096	506,946

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	80,252		80,252	77,630	2,622
Grades 1-5 - Salaries of Teachers	877,724		877,724	841,435	36,289
Grades 6-8 - Salaries of Teachers	434,563		434,563	416,363	18,200
Regular Programs - Home Instruction:					
Salaries of Teachers	10,878		10,878	8,676	2,202
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	72,394		72,394	65,522	6,872
Purchased Professional-Educational Services	43,225	24,309	67,534	62,179	5,355
Other Purchased Services (400-500 series)	21,100	3,222	24,322	13,245	11,077
General Supplies	80,050	94,230	174,280	116,739	57,541
Textbooks	110,000	(54,009)	55,991	31,096	24,895
Other Objects	7,500		7,500	660	6,840
Employee Benefits	480,579	(6,219)	474,360	291,493	182,867
Tuition Reimbursement	7,500		7,500	2,460	5,040
TOTAL REGULAR PROGRAMS - INSTRUCTION	2,225,765	61,533	2,287,298	1,927,498	359,800
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	382,525	(2,521)	380,004	379,917	87
Other Salaries for Instruction	16,200		16,200	15,420	780
General Supplies	2,500	454	2,954	2,646	308
Textbooks	500	(217)	283		283
Other Objects	500		500		500
Employee Benefits	142,954	2,500	145,454	142,954	2,500
Total Resource Room/Resource Center	545,179	216	545,395	540,937	4,458
TOTAL SPECIAL EDUCATION - INSTRUCTION	545,179	216	545,395	540,937	4,458

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction					
Salaries of Teachers	146,112		146,112	143,333	2,779
Other Salaries for Instruction	83,909		83,909	64,538	19,371
General Supplies	1,500		1,500	1,379	121
Employee Benefits	42,821		42,821	42,821	
Total Basic Skills/Remedial - Instruction	<u>274,342</u>		<u>274,342</u>	<u>252,071</u>	<u>22,271</u>
School Sponsored Co/Extra Curricular Activities-Instruction:					
Salaries	10,064		10,064	6,540	3,524
General Supplies	800		800		800
Total School Sponsored Co/Extra Curricular Activities-Instr.	<u>10,864</u>		<u>10,864</u>	<u>6,540</u>	<u>4,324</u>
TOTAL INSTRUCTION	3,056,150	61,749	3,117,899	2,727,046	390,853
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,579,200		1,579,200	1,579,200	
Tuition to Other LEAs Within the State-Special	110,625	(968)	109,657	59,082	50,575
Tuition to County Voc. School Dist. - Regular	5,946		5,946	5,946	
Tuition to County Voc. School Dist. - Special	16,575		16,575	16,575	
Tuition to CSSD & Regional Day Schools	82,400		82,400	16,310	66,090
Tuition to Private Schools for the Disabled-Within State	137,674		137,674	32,621	105,053
Total Instruction	<u>1,932,420</u>	<u>(968)</u>	<u>1,931,452</u>	<u>1,709,734</u>	<u>221,718</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	82,860		82,860	80,435	2,425
Employee Benefits	19,103		19,103	19,103	
Purchased Professional and Technical Services	4,400	2,600	7,000	7,000	
Supplies and Materials	1,500		1,500	1,426	74
Other Objects	615		615	354	261
Total Health Services	108,478	2,600	111,078	108,318	2,760
Other Supp. Services Students-Related Services:					
Salaries	48,850		48,850	47,483	1,367
Purchased Professional - Educational Services	106,250	(4,880)	101,370	78,139	23,231
Supplies and Materials	500	214	714	682	32
Total Other Supp. Services Students-Related Services	155,600	(4,666)	150,934	126,304	24,630
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	130,311		130,311	129,845	466
Salaries of Secretarial and Clerical Assistants	28,356		28,356	27,265	1,091
Employee Benefits	71,800		71,800	71,800	
Purchased Professional - Educational Services	1,000	1,217	2,217	1,198	1,019
Supplies and Materials	2,600	783	3,383	3,351	32
Other Objects	500	66	566	194	372
Total Other Supp. Services Students-Special	234,567	2,066	236,633	233,653	2,980

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services:					
Other Salaries	12,664	270	12,934	12,934	
Employee Benefits	4,000		4,000	4,000	
Purchased Professional - Educational Services	2,000	(324)	1,676	600	1,076
Supplies and Materials	1,000	54	1,054	1,027	27
Total Improvement of Instruction Services	19,664		19,664	18,561	1,103
Educational Media Services/School Library:					
Salaries	76,869		76,869	74,311	2,558
Employee Benefits	23,718		23,718	23,718	
Purchased Professional and Technical Services	3,350		3,350	2,188	1,162
Supplies and Materials	4,000		4,000		4,000
Total Educational Media Services/School Library	107,937		107,937	100,217	7,720
Instructional Staff Training Services:					
Purchased Professional - Educational Services	1,000		1,000	116	884
Other Purchased Services (400-500 series)	41,000	(4,889)	36,111	12,602	23,509
Supplies and Materials	500		500		500
Total Instructional Staff Training Services	42,500	(4,889)	37,611	12,718	24,893
Supp. Services - General Administration:					
Salaries	174,689	(1,395)	173,294	173,294	
Employee Benefits	47,435		47,435	47,435	
Legal Services	25,000	12,785	37,785	37,785	
Audit Fees	9,600	(42)	9,558	9,558	
Other Purchased Professional Services	12,500	(5,859)	6,641	6,641	
Communications/Telephone	7,200	4,877	12,077	9,577	2,500
BOE Other Purchased Services	4,000	(375)	3,625	3,625	
Other Purchased Services (400-500)	19,506	(3,484)	16,022	16,022	
General Supplies	2,700	161	2,861	2,668	193
BOE Membership Dues and Fees	7,600	1,386	8,986	8,986	
Total Supp. Services - General Administration	310,230	8,054	318,284	315,591	2,693

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	63,320	2,899	66,219	66,219	
Salaries of Secretarial and Clerical Assistants	31,022	(404)	30,618	30,618	
Employee Benefits	43,435		43,435	43,435	
Supplies and Materials	2,500	(1,209)	1,291	1,242	49
Other Objects	900	(16)	884	884	
Total Support Services - School Administration	141,177	1,270	142,447	142,398	49
Central Services:					
Salaries	19,404		19,404	19,404	
Employee Benefits	23,718		23,718	23,718	
Purchased Technical Services	3,790	(400)	3,390	3,390	
Supplies and Materials	1,000	(304)	696	696	
Other Objects	1,735	(501)	1,234	1,234	
Total Central Services	49,647	(1,205)	48,442	48,442	
Required Maintenance for School Facilities:					
Salaries	57,302	(2,061)	55,241	55,241	
Cleaning, Repair and Maintenance Services	61,500	90,393	151,893	116,910	34,983
General Supplies	5,750	(4,812)	938	938	
Total Required Maintenance for School Facilities	124,552	83,520	208,072	173,089	34,983
Other Operations and Maintenance of Plant:					
Salaries	122,899	(6,632)	116,267	108,767	7,500
Employee Benefits	57,310		57,310	57,310	
Cleaning, Repair and Maintenance Services	23,500	45,093	68,593	30,178	38,415
Other Purchased Property Services	5,000	5,600	10,600	9,756	844
Insurance	26,260	1,845	28,105	28,105	
Miscellaneous Purchased Services	1,500	(930)	570	175	395
General Supplies	24,000	6,552	30,552	13,203	17,349
Energy (Natural Gas)	70,000	(17,119)	52,881	34,980	17,901
Energy (Electricity)	150,000	(50,511)	99,489	76,756	22,733
Gasoline	2,000	105	2,105	1,224	881
Other Objects	1,000		1,000		1,000
Total Other Operations and Maintenance of Plant	483,469	(15,997)	467,472	360,454	107,018

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Sal. For Pupil Transp. (Bet Home & Sch) - Reg.	9,554		9,554	9,187	367
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	8,100		8,100	4,420	3,680
Contracted Services (Between Home and School)-Vendors	270,562		270,562	222,229	48,333
Contracted Services (Other than Bet.Home & School)-Vendors	5,000		5,000	4,491	509
Contracted Services (Between Home and School)-Joint Agrmts.	6,500		6,500		6,500
Contracted Services (Special Education Students)-Vendors	85,000		85,000	59,720	25,280
Contracted Services (Reg. Students)-ESCs & CTSA's	7,500		7,500	5,320	2,180
Total Student Transportation Services	392,216		392,216	305,367	86,849
UNALLOCATED BENEFITS					
Social Security Contributions	57,500	850	58,350	58,350	
Other Retirement Contributions-Regular	51,835	(1,559)	50,276	47,134	3,142
Unemployment Compensation	11,000	709	11,709	11,709	
Workmen's Compensation	25,694		25,694	25,694	
Other Benefits		3,219	3,219	2,508	711
TOTAL UNALLOCATED BENEFITS	146,029	3,219	149,248	145,395	3,853

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension and PRM Contrib. (non-budgeted)				344,745	(344,745)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				171,178	(171,178)
TOTAL ON-BEHALF CONTRIBUTIONS				515,923	(515,923)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	146,029	3,219	149,248	661,318	(512,070)
TOTAL UNDISTRIBUTED EXPENDITURES	4,248,486	73,004	4,321,490	4,316,164	5,326
TOTAL GENERAL CURRENT EXPENSE	7,304,636	134,753	7,439,389	7,043,210	396,179
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures-Instructional Equipment-Grade 1-5		31,839	31,839	31,751	88
Undistributed Expenditures-Instructional Equipment-Grade 6-8		20,096	20,096	20,079	17
Undistributed Expenditures-Support Services General Admin.		25,543	25,543	25,543	
Total Equipment		77,478	77,478	77,373	105
Facilities Acquisition and Construction:					
Other Purchased and Technical Services		150,000	150,000	37,831	112,169
Construction Services	1,000,000	(150,000)	850,000		850,000
Other Objects	1,960		1,960	1,960	
Total Facilities Acquisition and Construction	1,001,960		1,001,960	39,791	962,169
TOTAL CAPITAL OUTLAY	1,001,960	77,478	1,079,438	117,164	962,274
Transfer to Charter School	48,933	968	49,901	49,901	
TOTAL EXPENDITURES	8,355,529	213,199	8,568,728	7,210,275	1,358,453

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,480,379)	(213,199)	(1,693,578)	171,821	1,865,399
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(1,480,379)	(213,199)	(1,693,578)	171,821	1,865,399
Fund Balance, July 1	2,600,467		2,600,467	2,600,467	
Fund Balance, June 30	\$ 1,120,088	\$ (213,199)	\$ 906,889	\$ 2,772,288	\$ 1,865,399
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 272,907	
Emergency Reserve				250,000	
Excess Surplus				553,538	
Excess Surplus - Designated for Subsequent Year's Expenditures				274,540	
Assigned to:					
Year-End Encumbrances				1,166,801	
Unassigned:					
Unrestricted Fund Balance				<u>254,502</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				\$ 2,772,288	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>(172,722)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 2,599,566</u>	

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Federal Sources	\$ 147,566	\$ 22,700	\$ 170,266	\$ 167,196	\$ (3,070)
Total Revenues	147,566	22,700	170,266	167,196	(3,070)
EXPENDITURES:					
Instruction					
Other Salaries	25,400		25,400	25,400	
Tuition	95,992	19,490	115,482	115,482	
Total Instruction	121,392	19,490	140,882	140,882	
Support Services					
Purchased Prof. Educ. Serv.	24,174		24,174	22,314	1,860
Other Purchased and Prof. Services		3,210	3,210	2,000	1,210
General Supplies	2,000		2,000	2,000	
Total Support Services	26,174	3,210	29,384	26,314	3,070
Total Expenditures	147,566	22,700	170,266	167,196	3,070
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

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

For the Fiscal Year Ended June 30, 2013

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,382,096	\$ 167,196
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	4,830
Current Year	N/A	-
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	165,326	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(172,722)</u>	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 7,374,700</u>	<u>\$ 172,026</u>
 Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 7,210,275	\$ 167,196
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	4,830
Current Year	N/A	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>N/A</u>	<u>N/A</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 7,210,275</u>	<u>\$ 172,026</u>

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2013

	Title I	Title I I Part A	IDEA Basic	IDEA Preschool	Race to The Top	Totals
REVENUES						
Federal Sources	\$ 37,935	\$ 11,779	\$ 112,381	\$ 3,101	\$ 2,000	167,196
TOTAL REVENUES	37,935	11,779	112,381	3,101	2,000	167,196
EXPENDITURES:						
Instruction:						
Other Salaries	25,400					25,400
Tuition			112,381	3,101		115,482
Total Instruction	25,400	-	112,381	3,101	-	140,882
Support Services:						
Purchased Prof. Educ. Serv.	12,535	9,779				22,314
Other Purchased and Prof. Services					2,000	2,000
General Supplies		2,000				2,000
Total Support Services	12,535	11,779	-	-	2,000	26,314
TOTAL EXPENDITURES	\$ 37,935	\$ 11,779	\$ 112,381	\$ 3,101	\$ 2,000	\$ 167,196
Total Outflows	\$ 37,935	\$ 11,779	\$ 112,381	\$ 3,101	\$ 2,000	\$ 167,196
Excess (Deficiency) of Revenues Over (Under) Expenditures						

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2013

	<u>Date</u>	<u>Original</u>	<u>Revised</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2013</u>
		<u>Appropriations</u>	<u>Appropriations</u>	<u>Prior Years</u>	<u>Current Year</u>	
Field Stabilization Project						
Board of Education	8/7/09	\$ 570,508	\$ 435,948			
State of New Jersey - SDA	8/7/09	380,338	180,860	\$ 442,400	\$ -	\$ 174,408
Totals		<u>\$ 950,846</u>	<u>\$ 616,808</u>	<u>\$ 442,400</u>	<u>\$ -</u>	<u>\$ 174,408</u>
				Fund Balance, June 30, 2013		<u>\$ 174,408</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2013

Revenues and Other Financing

Sources

State Sources - SDA Grant	-
Transfer from capital reserve	-
Transfer from capital outlay	-
Total Revenues	<u>-</u>

Expenditures and Other Financing

Uses

Construction Services	-
Total Expenditures	<u>-</u>

Excess(deficiency) of revenues over(under)
expenditures

-

Fund Balance - Beginning

\$ 174,408

Fund Balance - Ending

\$ 174,408

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS - BUDGETARY BASIS -
FIELD STABILIZATION PROJECT

From Inception and for the Fiscal Year Ended June 30, 2013

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
Revenues and Other Financing Sources				
State Sources - SDA Grant	\$ 180,860		\$ 180,860	\$ 180,860
Transfer from capital reserve	265,440		265,440	265,440
Transfer from capital outlay	170,508		170,508	170,508
Total Revenues	<u>616,808</u>	-	<u>616,808</u>	<u>616,808</u>
Expenditures and Other Financing Sources				
Construction services	442,400		\$ 442,400	\$ 442,400
Total Expenditures	<u>442,400</u>	-	<u>442,400</u>	<u>442,400</u>
Excess(deficiency) of revenues over(under) expenditures	<u>174,408</u>	\$ -	<u>\$ 174,408</u>	<u>\$ 174,408</u>

Additional project information:

Project number	SP#4200-040-09-0ZGI			
Grant Date	8/7/09			
Bond Authorization Date	N/A	Project Fund Balance, 6/30/2013	<u>\$ 174,408</u>	
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$950,846			
Additional Authorized Cost	(\$508,446)			
Revised Authorized Cost	\$442,400			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completion	100%			
Original Target Completion Date	6/30/2011			
Revised Target Completion Date	6/30/2011			

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

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

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

Shared Services Fund - This fund provides for the expense and related reimbursement of the shared School Business Administrator with Aplha Borough School District.

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

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

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

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

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

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
ASSETS:			
Cash and Cash Equivalents	<u>\$30,955</u>	<u>\$85,149</u>	<u>\$116,104</u>
TOTAL ASSETS	<u>\$30,955</u>	<u>\$85,149</u>	<u>\$116,104</u>
LIABILITIES:			
Liabilities:			
Payroll Deductions & Withholdings		\$85,149	\$85,149
Payable to Student Groups	<u>\$30,955</u>		<u>30,955</u>
Total Liabilities	<u>\$30,955</u>	<u>\$85,149</u>	<u>\$116,104</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$30,955</u>	<u>\$85,149</u>	<u>\$116,104</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>ACTIVITY</u>	<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>
Pohatcong Elementary School	\$ 44,072	\$ 39,404	\$ 52,521	\$ 30,955
TOTALS	\$ 44,072	\$ 39,404	\$ 52,521	\$ 30,955

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
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	\$ 95,379	\$ 3,503,038	\$ 3,513,268	\$ 85,149
Total Assets	<u>\$ 95,379</u>	<u>\$ 3,503,038</u>	<u>\$ 3,513,268</u>	<u>\$ 85,149</u>
LIABILITIES:				
Payroll Deductions & Withholdings		\$ 1,478,014	\$ 1,478,014	-
Accrued Salaries & Wages		1,924,774	1,924,774	-
Summer Pay Plan	91,479	100,246	110,480	\$ 81,245
Imprest Balance	3,900	4		3,904
Total Liabilities	<u>\$ 95,379</u>	<u>\$ 3,503,038</u>	<u>\$ 3,513,268</u>	<u>\$ 85,149</u>

LONG-TERM DEBT SCHEDULES

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2013**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2012</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2013</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Refunding Bonds	9/3/09	\$1,545,000				\$ 520,000	\$ 520,000	-
Construction of School	4/30/98	9,690,000	7/15/2013	\$ 610,000	4.850%	9,140,000	45,000	\$ 9,095,000
			7/15/2014	635,000	4.850%			
			7/15/2015	640,000	4.875%			
			7/15/2016	635,000	4.875%			
			7/15/2017	655,000	4.875%			
			7/15/2018	650,000	5.000%			
			7/15/2019	645,000	5.000%			
			7/15/2020	640,000	5.200%			
			7/15/2021	660,000	5.200%			
			7/15/2022	660,000	5.200%			
			7/15/2023	655,000	5.250%			
			7/15/2024	650,000	5.250%			
			7/15/2025	670,000	5.250%			
			7/15/2026	690,000	5.250%			
Total						<u>\$ 9,660,000</u>	<u>\$ 565,000</u>	<u>\$ 9,095,000</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 862,756		\$ 862,756	\$ 862,756	
	862,756	-	862,756	862,756	
State Sources:					
Debt Service Aid Type II	170,555		170,555	170,555	
Total - State Sources	170,555		170,555	170,555	
TOTAL REVENUES	\$ 1,033,311	-	\$ 1,033,311	\$ 1,033,311	
EXPENDITURES:					
Regular Debt Service:					
Interest	\$ 468,310		\$ 468,310	\$ 468,310	
Redemption of Principal	565,000		565,000	565,000	
Total Regular Debt Service	1,033,310		1,033,310	1,033,310	
TOTAL EXPENDITURES	\$ 1,033,310		\$ 1,033,310	\$ 1,033,310	
Fund Balance, July 1	\$ 1		\$ 1	\$ 1	
Fund Balance, June 30	2		2	\$ 2	
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance					

Pohatcong Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	58-63
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	64-67
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	68-71
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	72-73
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	74-78

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.

**Pohatcong Township School District
Net Position by Component,
Last Ten Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	<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>
Governmental activities										
Invested in capital assets, net of related debt	\$ (3,635,136)	\$ (3,581,369)	\$ (3,506,892)	\$ (3,270,912)	\$ (3,899,011)	\$ (3,654,936)	\$ (2,956,995)	\$ (2,594,840)	\$ (2,209,270)	\$ (1,846,659)
Restricted	531,451	823,422	598,600	480,892	1,200,503	1,629,903	1,384,318	1,777,777	2,127,063	1,350,985
Unrestricted	64,996	203,013	36,966	(6,269)	(203,363)	(137,778)	391,502	274,442	227,923	1,173,510
Total governmental activities net position	<u>\$ (3,038,689)</u>	<u>\$ (2,554,934)</u>	<u>\$ (2,871,326)</u>	<u>\$ (2,796,289)</u>	<u>\$ (2,901,871)</u>	<u>\$ (2,162,811)</u>	<u>\$ (1,181,175)</u>	<u>\$ (542,621)</u>	<u>\$ 145,716</u>	<u>\$ 677,836</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 130,270	\$ 89,410	\$ 75,550	\$ 61,690	\$ 24,163	\$ 19,770	\$ 28,876	\$ 24,483	\$ 20,090	\$ 15,696
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	14,055	16,518	22,488	27,581	25,562	30,149	27,062	30,467	31,339	33,333
Total business-type activities net position	<u>\$ 144,325</u>	<u>\$ 105,928</u>	<u>\$ 98,038</u>	<u>\$ 89,271</u>	<u>\$ 49,725</u>	<u>\$ 49,919</u>	<u>\$ 55,938</u>	<u>\$ 54,950</u>	<u>\$ 51,429</u>	<u>\$ 49,029</u>
District-wide										
Invested in capital assets, net of related debt	\$ (3,504,866)	\$ (3,491,959)	\$ (3,431,342)	\$ (3,209,222)	\$ (3,874,848)	\$ (3,635,166)	\$ (2,928,119)	\$ (2,570,357)	\$ (2,189,180)	\$ (1,830,963)
Restricted	531,451	823,422	598,600	480,892	1,200,503	1,629,903	1,384,318	1,777,777	2,127,063	1,350,985
Unrestricted	79,051	219,531	59,454	21,312	(177,801)	(107,629)	418,564	304,909	259,262	1,206,843
Total district net position	<u>\$ (2,894,364)</u>	<u>\$ (2,449,006)</u>	<u>\$ (2,773,288)</u>	<u>\$ (2,707,018)</u>	<u>\$ (2,852,146)</u>	<u>\$ (2,112,892)</u>	<u>\$ (1,125,237)</u>	<u>\$ (487,671)</u>	<u>\$ 197,145</u>	<u>\$ 726,865</u>

Source: CAFR Schedule A-1

Pohatcong Township School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2004		2005		2006		2007		Fiscal Year Ending June 30,		2008		2009		2010		2011		2012		2013		
Expenses																							
Governmental activities																							
Instruction																							
Regular	\$ 2,073,576	\$ 2,101,641	\$ 2,112,985	\$ 2,541,060	\$ 2,628,409	\$ 2,414,801	\$ 2,677,124	\$ 2,493,506	\$ 2,573,524	\$ 2,620,573													
Special education	686,747	668,273	654,520	512,242	497,823	492,481	500,441	473,969	486,865	620,131													
Other special education	190,309	245,682	255,524	352,074	385,859	379,648	433,238	354,226	257,199	296,472													
Support Services:																							
Tuition	1,621,149	1,754,973	1,692,464	1,444,815	1,263,773	1,255,089	1,123,639	1,169,562	1,544,375	1,709,734													
Student & instruction related services	516,716	543,550	515,965	535,798	574,591	612,602	651,159	701,315	684,140	756,050													
General administrative services	351,956	272,030	470,070	475,095	448,775	415,177	400,373	394,905	417,900	442,818													
School administrative services	163,064	367,599	156,918	172,962	198,800	187,239	192,890	181,576	162,038	174,168													
Plant operations and maintenance	527,130	489,139	487,639	616,170	669,612	660,038	635,426	631,347	632,184	658,986													
Pupil transportation	314,902	373,295	349,295	358,918	385,228	439,086	357,050	337,236	364,951	305,367													
Other Support Services	114,275																						
Interest on long-term debt	691,748	678,555	662,469	635,085	612,844	587,595	525,936	498,740	476,770	463,618													
Total governmental activities expenses	<u>7,251,572</u>	<u>7,494,737</u>	<u>7,357,849</u>	<u>7,644,219</u>	<u>7,665,714</u>	<u>7,443,756</u>	<u>7,497,276</u>	<u>7,236,382</u>	<u>7,599,946</u>	<u>8,047,917</u>													
Business-type activities:																							
Food service	106,511	109,181	99,245	90,560	85,064	83,812	82,219	93,260	100,941	94,513													
Total business-type activities expense	<u>106,511</u>	<u>109,181</u>	<u>99,245</u>	<u>90,560</u>	<u>85,064</u>	<u>83,812</u>	<u>82,219</u>	<u>93,260</u>	<u>100,941</u>	<u>94,513</u>													
Total district expenses	<u>\$ 7,358,083</u>	<u>\$ 7,603,918</u>	<u>\$ 7,457,094</u>	<u>\$ 7,734,779</u>	<u>\$ 7,750,778</u>	<u>\$ 7,527,568</u>	<u>\$ 7,579,495</u>	<u>\$ 7,329,642</u>	<u>\$ 7,700,887</u>	<u>\$ 8,142,430</u>													
Program Revenues																							
Governmental activities:																							
Charges for services:																							
Transportation			30,911	30,867	30,936	31,831	34,054	37,541	41,461	-													
Operating grants and contributions	440,263	440,263	442,766	2,636,248	2,728,848	2,500,469	2,315,773	2,290,166	2,412,372	2,624,302													
Capital grants and contributions							380,338	(199,478)	-	-													
Total governmental activities program revenues	<u>440,263</u>	<u>440,263</u>	<u>473,677</u>	<u>2,667,115</u>	<u>2,759,784</u>	<u>2,532,300</u>	<u>2,730,165</u>	<u>2,128,229</u>	<u>2,453,833</u>	<u>2,624,302</u>													
Business-type activities:																							
Charges for services																							
Food service	69,574	70,856	60,681	52,689	47,271	48,634	46,500	52,002	53,498	51,323													
Operating grants and contributions	24,716	26,558	30,309	28,528	30,937	34,973	41,627	40,223	43,900	40,775													
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-													
Total business-type activities program revenues	<u>94,290</u>	<u>97,414</u>	<u>90,990</u>	<u>81,217</u>	<u>78,208</u>	<u>83,607</u>	<u>88,127</u>	<u>92,225</u>	<u>97,398</u>	<u>92,098</u>													
Total district program revenues	<u>\$ 534,553</u>	<u>\$ 537,677</u>	<u>\$ 564,667</u>	<u>\$ 2,748,332</u>	<u>\$ 2,837,992</u>	<u>\$ 2,615,907</u>	<u>\$ 2,818,292</u>	<u>\$ 2,220,454</u>	<u>\$ 2,551,231</u>	<u>\$ 2,716,400</u>													
Net (Expense)/Revenue																							
Governmental activities	\$ (6,811,309)	\$ (7,054,474)	\$ (6,884,172)	\$ (4,977,104)	\$ (4,905,930)	\$ (4,911,456)	\$ (4,767,111)	\$ (5,108,153)	\$ (5,146,113)	\$ (5,423,615)													
Business-type activities	(12,221)	(11,767)	(8,255)	(9,343)	(6,856)	(205)	5,908	(1,035)	(3,543)	(2,415)													
Total district-wide net expense	<u>\$ (6,823,530)</u>	<u>\$ (7,066,241)</u>	<u>\$ (6,892,427)</u>	<u>\$ (4,986,447)</u>	<u>\$ (4,912,786)</u>	<u>\$ (4,911,661)</u>	<u>\$ (4,761,203)</u>	<u>\$ (5,109,188)</u>	<u>\$ (5,149,656)</u>	<u>\$ (5,426,030)</u>													

Continued

Pohatcong Township School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2004		2005		2006		2007		Fiscal Year Ending June 30,		2008		2009		2010		2011		2012		2013			
General Revenues and Other Changes in Net Position																								
Governmental activities:																								
Property taxes levied for general purposes, ne	\$	3,899,664	\$	3,913,278	\$	4,269,582	\$	4,489,308	\$	4,700,242	\$	4,764,372	\$	4,859,947	\$	4,859,287	\$	4,956,473	\$	5,055,602	\$	5,055,602	\$	5,055,602
Taxes levied for debt service		687,641		717,379		744,081		732,648		687,338		633,394		656,561		873,733		854,009		862,756		862,756		862,756
Unrestricted grants and contributions		1,917,619		1,990,047		2,026,932		-		-		-		-		-		-		-		-		-
Investment earnings		12,148		28,466		42,542		66,801		53,829		32,353		10,276		4,162		2,543		2,067		2,067		2,067
Miscellaneous income		109,988		76,458		62,800		62,975		148,793		220,497		221,963		9,525		21,425		35,310		35,310		35,310
Transfers		-		(8,305)		-		-		-		-		-		-		-		-		-		-
Total governmental activities		<u>6,627,060</u>		<u>6,725,628</u>		<u>7,137,632</u>		<u>5,351,732</u>		<u>5,590,202</u>		<u>5,650,616</u>		<u>5,748,747</u>		<u>5,746,707</u>		<u>5,834,450</u>		<u>5,955,735</u>		<u>5,955,735</u>		<u>5,955,735</u>
Business-type activities:																								
Investment earnings		153		370		365		576		444		399		111		47		22		15		15		15
Total business-type activities		<u>153</u>		<u>370</u>		<u>365</u>		<u>576</u>		<u>444</u>		<u>399</u>		<u>111</u>		<u>47</u>		<u>22</u>		<u>15</u>		<u>15</u>		<u>15</u>
Total district-wide		<u>\$ 6,627,213</u>		<u>\$ 6,725,998</u>		<u>\$ 7,137,997</u>		<u>\$ 5,352,308</u>		<u>\$ 5,590,646</u>		<u>\$ 5,651,015</u>		<u>\$ 5,748,858</u>		<u>\$ 5,746,754</u>		<u>\$ 5,834,472</u>		<u>\$ 5,955,750</u>		<u>\$ 5,955,750</u>		<u>\$ 5,955,750</u>
Change in Net Position																								
Governmental activities	\$	(184,249)	\$	(328,846)	\$	253,460	\$	374,628	\$	684,272	\$	739,160	\$	981,636	\$	638,554	\$	688,337	\$	532,120	\$	532,120	\$	532,120
Business-type activities		(12,068)		(11,397)		(7,890)		(8,767)		(6,412)		194		6,019		(988)		(3,521)		(2,400)		(2,400)		(2,400)
Total district		<u>\$ (196,317)</u>		<u>\$ (340,243)</u>		<u>\$ 245,570</u>		<u>\$ 365,861</u>		<u>\$ 677,860</u>		<u>\$ 739,354</u>		<u>\$ 987,655</u>		<u>\$ 637,566</u>		<u>\$ 684,816</u>		<u>\$ 529,720</u>		<u>\$ 529,720</u>		<u>\$ 529,720</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

	2004		2005		2006		2007		Fiscal Year Ending June 30,		2008		2009		2010		2011		2012		2013		
General Fund																							
Reserved	\$	511,538	\$	192,515	\$	578,112	\$	766,033	\$	1,282,956	\$	1,740,619	\$	1,550,259	\$	2,018,610	\$	2,340,262	\$	2,517,786			
Unreserved		274,745		443,329		184,413		173,924		171,692		78,933		(38,054)		100,360		94,879		81,780			
Total general fund	\$	<u>786,283</u>	\$	<u>635,844</u>	\$	<u>762,525</u>	\$	<u>939,957</u>	\$	<u>1,454,648</u>	\$	<u>1,819,552</u>	\$	<u>1,512,205</u>	\$	<u>2,118,970</u>	\$	<u>2,435,141</u>	\$	<u>2,599,566</u>			
All Other Governmental Funds																							
Reserved																							-
Unreserved, reported in:																							
Special revenue fund	(406)		(406)		(406)		(406)		(406)		-		-		-		-		-		-		-
Capital projects fund	92,076		-		-		-		-		-		530,566		174,408		174,408		174,408		174,408		174,408
Debt service fund	5,414		1,736		1,216		-		-		-		28,156		28,156		1		1		2		2
Permanent fund	-		-		-		-		-		-		-		-		-		-		-		-
Total all other governmental funds	<u>97,084</u>		<u>1,330</u>		<u>810</u>		<u>(406)</u>		<u>(406)</u>		<u>-</u>		<u>558,722</u>		<u>202,564</u>		<u>174,409</u>		<u>174,410</u>		<u>174,410</u>		<u>174,410</u>

Source: CAFR Schedule B-1

**Pohatcong Township School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<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>
Revenues										
Tax levy	\$ 4,587,305	\$ 4,630,657	\$ 5,013,663	\$ 5,221,956	\$ 5,387,580	\$ 5,397,766	\$ 5,516,508	\$ 5,733,020	\$ 5,810,482	\$ 5,918,358
Transportation Charges		-	30,910	30,867	30,936	31,831	34,054	37,541	41,461	-
Interest on Investments	12,148	28,465	42,542	-	-	-	-	-	-	-
Miscellaneous	109,988	633,732	62,800	129,776	202,622	252,850	232,239	13,687	23,968	37,377
State sources	2,226,762	2,287,223	2,331,293	2,488,164	2,555,253	2,325,533	2,193,259	1,885,582	2,182,994	2,452,276
Federal sources	131,121	143,087	138,405	148,083	173,595	174,836	502,852	205,106	229,378	172,026
Total revenue	<u>7,067,324</u>	<u>7,723,164</u>	<u>7,619,613</u>	<u>8,018,846</u>	<u>8,349,986</u>	<u>8,182,816</u>	<u>8,478,912</u>	<u>7,874,936</u>	<u>8,288,283</u>	<u>8,580,037</u>
Expenditures										
Instruction										
Regular Instruction	1,254,432	1,286,914	1,697,342	1,971,428	2,108,053	2,168,085	2,295,880	2,073,276	2,120,733	2,068,380
Special education instruction	483,106	471,668	585,128	442,553	430,561	449,051	458,526	426,184	438,322	540,937
Other special instruction	122,617	165,055	220,603	304,175	333,725	346,168	396,952	318,514	231,555	258,611
Other instruction										-
Support Services:										
Tuition	1,621,149	1,754,973	1,692,464	1,444,815	1,263,773	1,255,089	1,123,639	1,169,562	1,544,375	1,709,734
Student & instruction related services	352,609	361,588	426,399	439,414	476,865	538,487	575,947	605,862	589,341	630,915
School Administrative services	90,982	97,155	139,240	141,601	165,243	164,030	169,843	149,521	137,020	142,398
General administrative services	246,752	246,668	296,982	392,190	372,513	362,937	350,760	341,343	355,555	364,033
Plant operations and maintenance	361,051	363,495	537,765	498,412	550,118	572,809	552,342	531,949	530,750	533,543
Pupil transportation	314,902	373,295	349,295	358,918	385,228	439,086	357,050	337,236	364,951	305,367
Unallocated employee benefits	1,102,901	1,197,462	530,868	695,539	717,913	430,573	459,874	485,216	477,438	661,318
Other Support Services	80,081	84,269								
Charter Schools			8,305	12,640	12,213	24,646	-	42,148	42,413	49,901
Capital outlay	80,878	72,988	41,592	161,981	10,995	32,320	452,650	102,625	111,257	117,164
Debt service:										
Principal	210,000	255,000	305,000	335,000	385,000	435,000	490,000	535,000	570,000	565,000
Interest and other charges	691,747	678,555	662,469	643,964	623,095	599,225	544,074	505,893	486,557	468,310
Total expenditures	<u>7,013,207</u>	<u>7,409,085</u>	<u>7,493,452</u>	<u>7,842,630</u>	<u>7,835,295</u>	<u>7,817,506</u>	<u>8,227,537</u>	<u>7,624,329</u>	<u>8,000,267</u>	<u>8,415,611</u>
Excess (Deficiency) of revenues over (under) expenditures	54,117	314,079	126,161	176,216	514,691	365,310	251,375	250,607	288,016	164,426
Other Financing Sources (uses)										
Capital Leases										
Proceeds of Refunding Bonds										
Payment to Refunded Bond Escrow										
Transfers in	71,728	93,292	-	-	-	-	570,508	134,560		
Transfers out	(71,728)	(93,292)	-	-	-	-	(570,508)	(134,560)		
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 54,117</u>	<u>\$ 314,079</u>	<u>\$ 126,161</u>	<u>\$ 176,216</u>	<u>\$ 514,691</u>	<u>\$ 365,310</u>	<u>\$ 251,375</u>	<u>\$ 250,607</u>	<u>\$ 288,016</u>	<u>\$ 164,426</u>
Debt service as a percentage of noncapital expenditures	13.0%	12.7%	13.0%	12.7%	12.9%	13.3%	13.3%	13.8%	13.4%	12.5%

Source: CAFR Schedule B-2

POHATCONG TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Escrow</u> <u>Transfer</u>	<u>Classroom</u> <u>Rental</u>	<u>Miscellaneous</u>	<u>Total</u>
2004	\$ 69,055	\$ 39,000		\$ 1,933	\$ 109,988
2005	19,300	30,000		27,158	76,458
2006	27,800	35,000			62,800
2007	59,079		\$ 7,650	325	67,054
2008	47,732		17,669	6,124	71,525
2009	21,168		17,952	2,545	41,665
2010	10,276		17,018	5,545	32,839
2011	4,161		8,198	884	13,243
2012	2,543		13,663	6,542	22,748
2013	2,067		10,930	24,380	37,377

SOURCE: District Records

* - GASB requires that ten years of statistical data be presented, however only statistical data for year's since the implementation of GASB#34 need be presented.

**Pohatcong Township School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2005	\$5,522,800	\$200,387,200	\$27,243,600	\$2,660,725	\$95,431,300	\$5,636,800	\$563,600	\$365,835,240	\$27,506,400	\$882,815	\$338,328,840	\$1.380	\$335,224,736
2006	5,290,800	202,748,700	26,929,200	2,571,800	95,142,800	5,636,800	399,300	367,256,800	27,750,100	787,300	339,506,700	1.480	379,482,983
2007	4,758,600	203,488,900	26,503,100	2,604,170	95,385,400	5,636,800	399,300	367,616,162	28,195,800	644,092	339,420,362	1.540	409,464,529
2008	6,702,800	203,357,900	27,282,400	2,566,920	91,385,400	5,636,800	399,300	366,515,167	28,535,500	648,147	337,979,667	1.596	460,802,224
2009	6,272,800	204,453,600	27,250,300	2,548,200	91,432,000	5,636,800	399,300	368,508,867	29,871,600	644,267	338,637,267	1.593	493,766,772
2010	4,514,700	205,278,700	28,111,200	2,533,800	99,136,600	5,452,300	399,300	376,103,380	29,937,300	739,480	346,166,080	1.594	472,460,083
2011	4,879,750	205,392,500	28,120,800	2,532,075	99,903,400	5,427,300	399,300	376,245,961	28,833,500	757,336	347,412,461	1.650	447,666,861
2012	4,432,600	205,114,700	28,232,200	2,530,225	100,816,000	5,427,300	399,300	376,450,589	28,857,500	640,764	347,593,089	1.672	415,658,275
2013	4,279,800	203,759,800	28,720,800	2,570,795	98,698,100	5,276,700	399,300	371,787,845	27,444,900	637,650	344,342,945	1.719	396,514,904

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Pohatcong Township School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Pohatcong Township School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt		Township	Warren County	
		Service ^b	Total Direct			
2005	\$1.170	\$0.210	\$1.380	\$0.690	\$0.660	\$2.730
2006	\$1.260	\$0.220	\$1.480	\$0.760	\$0.720	\$2.960
2007	\$1.270	\$0.270	\$1.540	\$0.810	\$0.760	\$3.110
2008	\$1.393	\$0.203	\$1.596	\$0.859	\$0.835	\$3.290
2009	\$1.406	\$0.187	\$1.593	\$0.970	\$0.887	\$3.450
2010	\$1.404	\$0.190	\$1.594	\$1.000	\$0.829	\$3.423
2011	\$1.399	\$0.251	\$1.650	\$1.056	\$0.790	\$3.496
2012	\$1.426	\$0.246	\$1.672	\$1.114	\$0.761	\$3.547
2013	\$1.468	\$0.251	\$1.719	\$1.115	\$0.778	\$3.612

Source: District Records and Municipal Tax Collector

Note:

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

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

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

**Pohatcong Township School District
Principal Property Tax Payers
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Crown America	\$ 39,860,400	1	11.79%	\$ 32,447,000	1	14.53%
National Realty Dev. Co. (Pohatcong Plaza)	31,984,300	2	9.46%			2.57%
Pohatcong Associates	4,318,850	3	1.28%	4,084,700	3	1.83%
Baer Associates	3,255,800	4	0.96%	3,361,300	4	1.51%
Columbia Gas Transmission Corp.	2,262,100	5	0.67%	1,838,100	5	0.82%
R & F Phillipsburg, LLC	1,641,300	6	0.49%	1,138,500	6	0.51%
Peter Kassis	1,468,500	7	0.43%			
Durling Realty, LLC	1,266,200	8	0.37%	554,200	7	0.25%
Peter P. Dennis Inc.	847,200	9	0.25%	754,700	8	0.34%
Quagmeyer Two LLC	705,000	10	0.21%			
Rodman & Vince Ryan				590,440	9	0.26%
Alba Vino Vineyards				440,400	10	0.20%
Total	\$ 87,609,650		25.91%	\$ 45,209,340		22.82%

Source: District CAFR & Municipal Tax Assessor

**Pohatcong Township School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	\$ 4,630,657	\$ 4,630,657	100.00%	-
2006	\$ 5,013,663	\$ 5,013,663	100.00%	-
2007	\$ 5,221,956	\$ 5,221,956	100.00%	-
2008	\$ 5,387,580	\$ 5,387,580	100.00%	-
2009	\$ 5,397,766	\$ 5,397,766	100.00%	-
2010	\$ 5,516,508	\$ 5,516,508	100.00%	-
2011	\$ 5,733,020	\$ 5,733,020	100.00%	-
2012	\$ 5,810,482	\$ 5,810,482	100.00%	-
2013	\$ 5,918,358	\$ 5,918,358	100.00%	-

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

Note:

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

**Pohatcong Township School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2004	\$ 13,955,000	-0-	-0-	-0-	-0-	\$ 13,955,000	11.52%	\$4,102.00	
2005	\$ 12,700,000	-0-	-0-	-0-	-0-	\$ 12,700,000	10.15%	\$3,749.63	
2006	\$ 12,395,000	-0-	-0-	-0-	-0-	\$ 12,395,000	9.31%	\$3,674.77	
2007	\$ 12,060,000	-0-	-0-	-0-	-0-	\$ 12,060,000	8.56%	\$3,585.02	
2008	\$ 11,675,000	-0-	-0-	-0-	-0-	\$ 11,675,000	7.97%	\$3,494.46	
2009	\$ 11,240,000	-0-	-0-	-0-	-0-	\$ 11,240,000	7.83%	\$3,373.35	
2010	\$ 10,765,000	-0-	-0-	-0-	-0-	\$ 10,765,000	7.34%	\$3,243.45	
2011	\$ 10,230,000	-0-	-0-	-0-	-0-	\$ 10,230,000	6.82%	\$3,064.71	
2012	\$ 9,660,000	-0-	-0-	-0-	-0-	\$ 9,660,000	6.46%	\$2,903.52	
2013	\$ 9,095,000	-0-	-0-	-0-	-0-	\$ 9,095,000	6.13%	\$2,753.56	

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

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

**Pohatcong Township School District
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2004	\$ 13,955,000	-0-	\$ 13,955,000	3.83%	\$ 4,102
2005	\$ 12,700,000	-0-	\$ 12,700,000	3.75%	\$ 3,750
2006	\$ 12,395,000	-0-	\$ 12,395,000	3.65%	\$ 3,675
2007	\$ 12,060,000	-0-	\$ 12,060,000	3.55%	\$ 3,585
2008	\$ 11,675,000	-0-	\$ 11,675,000	3.45%	\$ 3,494
2009	\$ 11,240,000	-0-	\$ 11,240,000	3.32%	\$ 3,373
2010	\$ 10,765,000	-0-	\$ 10,765,000	3.11%	\$ 3,243
2011	\$ 10,230,000	-0-	\$ 10,230,000	2.94%	\$ 3,243
2012	\$ 9,660,000	-0-	\$ 9,660,000	2.78%	\$ 2,904
2013	\$ 9,095,000	-0-	\$ 9,095,000	2.64%	\$ 2,754

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

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

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

* Current data unavailable

**Pohatcong Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2013**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Pohatcong Township	\$ 4,851,775	100.000%	\$ 4,851,775
Other debt Warren County	7,645,000	3.346%	<u>255,766</u>
Subtotal, overlapping debt			5,107,541
Pohatcong Township School District Direct Debt			<u>9,095,000</u>
Total direct and overlapping debt			<u><u>\$ 14,202,541</u></u>

Sources: Constituent Townships Finance Officers, Warren County Finance Office and Utility Authorities

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

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

**Pohatcong Township School District
Legal Debt Margin Information,
Last Ten Fiscal Years**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2013

	Equalized valuation basis
2010	\$ 412,635,549
2011	397,744,268
2012	377,656,626
[A]	\$ 1,188,036,443
Average equalized valuation of taxable property	[A/3] \$ 396,012,148
Debt limit (3 % of average equalization value)	[B] 11,880,364
Net bonded school debt	[C] 9,095,000
Legal debt margin	[B-C] <u>\$ 2,785,364</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>
Debt limit	\$9,067,747	\$10,022,154	\$12,982,449	\$12,419,715	\$13,565,363	\$14,091,536	\$13,923,109	\$13,150,663	\$12,535,185	\$11,880,364
Total net debt applicable to limit	<u>12,955,000</u>	<u>12,700,000</u>	<u>12,395,000</u>	<u>12,060,000</u>	<u>11,675,000</u>	<u>11,240,000</u>	<u>10,765,000</u>	<u>10,230,000</u>	<u>9,660,000</u>	<u>9,095,000</u>
Legal debt margin	<u>(\$3,887,253)</u>	<u>(\$2,677,846)</u>	<u>\$587,449</u>	<u>\$359,715</u>	<u>\$1,890,363</u>	<u>\$2,851,536</u>	<u>\$3,158,109</u>	<u>\$2,920,663</u>	<u>\$2,875,185</u>	<u>\$2,785,364</u>
Total net debt applicable to the limit as a percentage of debt limit	142.87%	126.72%	95.48%	97.10%	86.06%	79.76%	77.32%	77.79%	77.06%	76.55%

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

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

**Pohatcong Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2004	3,402	\$121,148,622	\$35,611 R	8.0%
2005	3,387	\$125,125,941	\$36,943 R	5.9%
2006	3,373	\$133,206,516	\$39,492 R	5.8%
2007	3,364	\$140,830,496	\$41,864 R	3.4%
2008	3,341	\$146,426,007	\$43,827 R	4.6%
2009	3,332	\$143,512,572	\$43,071 R	8.2%
2010	3,319	\$146,643,377	\$44,183 R	8.4%
2011	3,338	\$150,003,044	\$44,938 R	7.8%
2012	3,327	\$149,508,726	\$44,938 *	7.8%
2013	3,303	\$148,430,214	\$44,938 *	7.6%

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by NJ Dept of Labor

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

R =Revised

P =Projected

* Current figure unavailable

**Pohatcong Township School District
Principal Employers,
Current Year and Nine Years Ago**

Exhibit J-15

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
		N/A			N/A	
	<u>-</u>		<u>0.00%</u>	<u>-</u>		<u>0.00%</u>

Source:
Information not available at municipal or county level

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

Exhibit J-16

<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	21	20	20	21	21.4	22.6	23.5	24.2	24.2
Special education	5	5	6	6	7	7.6	7.6	6.0	6.0	6.0
Support Services:										
Student & instruction related services	11	14	13	13	13	13.0	13.0	13.0	12.4	12.4
General administrative services	2	2	2	2	2	2.0	2.0	2.0	2.0	2.0
School administrative services	2	2	2	2	2	2.0	2.0	2.0	2.0	2.0
Central services	1	1	1	1	1	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	3	3	3	3	3	3.0	3.0	3.5	3.5	3.5
Total	45	48	47	47	49	50.0	51.2	51.0	51.1	51.1

Source: District Personnel Records

Pohatcong Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2004	379	5,887,263	15,533	6.30%	45.00	8.4:1		353.0	353.0	-1.87%	96.00%
2005	377	6,244,600	16,564	6.20%	48.00	7.9:1		356.0	356.0	-3.50%	96.00%
2006	371	6,417,052	17,297	4.20%	47.00	7.9:1		351.0	351.0	-1.40%	100.00%
2007	378	6,701,685	17,729	2.50%	47.00	8.0:1		374.0	374.0	6.55%	100.00%
2008	370	6,816,205	18,422	3.91%	49.00	7.6:1		365.0	365.0	-2.41%	100.00%
2009	361	6,750,961	18,701	1.51%	50.00	7.2:1		360.0	344.0	-1.37%	95.56%
2010	349	6,740,813	19,315	3.28%	51.20	6.8:1		350.0	331.0	-2.78%	94.57%
2011	347	6,480,811	18,677	-3.30%	51.00	6.8:1		344.4	329.6	-1.60%	95.70%
2012	352	6,832,453	19,410	3.93%	51.00	6.9:1		351.3	335.9	2.00%	95.62%
2013	353	7,265,137	20,581	6.03%	51.10	6.9:1		348.8	331.4	-0.71%	95.01%

Sources: District records, ASSA and Schedules J-4.

Note: Enrollment based on annual October district count.

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

**Pohatcong Township School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<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>										
<u>Elementary</u>										
Pohatcong Elementary (1999)										
Square Feet	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074
Capacity (students)	731	731	731	731	731	731	731	731	731	731
Enrollment	379	377	371	380	370	361	349	347	352	353

Number of Schools at June 30, 2013 **Source:** District Facilities Office
 Elementary = 1

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

Pohatcong Township School District

**GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2013**

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</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>	<u>Total</u>
Pohatcong Township School	040	\$ 86,177	\$ 80,729	\$ 84,957	\$ 96,759	\$ 107,493	\$ 109,866	\$ 144,297	\$ 142,474	\$ 169,834	\$ 173,089	\$ 1,195,675
Grand Total		\$ 86,177	\$ 80,729	\$ 84,957	\$ 96,759	\$ 107,493	\$ 109,866	\$ 144,297	\$ 142,474	\$ 169,834	\$ 173,089	\$ 1,195,675

POHATCONG TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
June 30, 2013
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMMERCIAL PACKAGE POLICY - NJSBAIG		
Property-Blanket Building and Contents (fund limit)	\$ 500,000,000	\$ 1,000
Accounts Receivable	250,000	1,000
Builder's Risk	5,000,000	1,000
Fine Arts	1,000,000	1,000
LIABILITY - NJSBAIG		
Comprehensive General Liability	11,000,000	None
Automobile Liability	11,000,000	None
Employee Benefit Liability	11,000,000	None
SCHOOL BOARD LEGAL LIABILITY - NJSBAIG		
Limit of Liability	11,000,000	5,000
CRIME - NJSBAIG		
Blanket Employee Dishonesty	100,000	None
Forgery	50,000	None
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND-Selective Insurance Company		
Treasurer	175,000	
ENVIRONMENTAL SERVICE - NJSBAIG		
Pollution Liability	1,000,000	None

SOURCE: District Records

Single Audit Section



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

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

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Pohatcong Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pohatcong Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Pohatcong Township School District Board of Education's basic financial statements, and have issued our report thereon dated August 31, 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 entity'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.

-Continued-

Our consideration of 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.

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* or audit requirements as prescribed by the Office of School Finance, Department of Education,

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 results of that testing, and for New Jersey Department of Education use, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARDITO & Co., LLP

ARDITO & CO., LLP

August 31, 2013

Cynthia Corder

Licensed Public School Accountant No.2369



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

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

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Pohatcong Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

Report on Compliance for Each Major State Program

We have audited the Pohatcong Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2013. The Pohatcong Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether 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.

-Continued-

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 Pohatcong Township School District Board of Education 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 year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Pohatcong Township School District Board of Education 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 New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pohatcong Township School District Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *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 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 of that testing based on the requirements of New Jersey OMB Circular 04-04, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

ARDITO & Co., LLP

ARDITO & CO., LLP
August 31, 2013

Curtis Corder

Licensed Public School Accountant No.2369

Pohatcong Township School District

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ended June 30, 2013

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2012	WALKOVER/ CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	REPAY. OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2013			MEMO			
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.		
STATE DEPARTMENT OF EDUCATION																
General Fund:																
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	\$ 1,432,615			\$ 1,432,615	\$ (1,432,615)							* \$ 139,997	\$ 1,432,615	
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	36,735			36,735	(36,735)							* 3,590	36,735	
Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	264,975			264,975	(264,975)							* 25,894	264,975	
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	33,173			33,173	(33,173)							* 3,241	33,173	
Extra-ordinary Aid	12-495-034-5120-044	7/1/11-6/30/12		\$ (10,205)		10,205	-							*		
Extra-ordinary Aid	13-495-034-5120-044	7/1/12-6/30/13	4,502				(4,502)			\$ (4,502)				*	4,502	
Non-Public Transportation Aid	12-100-034-5120-068	7/1/11-6/30/12	1,194			1,194	(1,194)							*	1,194	
Reimbursed TPAF Pension Contrib.	13-495-034-5095-001	7/1/12-6/30/13	344,745			344,745	(344,745)							*	344,745	
Reimbursed TPAF Soc. Secur. Contrib.	13-495-034-5095-002	7/1/12-6/30/13	171,178	(1,323)		164,198	(171,178)			(8,303)				*	171,178	
Total General Fund				(11,528)		2,287,840	(2,289,117)			(12,805)				*	172,722	2,289,117
Debt Service Fund:																
Debt Service Aid Type 2	13-100-034-5120-125	7/1/12-6/30/13	170,555			170,555	(170,555)							*	170,555	
Enterprise Fund:																
Nat. School Lunch Prog. (State Share)	12-100-010-3350-023	7/1/11-6/30/12		(14)		14								*		
Nat. School Lunch Prog. (State Share)	13-100-010-3350-023	7/1/12-6/30/13	1,222			1,181	(1,222)			(41)				*	1,222	
Total Enterprise Fund				(14)		1,195	(1,222)			(41)				*	1,222	
TOTAL STATE FINANCIAL ASSISTANCE				\$ (11,542)		- \$ 2,459,590	\$ (2,460,894)			- \$ (12,846)				\$ 172,722	\$ 2,460,894	

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2013

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$7,396) for the general fund and \$4,830 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
 JUNE 30, 2013

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 2,281,721	\$ 2,281,721
Special Revenue Fund	\$ 172,026	-	172,026
Debt Service Fund		170,555	170,555
Food Service Fund	<u>39,553</u>	<u>1,222</u>	<u>40,775</u>
Total Financial Assistance	<u>\$ 211,579</u>	<u>\$ 2,453,498</u>	<u>\$ 2,665,077</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2013. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2013.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part I - Summary of Auditor's Results

Financial Statement Section

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

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

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

Federal Awards Section

N/A

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

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

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

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

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

- I) Identification of major programs:

CFDA NUMBER(S)

NAME OF FEDERAL PROGRAM OR CLUSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part I - Summary of Auditor's Results

State Financial Assistance Section

- J) Dollar threshold used to determine Type A programs: \$300,000
- K) Auditee qualified as low-risk auditee? (1) x yes no N/A
- L) Type of auditor's report on compliance for major programs: Unqualified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? yes x no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? yes x none reported
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 04-04? yes x no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

13-495-034-5120-089

13-100-034-5120-125

13-495-034-5095-002

Special Education Aid

Debt Service Aid Type II

Reimbursed TPAF Soc. Secur. Contrib.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Section II-Financial Statement Findings

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

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

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

