PROSPECT PARK BOARD OF EDUCATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Prospect Park, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Prospect Park Board of Education

Prospect Park, New Jersey

For The Fiscal Year Ended June 30, 2013

Prepared by

Business Office

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INTRODUCTORY SECTION

OFFICE OF THE SUPERINTENDENT

PROSPECT PARK SCHOOL DISTRICT
290 NORTH 8TH STREET
PROSPECT PARK, N.J. 07508

PHONE: (973) 720-1982
FAX: (973) 720-1992

November 22, 2013

Honorable President and Members of the Board of Education
Prospect Park School District
Prospect Park, New Jersey

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

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Prospect Park Public School's MD&A can be found immediately following the "Independent Auditor's Report".

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis *(MD&A)* and the basic financial statements including the district-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements, notes to the financial statements and required supplemental information (RSI). 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 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the State Treasury Circular 0MB 04-04. 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.

1) REPORTING ENTITY AND ITS SERVICES: Prospect Park School District is an independent reporting entity within the criteria adopted by the GASB; all activities of the district are included in this report. The Prospect Park Board of Education and its school constitute the District's reporting entity. The district provides a full range of educational services appropriate to grade levels pre-K through 8; these include regular as well as special education for handicapped youngsters.

The following details the changes in the average daily student enrollment of the District over the last ten years.

Year	Average Daily Enrollment	Percent Increase/(Decrease)
2012-2013	908.0	1.0
2011-2012	900.0	3.0
2010-2011	873.5	2.4
2009-2010	871.4	(1.5)
2008-2009	884.5	6.2
2007-2008	833.0	1.3
2006-2007	822.0	(2.6)
2005-2006	843.9	2.9
2004-2005	819.9	8.4
2003-2004	756.3	1.1

2) ECONOMIC CONDITION AND OUTLOOK Prospect Park is experiencing growth in terms of population only. There have been no signs of growth in terms of small businesses and/or major industrial enterprises. The status quo has been maintained throughout the past several years and will continue in the foreseeable future.

3) MAJOR INITIATIVES: In addition to continued commitment to implementing the new curriculum, the Prospect Park Public School District is committed to achieve the student performance objectives that it establishes on a yearly basis: to attain AYP next year on all 40 indicators established by the New Jersey State Department. The district is determined to be a passing school, one that teaches its students the core curriculum concepts and skills that they need to find success on district and state tests. Through collaborative teaching in all grade levels, current materials aligned to the core standards, an Internet-based reinforcement program to help the students prepare for state tests, assistive technology to enhance teachers' techniques and strategies, a schoolwide writing program, sustained professional development activities for all teachers, and parent workshops, it is the district's contention that all students will be successful on assessments administered at their grade level during the 2013-14 school year.

4) INTERNAL ACCOUNTING CONTROLS Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America

(GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived: and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

6) ACCOUNTING SYSTEM AND REPORTS The District's accounting record reflects 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. These funds are explained in "Notes to the Financial Statements".

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

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

9) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.

10) OTHER INFORMATION: An Independent Audit - State statutes require an annual audit by independent certified public accounts or registered municipal accountants. The accounting firm of Lerch, Vinci, and Higgins, LLP was selected by the Prospect Park Board of Education to conduct the independent audit, 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 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

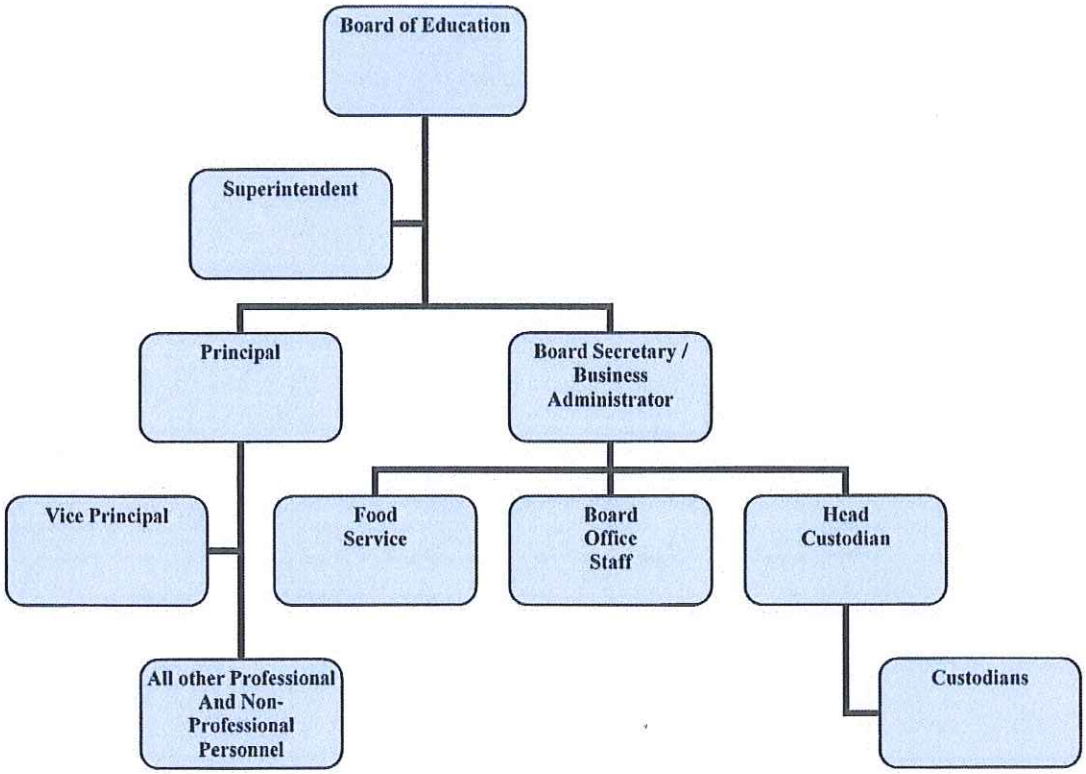
11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Prospect Park Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

Allison Angermeyer
Superintendent/CSA

Damaris Gurowsky
School Business Administrator / Board Secretary

PROSPECT PARK BOARD OF EDUCATION
Organizational Chart



PROSPECT PARK BOARD OF EDUCATION

ROSTER OF OFFICIALS
JUNE 30, 2013

Members of the Board of Education	Term Expires January
Albert Demarest, President	2016
Paul J. Birch, Vice President	2014
Jose Pantoja	2016
William J. Willemsen	2014
Nidia Cano	2015
Muhammed Hussain	2015
Stephen Miller	2016

Other Officials

Allison Angermeyer, Superintendent/CSA

Robert Brown, Interim Board Secretary/School Business Administrator

PROSPECT PARK BOARD OF EDUCATION
Consultants and **Advisors**

Architect

LAN Associates
662 Goffle Road
Hawthorne, NJ 07506

Audit Firm

Lerch, Vinci & Higgins, LLP
17-17 Route 208N
Fair Lawn, New Jersey 07410

Attorney

Lindabury, McCormick, & Estabrook
Jeffrey Merlino, Esquire
55 Cardinal Drive
Westfield, New Jersey 07091

Official Depositories

Valley National Bank
1460 Valley Road
Wayne, NJ 07470

FINANCIAL SECTION

LERCH, VINCI & HIGGINS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Prospect Park Board of Education
Prospect Park, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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, the standards applicable to financial audits contained in the 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. 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 of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Prospect Park Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and schedule of expenditures of state financial assistance as required by New Jersey OMB 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 of the Prospect Park Board of Education.

The combining fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance 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 fund financial statements, schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, financial schedules and statistical section 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 November 22, 2013 on our consideration of the Prospect Park 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 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 Prospect Park Board of Education's internal control over financial reporting and compliance.

Lerch, Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary W. Higgins

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Prospect Park Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2012-2013) and the prior year (2011-2012) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-2013 fiscal year include the following:

- The assets of the Prospect Park Board of Education exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $11,060,024. (Net Position)
- The District's total net position decreased by $264,445 from June 30, 2012.
- Overall revenues were $13,482,068. General revenues accounted for $10,007,775 or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,474,293 or 26% of total revenues.
- The school district had $13,304,054 in expenses for governmental activities; only $3,060,073 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of $10,007,585 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of $3,774,533.
- The General Fund unassigned budgetary fund balance at June 30, 2013 was $257,134, which represents a decrease of $23,851 compared to the ending fund balance at June 30, 2012 of $280,985.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the the activities the district operated like *businesses.*
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this Annual Report are arranged and related to one another.

Figure A-1

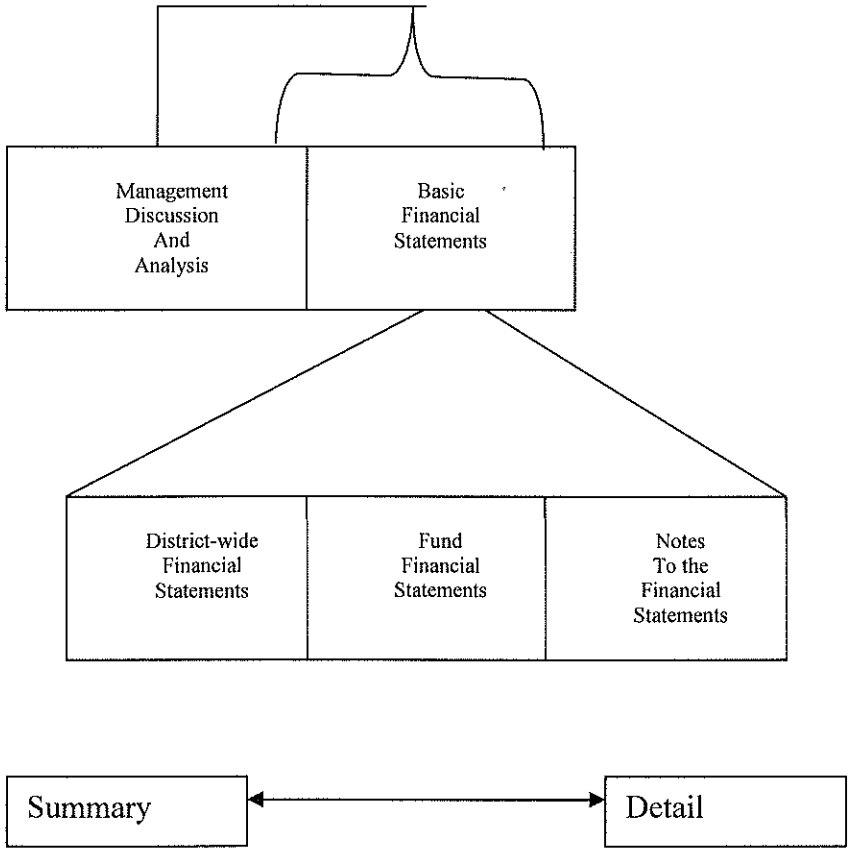


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district(except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, building maintenance, transportation, and administration.	Activities the district operates similar to private businesses: Food Service Enterprise Fund	Instances in which the district administers resources on behalf of someone else, such as payroll deduction.
Required financial Statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenue, Expenses, and Changes in Fund Net Position, Statement of Cash Flows	Statements of Fiduciary Net Position.
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ deferred inflows of resources/liability information	All assets, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets, liabilities and deferred inflows of resources both financial and capital, and short-term and long- term	All assets and liabilities, both short-term and long funds do not currently contain capital assets, although they can
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or Services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, and plant operation and maintenance. Property taxes and Federal and State aid finances most of these activities.

- *Business-Type Activities* – Services for which the District charges a fee are reported in these financial statements.

Fund Financial Statements

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

- Some funds are required by State law and bond covenants.

- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

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

• *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District currently has one proprietary fund, that being the food service (cafeteria) program enterprise fund.

• *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's *combined* net position were $11,060,024 and $11,324,469 as of June 30, 2013 and 2012, respectively.

Net Position
As of June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current Assets	$ 4,731,747	$ 5,653,851	$ 156,001	$ 201,151	$ 4,887,748	$ 5,855,002
Capital Assets	10,520,942	10,567,580	53,631	58,158	10,574,573	10,625,738
Total Assets	15,252,689	16,221,431	209,632	259,309	15,462,321	16,480,740
Long-Term Liabilities	3,380,077	3,574,551			3,380,077	3,574,551
Other Liabilities	1,002,958	1,504,933	17,732	39,678	1,020,690	1,544,611
Total Liabilities	4,383,035	5,079,484	17,732	39,678	4,400,767	5,119,162
Deferred Commodities Revenue	-	-	1,534	1,662	1,534	1,662
Total Deferred Inflows of Resources	-	-	1,534	1,662	1,534	1,662
Net Investment in Capital Assets	7,205,942	7,873,163	53,631	58,158	7,259,573	7,931,321
Restricted	2,827,136	2,132,497			2,827,136	2,132,497
Unrestricted	836,576	1,100,840	136,739	159,811	973,315	1,260,651
Total Net Position	$ 10,869,654	$ 11,106,500	$ 190,370	$ 217,969	$ 11,060,024	$ 11,324,469

The District's total net position of $11,060,024 at June 30, 2013 represents a $264,445 or 2%, decrease from the prior year.

Change in Net Position

For The Fiscal Years Ended June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services			$ 53,948	$ 55,317	$ 53,948	$ 55,317
Operating Grants and Contributions	$ 2,981,733	$ 2,674,893	360,272	338,881	3,342,005	3,013,774
Capital Grants and Contributions	78,340	72,984			78,340	72,984
General Revenues						
Property Taxes	2,854,250	2,865,164			2,854,250	2,865,164
Unrestricted State Aid	7,060,173	6,766,756			7,060,173	6,766,756
Other	93,162	92,982	190	149	93,352	93,131
Total Revenues	**13,067,658**	**12,472,779**	**414,410**	**394,347**	**13,482,068**	**12,867,126**
Expenses						
Instruction						
Regular	6,503,427	5,512,268			6,503,427	5,512,268
Special Education	1,712,950	1,778,279			1,712,950	1,778,279
Other Instruction	700,772	596,294			700,772	596,294
School Sponsored Activities and Athletics	7,122	7,751			7,122	7,751
Support Services						
Student and Instruction Related Services	1,653,762	1,647,336			1,653,762	1,647,336
General Administration Services	435,503	444,033			435,503	444,033
School Administration Services	456,217	480,068			456,217	480,068
Business/Central Services	422,817	343,836			422,817	343,836
Plant Operations and Maintenance	1,037,746	996,123			1,037,746	996,123
Pupil Transportation	260,221	184,835			260,221	184,835
Interest on Debt	113,967	124,654			113,967	124,654
Food Services	-	-	442,009	377,061	442,009	377,061
Total Expenses	**13,304,504**	**12,115,477**	**442,009**	**377,061**	**13,746,513**	**12,492,538**
Change in Net Position	**(236,846)**	**357,302**	**(27,599)**	**17,286**	**(264,445)**	**374,588**
Net Position, Beginning of Year, Restated	**11,106,500**	**10,749,198**	**217,969**	**200,683**	**11,324,469**	**10,949,881**
Net Position, End of Year	**$ 10,869,654**	**$ 11,106,500**	**$ 190,370**	**$ 217,969**	**$ 11,060,024**	**$ 11,324,469**

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were $13,067,658 for the year ended June 30, 2013, property taxes of $2,854,250 represented 22% of revenues. Another significant portion of revenues came from State and Federal aid; total State and Federal aid was $10,120,246 represented 77% of revenues. In addition, miscellaneous income is earned which includes items such as interest, prior year refunds and other miscellaneous items (See Table A-3).

The total cost of all governmental activities programs and services was $13,304,504. The District's expenses are predominantly related to educating and caring for students. Instruction totaled $8,924,271 (67%) of total expenses. Support services total $4,266,266 (32%) of total expenses and interest on debt totaled $113,967 (1%) of total expenses (See Table A-4).

Total governmental activities expenses exceeded revenues, decreasing net position $236,846 from the previous year.

Table A-3
Revenues by Sources – Governmental Activities
For Fiscal Year 2013

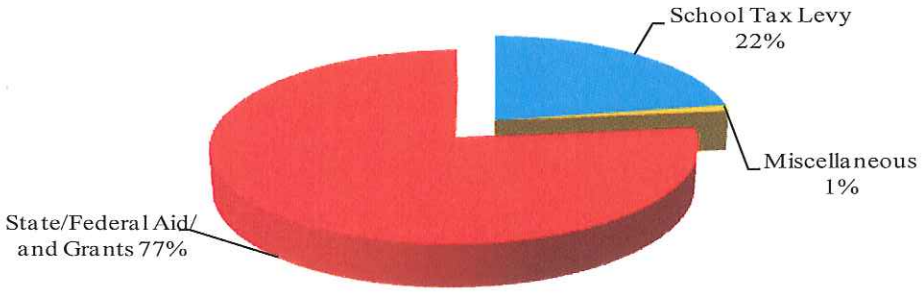
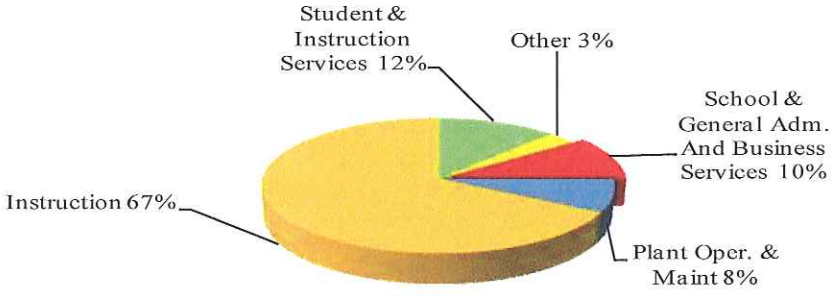


Table A-4
Expenses by Use – Governmental Activities
For Fiscal Year 2013



Total and Net Cost of Governmental Activities. The District's total cost of services was $13,304,504 and $12,115,477 for fiscal years ended June 30, 2013 and 2012, respectively. After applying program revenues, derived from operating grants and contributions of $2,981,733 and $2,674,893 and capital grants and contributions of $78,340 and $72,984 for 2013 and 2012, the net cost of services of the District is $10,244,431 and $9,367,600 for the fiscal years ended June 30, 2013 and 2012, respectively.

Total and Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction				
Regular	$ 6,503,427	$ 5,512,268	$ 5,129,276	$ 4,287,999
Special Education	1,712,950	1,778,279	743,023	838,417
Other Instruction	700,772	596,294	573,091	528,318
School Sponsored Activities and Athletics	7,122	7,751	6,303	7,098
Support Services				
Student and Instruction Related Services	1,653,762	1,647,336	1,308,739	1,299,057
General Administration Services	435,503	444,033	400,978	416,629
School Administration Services	456,217	480,068	400,684	431,979
Business/Central Services	422,817	343,836	398,918	325,706
Plant Operations and Maintenance	1,037,746	996,123	945,472	949,982
Pupil Transportation	260,221	184,835	223,980	157,761
Interest on Debt	113,967	124,654	113,967	124,654
Total	**$ 13,304,504**	**$ 12,115,477**	**$ 10,244,431**	**$ 9,367,600**

Business-Type Activities – The District's total business-type activities revenues were $414,410 for the year ended June 30, 2013. Charges for services accounted for $53,948 or 13% of total revenues. Operating grants and contributions accounted for $360,272 or 87% of total revenue for the year.

Total cost of all business-type activities programs and services was $442,009. The District's expenses are related to Food Service programs.

Total business-type activities expenses surpassed revenues, decreasing net position by $27,599 from the previous year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of $3,774,533, a decrease of $387,728 from last year's fund balance of $4,162,261.

Revenues for the District's governmental funds were $13,067,658, while total expenses were $13,455,386.

GENERAL FUND

The General fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through Grade 8.

The following schedule presents a comparison of General Fund Revenues for the fiscal years ended June 30, 2013 and 2012:

	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012	Amount of Increase (Decrease)	Percent Change
Local Sources				
Property Taxes	$ 2,535,350	$ 2,535,350		0.00%
Other	93,162	92,982	$ 180	0.19%
State Sources	8,792,113	8,189,571	602,542	7.36%
Federal Sources	48,620	280,156	(231,536)	-82.65%
Total General Fund Revenues	$ 11,469,245	$ 11,098,059	$ 371,186	3.34%

The General Fund revenues increased $371,186 or 3.34% from the previous year.

State revenues increased by $602,542 or 7% due to an increase in state categorical aid as well as an increase in on-behalf TPAF pension and post retirement benefit costs contributed by the State.

The $231,536 decrease in federal sources is the result of Education Jobs Fund allocation previously provided.

The following schedule presents a comparison of General Fund expenditures for the fiscal years ended June 30, 2013 and 2012:

	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2012	Amount of Increase (Decrease)	Percent Change
Instruction	$ 7,762,853	$ 7,201,683	$ 561,170	7.79%
Support Services	3,930,312	3,566,401	363,911	10.20%
Capital Outlay	22,108	39,861	(17,753)	-44.54%
Total Expenditures	$ 11,715,273	$ 10,807,945	$ 907,328	8.40%

Total General Fund expenditures increased $907,328 or 8.40% from the previous year.

The District experienced increases in areas of instruction and support services.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

In 2012-2013 General Fund expenditures exceeded revenues by $246,028. Therefore, total fund balance decreased to $3,067,537 at June 30, 2013. After deducting statutory reserves, the unassigned fund balance on a GAAP basis decreased from a deficit of $454,450 at June 30, 2012 to a deficit of to $486,169 at June 30, 2013. This deficit is attributable to the delay of certain state aid payments until the subsequent fiscal year. This fund balance deficit does not indicate that the District is facing financial difficulties.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal years 2013 and 2012, the District had $10,574,573 and $10,625,738 invested in land, construction in progress, buildings, furniture, equipment and vehicles, net of accumulated depreciation, respectively. The following are the June 30, 2013 and 2012 balances, respectively.

Capital Assets at June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 39,658	$ 39,658			$ 39,658	$ 39,658
Construction In Progress	2,785,831	2,666,228			2,785,831	2,666,228
Buildings and Building Improvements	10,462,521	10,451,448			10,462,521	10,451,448
Machinery and Equipment	410,539	312,180	$ 103,370	$ 100,215	513,909	412,395
	13,698,549	13,469,514	103,370	100,215	13,801,919	13,569,729
Less Accumulated Depreciation	(3,177,607)	(2,901,934)	(49,739)	(42,057)	(3,227,346)	(2,943,991)
Total Capital Assets, Net	$ 10,520,942	$ 10,567,580	$ 53,631	$ 58,158	$ 10,574,573	$ 10,625,738

LONG TERM LIABILITIES

At June 30, 2013 and 2012 the District had $3,380,077 and $3,574,551 in long-term liabilities, respectively. Of this amount, $65,077 and $44,551 is for compensated absences and $3,315,000 and $3,530,000 is for serial bonds for the fiscal years ended June 30, 2013 and 2012, respectively.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were for the following purpose:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating prior year purchase orders being carried over.

FACTORS BEARING ON THE DISTRICT'S FUTURE

While many factors influence the District's future, the availability of funding for special education needs, the economy and the state's legislative environment will have the most impact on educational and fiscal decisions in the future.

Many factors were considered by the District's administration during the process of developing the fiscal year 2012-2013 budget. The primary concerns were the District's increasing student population, improvement of current academic programs, anticipated state and federal aid, an aging facility and its upkeep, as well as increasing salary and related benefit costs. While the District relies heavily on state aid, the administration was able to develop a sound 2013-2014 budget with a 2.0% tax increase for the general fund. The District was also able to generate enough surplus from 2012-2013 through controlled spending and good planning to provide tax relief in subsequent years. The District continues to participate, whenever feasible, in shared services agreements with other local education authorities and government agencies to reduce costs in the areas of tuition, transportation, health benefits, insurance and purchasing.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, Prospect Park Board of Education, 290 North 8th Street, Prospect Park, NJ 07508.

BASIC FINANCIAL STATEMENTS

PROSPECT PARK BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 2,664,292	$ 119,996	$ 2,784,288
Receivables, net	2,067,455	30,722	2,098,177
Inventory		5,287	5,287
Capital Assets, net			
Not Being Depreciated	2,825,489		2,825,489
Being Depreciated	7,695,453	53,631	7,749,084
Total Assets	15,252,689	209,636	15,462,325
LIABILITIES			
Accounts Payable and Other Liabilities	173,458	39,439	212,897
Payable to State Government	35,248		35,248
Internal Balances	21,707	(21,707)	-
Unearned Revenue	726,801		726,801
Accrued Interest Payable	45,744		45,744
Noncurrent Liabilities			
Due Within One Year	226,508		226,508
Due Beyond One Year	3,153,569	-	3,153,569
Total Liabilities	4,383,035	17,732	4,400,767
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue	-	1,534	1,534
Total Deferred Inflows of Resources	-	1,534	1,534
NET POSITION			
Net Investment in Capital Assets	7,205,942	53,631	7,259,573
Restricted for			
Capital Projects	2,284,022		2,284,022
Other Purpose-Maintenance	543,114		543,114
Unrestricted	836,576	136,739	973,315
Total Net Position	$ 10,869,654	$ 190,370	$ 11,060,024

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

PROSPECT PARK BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities							
Instruction							
Regular	$ 6,503,427		$ 1,374,151		$ (5,129,276)		$ (5,129,276)
Special Education	1,712,950		969,927		(743,023)		(743,023)
Other Instruction	700,772		127,681		(573,091)		(573,091)
School Sponsored Activities and Athletics	7,122		819		(6,303)		(6,303)
Support Services							
Student and Instruction Related Services	1,653,762		266,683	$ 78,340	(1,308,739)		(1,308,739)
General Administration Services	435,503		34,525		(400,978)		(400,978)
School Administration Services	456,217		55,533		(400,684)		(400,684)
Business/Central Services	422,817		23,899		(398,918)		(398,918)
Plant Operations and Maintenance	1,037,746		92,274		(945,472)		(945,472)
Pupil Transportation	260,221		36,241		(223,980)		(223,980)
Interest on Debt	113,967	-	-	-	(113,967)	-	(113,967)
Total Governmental Activities	13,304,504	-	2,981,733	78,340	(10,244,431)	-	(10,244,431)
Business-Type Activities							
Food Service	442,009	$ 53,948	360,272	-	-	$ (27,789)	(27,789)
Total Business-Type Activities	442,009	53,948	360,272	-	-	(27,789)	(27,789)
Total Primary Government	$ 13,746,513	$ 53,948	$ 3,342,005	$ 78,340	(10,244,431)	(27,789)	(10,272,220)
General Revenues							
Taxes:							
Property Taxes, levied for general purposes					2,535,350		2,535,350
Property Taxes, levied for debt service					318,900		318,900
Unrestricted State Aid					7,060,173		7,060,173
Interest Earnings					6,678	190	6,868
Miscellaneous Income					86,484	-	86,484
Total General Revenues					10,007,585	190	10,007,775
Change in Net Position					(236,846)	(27,599)	(264,445)
Net Position, Beginning of Year, (Restated)					11,106,500	217,969	11,324,469
Net Position, End of Year					$ 10,869,654	$ 190,370	$ 11,060,024

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

FUND FINANCIAL STATEMENTS

PROSPECT PARK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 2,664,292				$ 2,664,292
Due from Other Funds	487,204				487,204
Receivables from Other Governments	27,722	$ 552,806	$ 1,486,927	-	2,067,455
Total Assets	$ 3,179,218	$ 552,806	$ 1,486,927	-	$ 5,218,951
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 77,229	$ 28,651	$ 8,820		$ 114,700
Due to Other Funds	21,707	142,558	344,646		508,911
Payable to State Government		35,248			35,248
Other Liabilities		58,758			58,758
Unearned Revenue	12,745	287,591	426,465	-	726,801
Total Liabilities	111,681	552,806	779,931	-	1,444,418
Fund Balances					
Restricted Fund Balance:					
Capital Reserve	1,577,026				1,577,026
Emergency Reserve	250,000				250,000
Maintenance Reserve	543,114				543,114
Excess Surplus	72,034				72,034
Capital Projects			706,996		706,996
Assigned Fund Balance:					
Year End Encumbrances	122,149				122,149
Designated for Subsequent Year's Expenditures	989,383				989,383
Unassigned Fund Balance					
General Fund	(486,169)	-	-	-	(486,169)
Total Fund Balances	3,067,537	-	706,996	-	3,774,533
Total Liabilities and Fund Balances	$ 3,179,218	$ 552,806	$ 1,486,927	$ -	

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 $13,698,549 and the accumulated depreciation is $3,177,607.		10,520,942
The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is:		(45,744)
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		
Serial Bonds Payable	$ (3,315,000)	
Compensated Absences	(65,077)	
		(3,380,077)
Net Position of Governmental Activities		$ 10,869,654

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

PROSPECT PARK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources					
Local Property Tax Levy	$ 2,535,350			$ 318,900	$ 2,854,250
Interest on Capital Reserve	756				756
Interest on Investments	5,922				5,922
Miscellaneous	86,484	$ 190	-	-	86,674
Total - Local Sources	2,628,512	190	-	318,900	2,947,602
State Sources	8,792,113	330,157	$ 78,340		9,200,610
Federal Sources	48,620	870,826	-	-	919,446
Total Revenues	11,469,245	1,201,173	78,340	318,900	13,067,658
EXPENDITURES					
Current					
Instruction					
Regular Instruction	5,599,890	658,356			6,258,246
Special Education Instruction	1,464,271	253,981			1,718,252
Other Instruction	691,570				691,570
School-Sponsored Activities and Athletics	7,122				7,122
Support Services					
Student and Instruction Related Services	1,377,581	266,683			1,644,264
General Administration Services	435,503				435,503
School Administration Services	453,111				453,111
Business/Central Services	422,817				422,817
Plant Operations and Maintenance	1,003,232				1,003,232
Pupil Transportation	238,068	22,153			260,221
Debt Service					
Principal				215,000	215,000
Interest and Other Charges				117,013	117,013
Capital Outlay	22,108	-	206,927	-	229,035
Total Expenditures	11,715,273	1,201,173	206,927	332,013	13,455,386
Net Change in Fund Balances	(246,028)	-	(128,587)	(13,113)	(387,728)
Fund Balance, Beginning of Year	3,313,565	-	835,583	13,113	4,162,261
Fund Balance, End of Year	$ 3,067,537	$ -	$ 706,996	$ -	$ 3,774,533

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

EXHIBIT B-3

PROSPECT PARK BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)		$ (387,728)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.		
Capital Outlay	$ 229,035	
Depreciation Expense	(275,673)	
		(46,638)
In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):		
Net Increase in Compensated Absences		(20,526)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		215,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
Decrease in Accrued Interest		3,046
Change in Net Position of Governmental Activities		$ (236,846)

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

EXHIBIT B-4

PROSPECT PARK BOARD OF EDUCATION
PROPRIETARY FUND
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Enterprise Fund-Food Service
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 119,996
Intergovernmental Receivable	
State	558
Federal	30,164
Due from Other Funds	21,707
Inventories	5,287
Total Current Assets	177,712
Capital Assets	
Equipment	103,370
Less: Accumulated Depreciation	(49,739)
Total Capital Assets, net	53,631
Total Assets	231,343
LIABILITIES	
Current Liabilities	
Accounts Payable	39,439
Total Liabilities	39,439
DEFERRED INFLOWS OF RESOURCES	
Deferred Commodities Revenue	1,534
Total Deferred Inflows of Resources	1,534
NET POSITION	
Net Investment in Capital Assets	53,631
Unrestricted	136,739
Total Net Position	$ 190,370

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
PROPRIETARY FUND
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Enterprise Fund- Food Service
OPERATING REVENUES	
Charges for Services	
Daily Sales-Reimbursable Programs	$ 53,948
Total Operating Revenues	53,948
OPERATING EXPENSES	
Salaries and Benefits	182,255
Cost of Sales	222,644
Management Fee	9,225
Miscellaneous	14,500
Depreciation	7,682
Supplies and Materials	5,703
Total Operating Expenses	442,009
Operating Loss	(388,061)
NONOPERATING REVENUES	
State Sources	
State School Lunch Program	6,182
Federal Sources	
National School Lunch Program	320,570
National Breakfast Program	31,499
After School Snack	2,021
Investment Earnings	190
Total Nonoperating Revenues	360,462
Change in Net Position	(27,599)
Net Position, Beginning of Year	217,969
Net Position, End of Year	$ 190,370

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
PROPRIETARY FUND
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Enterprise Fund-Food Service
Cash Flows from Operating Activities	
Cash Received from Customers	$ 53,948
Cash Payments for Employees Salaries and Benefits	(182,255)
Cash Payments to Suppliers for Goods and Services	(253,439)
Net Cash Used by Operating Activities	(381,746)
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	328,962
Cash Received from Other Funds	4,515
Net Cash Provided by Noncapital Financing Activities	333,477
Cash Flows from Investing Activities	
Interest Received	190
Net Cash Provided by Investing Activities	190
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(3,155)
Net Cash Used by Capital and Related Financing Activities	(3,155)
Net Decrease in Cash and Cash Equivalents	(51,234)
Cash and Cash Equivalents, Beginning of Year	171,230
Cash and Cash Equivalents, End of Year	$ 119,996
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	$ (388,061)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	7,682
Food Distribution Program - National School Lunch Program	25,868
Change in Assets, Liabilities and Deferred Inflows of Resources	
Increase/(Decrease) in Accounts Payable	(26,461)
Increase/(Decrease) in Deferred Inflows of Resources	(128)
(Increase)/Decrease in Inventory	(646)
Total Adjustments	6,315
Net Cash Used by Operating Activities	$ (381,746)
Non-Cash Financing Activities	
Fair Value of Food Distribution Program - National School Lunch	$ 25,740

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AS OF JUNE 30, 2013

	Agency Fund
ASSETS	
Cash and Cash Equivalents	$ 21,129
Total Assets	$ 21,129
LIABILITIES	
Payroll Deductions and Withholdings	$ 19,926
Due to Student Groups	1,203
Total Liabilities	$ 21,129

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Prospect Park Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of seven elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Prospect Park Board of Education this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2013, the District adopted the following GASB statements:

- GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

- GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

- GASB 65, *Items Previously Reported as Assets and Liabilities,* although not required to be implemented until next year, the District elected to apply the statement to the current year financial statements. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB 66, *Technical Corrections – 2012, an Amendment of GASB Statements 10 and 62,* will be effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

- GASB 67, *Financial Reporting for Pension Plans, an Amendment of GASB 25*, will be effective beginning with the year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.

- GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective beginning with the year ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The District does not expect this Statement to impact its financial statements.

C. Basis of Presentation - Financial Statements

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds.

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid, and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (continued)

Additionally, the government reports the following fund type:

> The *fiduciary trust fund* is used to account for resources legally held in trust for payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of $2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	50
Heavy Equipment	10-20
Office Equipment and Furniture	5-10
Computer Equipment	5

5. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, this item, *deferred commodities revenue*, is reported only in the enterprise fund balance sheet for unused commodities inventory at year end. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

8. Net Position/Fund Balance

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Emergency Reserve – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education.

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2013 audited excess surplus that is required to be appropriated in the 2014/2015 original budget certified for taxes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

8. Net Position/Fund Balance **(Continued)**

Governmental Fund Statements (Continued)

Restricted Fund Balance (continued)

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2013/2014 District budget certified for taxes.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

9. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Tuition Expenditures

Tuition Expenditures - Tuition charges for the fiscal years 2011-2012 and 2012-2013 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

4. Proprietary Funds, Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 17, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2012/2013. During 2012/2013 the Board increased the original budget by $709,566. The increase was funded by additional grant awards and the reappropriation of prior year general fund encumbrances.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

General Fund	Final Budget	Actual	Unfavorable Variance
Instruction			
Tuition to CSSD & Regional Day Schools	$ 61,500	$ 141,280	$ (79,780)
Transfer of funds to Charter Schools	7,055	16,191	(9,136)

The above variances were offset with other available resources.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Deficit Fund Equity

The District has an unassigned (deficit) fund balance of $486,169 in the General Fund as of June 30, 2013 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2012/2013 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund balance deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District deficit in the GAAP (fund) financial statements of $486,169 in the General Fund is less than the delayed state aid payments.

D. Capital Reserve

A capital reserve account was established by the District in October, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve 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. 6:23A-14.1(g), the balance in the reserve 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 fiscal year ended June 30, 2013 is as follows:

Balance, July 1, 2012	$ 1,576,270
Increased by	
Interest Earnings	756
Balance, June 30, 2013	$ 1,577,026

The June 30, 2013 LRFP balance of local support costs of uncompleted capital projects is $1,603,290.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2013 is $72,034 which will be appropriated in the 2014/2015 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or $200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to $250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of $250,000 for each failed brokerage firm. At June 30, 2013, the book value of the Board's deposits were $2,805,417 and bank and brokerage firm balances of the Board's deposits amounted to $3,571,594. The Board's deposits which are displayed on the various statements of net position and fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account	
Insured	$ 3,571,594

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2013 none of the Board's bank balances were exposed to custodial credit risk.

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2013, the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2013 for the district's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Special Revenue	Capital Projects	Food Service	Total
Receivables:					
Intergovernmental	$ 27,722	$ 552,806	$ 1,486,927	$ 30,722	$ 2,098,177
Gross Receivables	27,722	552,806	1,486,927	30,722	2,098,177
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	$ 27,722	$ 552,806	$ 1,486,927	$ 30,722	$ 2,098,177

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Total
General Fund	
Unencumbered Restricted Formula Aid	$ 12,745
Special Revenue Fund	
Unencumbered Grant Draw Downs	282,191
Grant Draw Downs Reserved for Encumbrances	5,400
Capital Projects Fund	
Unrealized School Facilities Grants	426,465
Total Unearned Revenue for Governmental Funds	$ 726,801

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

	Balance, July 1, 2012	Increases	Decreases	Transfers	Balance, June 30, 2013
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	$ 39,658				$ 39,658
Construction In Progress	2,666,228	$ 206,927	-	$ (87,324)	2,785,831
Total Capital Assets, Not Being Depreciated	2,705,886	206,927	-	(87,324)	2,825,489
Capital Assets, Being Depreciated:					
Building and Building Improvements	10,451,448	11,073			10,462,521
Machinery and Equipment	312,180	11,035	-	87,324	410,539
Total Capital Assets, Being Depreciated	10,763,628	22,108	-	87,324	10,873,060
Less Accumulated Depreciation for:					
Building and Building Improvements	(2,698,562)	(214,616)			(2,913,178)
Machinery and Equipment	(203,372)	(61,057)	-	-	(264,429)
Total Accumulated Depreciation	(2,901,934)	(275,673)	-	-	(3,177,607)
Total Capital Assets, Being Depreciated, Net	7,861,694	(253,565)	-	87,324	7,695,453
Governmental Activities Capital Assets, Net	$ 10,567,580	$ (46,638)	$ -	$ -	$ 10,520,942

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2012	Increases	Decreases	Balance, June 30, 2013
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	$ 100,215	$ 3,155	-	$ 103,370
Total Capital Assets, Being Depreciated, Net	100,215	3,155	-	103,370
Less Accumulated Depreciation for:				
Machinery and Equipment	(42,057)	(7,682)	-	(49,739)
Total Accumulated Depreciation	(42,057)	(7,682)	-	(49,739)
Business-Type Activities Capital Assets, Net	$ 58,158	$ (4,527)	$ -	$ 53,631

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Instruction	
Regular	$ 239,981
Total Instruction	239,981
Support Services	
Students & Instruction Related Services	9,498
Other Instruction	1,505
School Administration	3,106
Operations and Maintenance of Plant	21,583
Total Support Services	35,692
Total Governmental Funds	275,673
Total Depreciation Expense - Governmental Activities	$ 275,673
Business-Type Activities:	
Food Service Fund	$ 7,682
Total Depreciation Expense-Business-Type Activities	$ 7,682

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2013, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
Food Service Enterprise Fund	General Fund	$ 21,707
General Fund	Special Revenue Fund	142,558
General Fund	Capital Projects Fund	344,646
		$ 508,911

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

F. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2013 are comprised of the following issues:

$2,186,000, 2001 Bonds, due in annual installments of $170,000 to $196,000 through August 15, 2016, interest at 4.25% to 4.50%	$ 736,000
$2,679,000, 2010 Bonds, due in annual installments of $50,000 to $275,000 through August 1, 2025, interest at 2.00% to 4.00%	2,579,000
Total	$3,315,000

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ending June 30,	Serial Bonds Principal	Interest	Total
2014	$ 220,000	$ 108,896	$ 328,896
2015	230,000	100,368	330,368
2016	240,000	91,273	331,273
2017	246,000	81,682	327,682
2018	250,000	73,960	323,960
2019-2023	1,310,000	264,446	1,574,446
2024-2026	819,000	49,301	868,301
	$ 3,315,000	$ 769,926	$ 4,084,926

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2013 was as follows:

3% of Equalized Valuation Basis (Municipal)	$ 9,140,580
Less: Net Debt (Including Authorized But Not Issued)	3,315,922
Remaining Borrowing Power	$ 5,824,658

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Serial Bonds Payable	$ 3,530,000		$ 215,000	$ 3,315,000	$ 220,000
Compensated Absences	44,551	$ 25,828	5,302	65,077	6,508
Governmental activity Long-term liabilities	$ 3,574,551	$ 25,828	$ 220,302	$ 3,380,077	$ 226,508

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

Changes in Long-Term Liabilities (Continued)

For the governmental activities, the liabilities for compensated absences are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board is a member of New Jersey School Boards Association Insurance Group (NJSBAIG) which provides coverage to its members to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey School Boards Association Insurance Group (NJSBAIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

NJSBAIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

NOTE 4 OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2013, the District has not estimated its arbitrage earnings due to the IRS, if any.

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

The legislation's provisions impacting employee pension and health benefits include:

- For new members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS increased from age 62 to 65 for Tier 5 members.
- It increased the TPAF and PERS active member rates from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years for members hired or reappointed on or after June 28, 2011. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members takes place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension system's unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 67.5 percent with an unfunded actuarial accrued liability of $41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and $30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 77.5 percent and $11.6 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) a revised investment rate of return for all retirement systems from 8.25 percent to 7.95 percent and (b) revised projected salary increases of 4.52 percent for the PERS and 3.90 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.5% for PERS, 6.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2013, 2012 and 2011 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	PERS	On-behalf TPAF	DCRP
2013	$ 108,397	$ 333,553	$ 2,450
2012	121,053	173,978	
2011	116,790	15,715	

The State contributed $333,553 and $173,978 during 2012/2013 and 2011/2012, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2010/2011, the State did not contribute to the TPAF for normal cost and accrued liability; however, the State contributed $15,715 for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $398,110 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, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 566 state and local participating employers and contributing entities for Fiscal Year 2012.

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the State had a $48.9 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to $18.0 billion for state active and retired members and $30.9 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2011, actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661, retirees receiving post-retirement medical benefits and the State contributed $958.9 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits 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 with 25 years of service. The State paid $146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2013, 2012 and 2011 were $377,165, $349,743 and $333,782, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

NOTE 5 RESTATEMENT

On July 1, 2012, the Prospect Park Board of Education implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities". The Prospect Park Board of Education has determined that the effect of implementing these accounting changes on the financial statements previously reported as of and for the year ended June 30, 2012 was to eliminate in the District-wide statement of net position the deferred charge related to debt issuance costs in the amount of $35,447 with a corresponding reduction in the net investment in capital assets component of net position. The result of this restatement is to reduce total net position of Governmental Activities at June 30, 2012 from $11,141,947 as originally reported to $11,106,500 as adjusted for the effects of the change in accounting principle.

BUDGETARY COMPARISON SCHEDULES

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
REVENUES					
Local Sources					
Local Tax Levy	$ 2,535,350		$ 2,535,350	$ 2,535,350	
Interest on Capital Reserve	1,000		1,000	756	$ (244)
Interest on Investments	-		-	5,922	5,922
Miscellaneous	-	-	-	86,484	86,484
Total Local Sources	2,536,350	-	2,536,350	2,628,512	92,162
State Sources					
Equalization Aid	7,085,487		7,085,487	7,085,487	
Special Education Categorical Aid	494,171		494,171	494,171	
Security Aid	96,662		96,662	96,662	
Transportation Aid	7,699		7,699	7,699	
Non Public School Transportation Aid				7,134	7,134
On-behalf TPAF Pension Payments - NCGI (Non-Budget) - Non Contributory Insurance				16,672	16,672
On-behalf TPAF Pension Payments - Normal Cost (Non-Budget)				316,881	316,881
On-behalf TPAF Pension Payments - PRM Contribution (Non-Budget) - Post Retirement				377,165	377,165
Reimbursed TPAF Social Security Payments (Non-Budget)	-	-	-	398,110	398,110
Total State Sources	7,684,019	-	7,684,019	8,799,981	1,115,962
Federal Sources					
Medicaid Reimbursement (SEMI)	17,425	-	17,425	47,969	30,544
Education Jobs Fund	-	-	-	651	651
Total Federal Sources	17,425	-	17,425	48,620	31,195
Total Revenues	10,237,794	-	10,237,794	11,477,113	1,239,319
Instruction - Regular Programs					
Salaries of Teachers					
Preschool		$ 30,102	30,102	29,676	426
Kindergarten	241,700	108,682	350,382	344,642	5,740
Grades 1-5	1,327,860	115,100	1,442,960	1,442,960	
Grades 6-8	1,158,780	4,141	1,162,921	1,160,142	2,779
Regular Program - Home Instruction					
Salaries of Teachers	95,000	(70,564)	24,436	14,952	9,484
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	109,133	170,154	279,287	274,843	4,444
Purchased Professional/Educational Services	90,000	(68,466)	21,534	10,939	10,595
Other Purchased Services	36,000	(30,000)	6,000		6,000
General Supplies	330,418	(11,384)	319,034	267,577	51,457
Textbooks	210,000	14,438	224,438	224,438	
Other Objects	10,000	(5,400)	4,600	2,296	2,304
Total Regular Programs	3,608,891	256,803	3,865,694	3,772,465	93,229
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	139,200	160	139,360	138,360	1,000
Other Salaries for Instruction	31,462	4,156	35,618	34,025	1,593
General Supplies	2,000	240	2,240	2,239	1
Total Learning and/or Language Disabilities	172,662	4,556	177,218	174,624	2,594

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
Multiple Disabilities					
Salaries of Teachers	$ 59,300	$ (22,358)	$ 36,942	$ 26,379	$ 10,563
Other Salaries for Instruction	50,634	2,388	53,022	53,022	
General Supplies	-	160	160	150	10
Total Multiple Disabilities	109,934	(19,810)	90,124	79,551	10,573
Resource Room/Resource Center					
Salaries of Teachers	368,760	(14,225)	354,535	353,799	736
Other Salaries for Instruction	73,015	(56,740)	16,275		16,275
General Supplies	10,000	-	10,000	225	9,775
Total Resource Room/Resource Center	451,775	(70,965)	380,810	354,024	26,786
Autism					
Salaries of Teachers	112,050	3,630	115,680	114,242	1,438
Other Salaries for Instruction	72,755	29,050	101,805	101,804	1
General Supplies	2,000	22	2,022	1,748	274
Total Autism	186,805	32,702	219,507	217,794	1,713
Total Special Education	921,176	(53,517)	867,659	825,993	41,666
Basic Skills/Remedial					
Salaries of Teachers	388,530	(739)	387,791	387,561	230
Other Salaries for Instruction	223,818	(106,831)	116,987		116,987
General Supplies	-	225	225	-	225
Total Basic Skills/Remedial	612,348	(107,345)	505,003	387,561	117,442
Bilingual Education					
Salaries of Teachers	141,200	2,490	143,690	136,690	7,000
General Supplies	2,000	-	2,000	335	1,665
Total Bilingual Education	143,200	2,490	145,690	137,025	8,665
School Sponsored Co/Extra Curricular Activities					
Salaries	-	3,425	3,425	3,425	-
Total School Sponsored Co/Extra Curricular Activities	-	3,425	3,425	3,425	-
Summer School - Instruction					
Salaries	36,300	(6,300)	30,000		30,000
Other Salaries for Instruction	10,000	(1,713)	8,287		8,287
General Supplies	2,000	-	2,000	-	2,000
Total Summer School - Instruction	48,300	(8,013)	40,287	-	40,287

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Community Services Programs/Operations					
Salaries	$ 36,000		$ 36,000	$ 10,004	$ 25,996
Supplies and Materials	5,000	-	5,000	-	5,000
Total Community Services Programs/Operations	41,000	-	41,000	10,004	30,996
Total Instruction	5,374,915	$ 93,843	5,468,758	5,136,473	332,285
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State - Special	178,050	(101,933)	76,117	11,505	64,612
Tuition to CSSD & Reg. Day Schools	-	61,500	61,500	141,280	(79,780)
Tuition to Priv. Sch. for the Handicap - Within State	216,418	(15,528)	200,890	166,675	34,215
Tuition to Priv. Sch. Disabled & Other LEAs-Special		24,657	24,657	-	24,657
Tuition - Other	-	6,000	6,000	999	5,001
Total Undistributed Expenditures - Instruction	394,468	(25,304)	369,164	320,459	48,705
Health Services					
Salaries	81,250	(25,000)	56,250	56,250	
Purchased Professional and Technical Services	5,000	25,195	30,195	29,083	1,112
Supplies and Materials	8,000	(3,725)	4,275	4,265	10
Total Health Services	94,250	(3,530)	90,720	89,598	1,122
Speech, OT, PT & Related Services					
Salaries	146,550	-	146,550	146,550	
Purchased Professional-Educational Services	275,000	(5,158)	269,842	260,276	9,566
Supplies and Materials	2,000	(1,044)	956	956	-
Total Speech, OT, PT & Related Services	423,550	(6,202)	417,348	407,782	9,566
Guidance					
Salaries of Other Professional Staff	121,500	4,400	125,900	125,900	
Supplies and Materials	1,250	208	1,458	573	885
Total Guidance	122,750	4,608	127,358	126,473	885
Child Study Team					
Salaries of Other Professional Staff	300,660	2,998	303,658	303,658	
Salaries of Secretarial and Clerical Assistants	21,584	(3,928)	17,656	17,656	
Purchased Professional-Educational Services	44,737	(3,150)	41,587	39,737	1,850
Supplies and Materials	4,000	602	4,602	3,701	901
Total Child Study Team	370,981	(3,478)	367,503	364,752	2,751

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	$ 73,800	$ (13,693)	$ 60,107	$ 56,151	$ 3,956
Supplies and Materials	15,000	(5,717)	9,283	9,283	-
Total Educational Media Serv./School Library	88,800	(19,410)	69,390	65,434	3,956
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	47,500	(26,000)	21,500	21,500	
Purchased Professional-Educational Services	32,400	(23,965)	8,435	8,435	-
Total Improvement of Instructional Services	79,900	(49,965)	29,935	29,935	-
Instructional Staff Training Services					
Other Purchased Professional and Technical Services	25,000	22,292	47,292	12,420	34,872
Total Instructional Staff Training Services	25,000	22,292	47,292	12,420	34,872
Support Services General Administration					
Salaries	166,750	(21,750)	145,000	144,463	537
Legal Services	25,000	22,388	47,388	46,261	1,127
Audit Fees	20,000	30,190	50,190	38,090	12,100
Architectural/Engineering Services	15,000	(13,456)	1,544		1,544
Other Purchased Professional Services	30,000	(6,221)	23,779	21,272	2,507
Communications/Telephone	65,000	(20,815)	44,185	44,185	
BOE Other Purchased Services	2,000	(1,423)	577	478	99
Miscellaneous Purchased Services	8,000	(7,530)	470	470	
General Supplies	3,000	(1,032)	1,968	1,944	24
Judgements Against The School District	-	37,937	37,937	390	37,547
Miscellaneous Expenditures	17,000	(627)	16,373	16,302	71
BOE Membership Dues and Fees	8,000	-	8,000	6,250	1,750
Total Support Services General Administration	359,750	17,661	377,411	320,105	57,306
Support Services School Administration					
Salaries of Principal/Asst. Principals	196,000	36,368	232,368	232,368	
Salaries of Secretarial and Clerical Assistants	104,490	(25,185)	79,305	79,305	
Purchased Professional and Technical Services	25,000	(25,000)			
Supplies and Materials	8,000	-	8,000	5,453	2,547
Total Support Services School Administration	333,490	(13,817)	319,673	317,126	2,547
Central Services					
Salaries	267,919	(5,122)	262,797	236,172	26,625
Purchased Professional Services	3,500	(2,480)	1,020	145	875
Miscellaneous Purchased Services		14,891	14,891	10,891	4,000
Supplies and Materials	3,000	541	3,541	3,541	
Interest on Current Loans	-	6,959	6,959	5,403	1,556
Total Central Services	274,419	14,789	289,208	256,152	33,056
Admin. Info. Technology					
Purchased Technical Services	60,000	25,855	85,855	68,711	17,144
Total Admin. Info. Technology	60,000	25,855	85,855	68,711	17,144
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance	160,000	13,023	173,023	159,459	13,564
General Supplies	6,000	3,713	9,713	8,976	737
Total Required Maintenance for School Fac.	166,000	16,736	182,736	168,435	14,301

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	$ 328,216	$ 3,358	$ 331,574	$ 317,396	$ 14,178
Salaries of Non-Instructional Aides	58,175	(23,373)	34,802	25,355	9,447
Cleaning, Repair and Maint. Serv.	7,000	26,810	33,810	32,223	1,587
Other Purchased Property Services	11,000	(3,834)	7,166	3,787	3,379
Insurance	60,000	5,873	65,873	65,873	
General Supplies	11,000	-	11,000	10,872	128
Energy (Electricity)	160,000	32,620	192,620	138,546	54,074
Energy (Natural Gas)	75,000	(34,255)	40,745	18,689	22,056
Other Objects	2,000	(2,000)	-	-	-
Total Custodial Services	712,391	5,199	717,590	612,741	104,849
Security					
Purchased Professional and Technical Services	70,000	47,270	117,270	89,610	27,660
Total Security	70,000	47,270	117,270	89,610	27,660
Student Transportation Services					
Contracted Serv. (Spl. Ed. Students) Joint Agrmnts	6,000	1,950	7,950	1,631	6,319
Contracted Services (Spl. Ed. Students) - ESCs & CTSAs	298,346	(29,901)	268,445	198,717	69,728
Contracted Serv.-Aid in Lieu of Payments-Non-Public Sch.	39,630	-	39,630	37,720	1,910
Total Student Transportation Services	343,976	(27,951)	316,025	238,068	77,957
Unallocated Benefits - Employee Benefits					
Social Security Contributions	166,400	23,821	190,221	190,221	
Other Retirement Contributions - PERS	123,261	(14,864)	108,397	108,397	
Other Retirement Contributions - DCRP		8,889	8,889	2,450	6,439
Unemployment Compensation	25,000	9,864	34,864	18,526	16,338
Workmen's Compensation	70,000	(14,485)	55,515	55,208	307
Health Benefits	1,408,101	(13,841)	1,394,260	1,295,765	98,495
Tuition Reimbursement	25,000	-	25,000	-	25,000
Other Employee Benefits	20,000	(12,000)	8,000	728	7,272
Total Unallocated Benefits - Employee Benefits	1,837,762	(12,616)	1,825,146	1,671,295	153,851
On-behalf TPAF Pension Payments - NCGI (Non-Budget) - Non Contributory Insurance				16,672	(16,672)
On-behalf TPAF Pension Payments - Normal Cost (Non-Budget)				316,881	(316,881)
On-behalf TPAF Pension Payments - PRM Contribution (Non-Budget) - Post Retirement				377,165	(377,165)
Reimbursed TPAF Social Security Payments (Non-Budget)	-	-	-	398,110	(398,110)
Total Undistributed Expenditures	5,757,487	(7,863)	5,749,624	6,267,924	(518,300)
Total Expenditures - Current Expenditures	11,132,402	85,980	11,218,382	11,404,397	(186,015)

Continued

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	$ 1,000	-	$ 1,000	-	$ 1,000
	1,000	-	1,000	-	1,000
Equipment					
Grades 1-5	150,000		150,000	$ 150,000	
Grades 6-8	150,000	$ (5,010)	144,990	72,669	72,321
Undistributed - Instruction		6,620	6,620	6,025	595
Undistributed - Required Maintenance for School Facilities	-	5,010	5,010	5,010	-
Total Equipment	300,000	6,620	306,620	233,704	72,916
Facilities Acquisition and Construction Services					
Architectural/Engineering Services	4,000		4,000		4,000
Construction Services	56,000	(6,620)	49,380	11,073	38,307
Assessment for Debt Service on SDA Funding	49,908	-	49,908	49,908	-
Total Facilities Acquisition and Construction Services	109,908	(6,620)	103,288	60,981	42,307
Total Capital Outlay	410,908	-	410,908	294,685	116,223
Transfer of Funds to Charter Schools	7,055	-	7,055	16,191	(9,136)
Total Expenditures	11,550,365	85,980	11,636,345	11,715,273	(78,928)
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	(1,312,571)	(85,980)	(1,398,551)	(238,160)	1,160,391
Fund Balance, Beginning of Year	4,049,000	-	4,049,000	4,049,000	-
Fund Balance, End of Year	$ 2,736,429	$ (85,980)	$ 2,650,449	$ 3,810,840	$ 1,160,391
Recapitulation of Fund Balance:					
Restricted:					
Capital Reserve				$ 1,577,026	
Emergency Reserve				250,000	
Maintenance Reserve				543,114	
Excess Surplus				72,034	
Assigned					
Year End Encumbrances				122,149	
Designated for Subsequent Year's Expenditures				989,383	
Unassigned				257,134	
Reconciliation to Governmental Funds Statements (GAAP):				3,810,840	
Less: State Aid Payments Not Recognized on GAAP Basis				(743,303)	
Fund Balance Per Governmental Funds (GAAP)				$ 3,067,537	

EXHIBIT C-1A

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
EDUCATION JOBS FUND
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
REVENUES					
Federal Sources					
Education Jobs Fund	-	$ 651	$ 651	$ 651	-
Total Revenues	-	651	651	651	-
EXPENDITURES					
Instruction - Regular Programs					
Grade 1-5 - Salaries of Teachers					
Grade 6-8 - Salaries of Teachers	-	651	651	-	$ 651
Total Regular Programs	-	651	651	-	651
Total Current Expenditures	-	651	651	-	651
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	651	(651)
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	$ -	$ -	$ -	$ 651	$ (651)

PROSPECT PARK BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Intergovernmental					
Local		$ 13,853	$ 13,853	$ 190	$ (13,663)
State	$ 257,982	124,495	382,477	328,651	(53,826)
Federal	500,000	485,238	985,238	861,604	(123,634)
Total Revenues	757,982	623,586	1,381,568	1,190,445	(191,123)
EXPENDITURES					
Instruction					
Salaries of Teachers	528,400	(26,072)	502,328	502,328	-
Other Salaries for Instruction		9,113	9,113	9,113	-
Purchased Prof. and Technical Services		124,777	124,777	60,379	64,398
Other Purchased Services	200,000	24,649	224,649	224,649	-
General Supplies	29,582	155,044	184,626	110,665	73,961
Textbooks	-	15,300	15,300	15,165	135
Total Instruction	757,982	302,811	1,060,793	922,299	138,494
Support Services					
Salaries of Other Professional Staff		7,095	7,095	7,095	-
Personal Services - Employee Benefits		56,726	56,726	56,726	-
Purchased Professional/Technical Services		203,260	203,260	155,139	48,121
Purchased Professional/Educational Services		53,244	53,244	49,186	4,058
Supplies and Materials	-	450	450	-	450
Total Support Services	-	320,775	320,775	268,146	52,629
Total Expenditures	757,982	623,586	1,381,568	1,190,445	191,123
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	$ -	$ -	$ -	$ -	$ -

PROSPECT PARK BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of 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.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	$ 11,477,113	$ 1,190,445
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances , June 30, 2013		(5,400)
Encumbrances , June 30, 2012, Net of Cancellations		16,128
State Aid payment recognized for GAAP purposes, not recognized for Budgetary statements (2011/2012 State Aid)	735,435	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements (2012/2013 State Aid)	(743,303)	-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	$ 11,469,245	$ 1,201,173
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	$ 11,715,273	$ 1,190,445
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for *budgetary* purposes, but in the year the supplies are received for financial reporting purposes.		
Encumbrances , June 30, 2013		(5,400)
Encumbrances , June 30, 2012, Net of Cancellations	-	16,128
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 11,715,273	$ 1,201,173

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

PROSPECT PARK BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	NonPublic Textbooks	NonPublic Technology	Initial Exam	Non Public Nursing	NonPublic Transportation	NonPublic Comp Ed.	NonPublic Supplemental Instruction	NonPublic Speech	Preschool Education Aid	Local Grants	Total to Exhibit E-1A
REVENUES											
Intergovernmental											
Local										$ 190	$ 190
State	$ 15,165	$ 5,394	$ 6,052	$ 21,049	$ 22,153	$ 5,853	$ 3,608	$ 13,983	$ 235,394	-	328,651
Total Revenues	$ 15,165	$ 5,394	$ 6,052	$ 21,049	$ 22,153	$ 5,853	$ 3,608	$ 13,983	$ 235,394	$ 190	$ 328,841
EXPENDITURES											
Instruction											
Salaries of Teachers									$ 212,192		$ 212,192
Other Salaries for Instruction									9,113		9,113
Purchased Prof. and Technical Services			$ 6,052		$ 22,153	$ 5,853	$ 3,608	$ 13,983			51,649
General Supplies									6,994	$ 190	7,184
Textbooks	$ 15,165	-	-	-	-	-	-	-	-	-	15,165
Total Instruction	15,165	-	6,052	-	22,153	5,853	3,608	13,983	228,299	190	295,303
Support Services											
Salaries of Other Professional Staff									7,095		7,095
Purchased Prof. and Technical Services	-	$ 5,394	-	$ 21,049	-	-	-	-	-	-	26,443
Total Support Services	-	5,394	-	21,049	-	-	-	-	7,095	-	33,538
Total Expenditures	$ 15,165	$ 5,394	$ 6,052	$ 21,049	$ 22,153	$ 5,853	$ 3,608	$ 13,983	$ 235,394	$ 190	$ 328,841

PROSPECT PARK BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Exhibit E-1 Subtotal	Title I	ARRA Title I	Title IIA	Title III	IDEA Part B	ARRA I.D.E.A. Part B	I.D.E.A. Preschool	Total
REVENUES									
Intergovernmental									
Local	$ 190								$ 190
State	328,651								328,651
Federal	-	$ 545,182	$ 1,628	$ 49,186	$ 9,304	$ 246,746	$ 558	$ 9,000	861,604
Total Revenues	$ 328,841	$ 545,182	$ 1,628	$ 49,186	$ 9,304	$ 246,746	$ 558	$ 9,000	$1,190,445
EXPENDITURES									
Instruction									
Salaries of Teachers	$ 212,192	$ 273,450	$ 1,628		$ 7,000		$ 558	$ 7,500	$ 502,328
Other Salaries for Instruction	9,113								9,113
Purchased Prof. and Technical Services	51,649					$ 8,730			60,379
Other Purchased Services					660	223,989			224,649
General Supplies	7,184	89,846			1,108	12,527			110,665
Textbooks	15,165	-	-	-	-	-	-	-	15,165
Total Instruction	295,303	363,296	1,628	-	8,768	245,246	558	7,500	922,299
Support Services									
Salaries of Other Professional Staff	7,095								7,095
Personal Services - Employee Benefits	-	54,690			536			1,500	56,726
Purchased Professional/Technical Services	26,443	127,196				1,500			155,139
Purchased Professional/Educational Services	-	-	-	$ 49,186	-	-	-	-	49,186
Total Support Services	33,538	181,886	-	49,186	536	1,500	-	1,500	268,146
Total Expenditures	$ 328,841	$ 545,182	$ 1,628	$ 49,186	$ 9,304	$ 246,746	$ 558	$ 9,000	$1,190,445

PROSPECT PARK BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	District-Wide Total		
	Budget	Actual	Variance
EXPENDITURES:			
Instruction:			
Salaries of Teachers	$ 212,192	$ 212,192	
Other Salaries for Instruction	9,113	9,113	
General Supplies	29,978	6,994	$ 22,984
Total Instruction	251,283	228,299	22,984
Support Services:			
Salaries of Other Professional Staff	7,095	7,095	-
Total Support Services	7,095	7,095	-
Total Expenditures	$ 258,378	$ 235,394	$ 22,984

CALCULATION OF BUDGET AND CARRYOVER

Total 2012-2013 Preschool Education Aid Allocation	$ 257,982
Add: Actual Early Childhood Preschool Aid Carryover (June 30, 2012)	180,606
Total Preschool Education Aid Funds Available for 2012-2013 Budget	438,588
Less: 2012-2013 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	258,378
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2013	180,210
Add: 2012-2013 Unexpended Preschool Education Aid	22,984
2012-2013 Actual Carryover - Preschool Education Aid	$ 203,194
2012-2013 Preschool Education Aid Carryover Budgeted in 2013-2014	$ -

CAPITAL PROJECTS FUND

SCHEDULE F-1

PROSPECT PARK BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Issue/Project Title	Appropriations	Expenditures to Date Prior Year	Expenditures to Date Current Year	Unexpended Balance, June 30, 2013
Improvements to School #1 by the Construction of a four Pre-Kindergarten Classroom Addition and Various Renovations	$ 4,256,717	$ 2,915,407	$ 206,927	$ 1,134,383
	$ 4,256,717	$ 2,915,407	$ 206,927	$ 1,134,383

Project Balances	$ 1,134,383
Debt Authorized But Not Issued	(922)
Unearned Revenue-NJ School Facilities Grant	(426,465)
Fund Balance (GAAP) June 30, 2013	$ 706,996
Recapitulation of Fund Balance:	
Year-End Encumbrances	$ 9,729
Available for Capital Projects	697,267
Total Fund Balance - Restricted for Capital Projects	$ 706,996

PROSPECT PARK BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Expenditures and Other Financing Uses		
Purchased Professional and Technical Services	$	17,028
Construction Services		186,264
Equipment		3,635
Total Expenditures and Other Financing Uses		206,927
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		(206,927)
Fund Balance - Beginning of Year		1,340,388
Fund Balance - End of Year	$	1,133,461
Reconciliation of Governmental Fund Statements (GAAP):		
Fund Balance Per Governmental Funds (Budgetary)	$	1,133,461
Less: Unearned Revenue (GAAP Basis)		426,465
Fund Balance - End of Year - GAAP Basis	$	706,996

EXHIBIT F-2a

PROSPECT PARK BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
ADDITIONS AND RENOVATIONS AT NUMBER 1, PROSPECT PARK ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources- SDA Grant	$ 1,576,795		$ 1,576,795	$ 1,576,795
Bond Proceeds	2,679,000	-	2,679,000	2,679,922
Total Revenues and Other Financing Sources	4,255,795	-	4,255,795	4,256,717
Expenditures and Other Financing Uses				
Purchased Professional and Technical Services	341,505	$ 17,028	358,533	719,644
Construction Services	2,533,001	186,264	2,719,265	3,534,360
Cost of Issuance	40,901	-	40,901	-
Equipment	-	3,635	3,635	3,635
Total Expenditures and Other Financing Uses	2,915,407	206,927	3,122,334	4,256,717
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	$ 1,340,388	$ (206,927)	$ 1,133,461	$ -

Additional project information:	
Project Number	4270-010-09-OWAY
Grant Date	1/1/2009
Bond Authorization Date	4/21/09
Bonds Authorized	$ 2,679,922
Bonds Issued	2,679,000
Original Authorized Cost	4,256,717
Additional Authorized Cost	
Revised Authorized Cost	$ 4,256,717
Percentage Increase Over Original Authorized Cost	0.00%
Percentage Completion	73.35%
Original Target Completion Date	2009/2010
Revised Target Completion Date	2011/2012

ENTERPRISE FUND

EXHIBIT G-1

PROSPECT PARK BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

PROSPECT PARK BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2013

	Student Activity	Payroll	Total Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 1,203	$ 19,926	$ 21,129
Total Assets	$ 1,203	$ 19,926	$ 21,129
LIABILITIES			
Payroll Deductions and Withholdings		$ 19,926	$ 19,926
Due to Student Groups	$ 1,203	-	1,203
Total Liabilities	$ 1,203	$ 19,926	$ 21,129

EXHIBIT H-2

PROSPECT PARK BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

THIS STATEMENT IS NOT APPLICABLE

EXHIBIT H-3

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

	Balance, July 1, 2012	Receipts	Disbursements	Balance, June 30, 2013
Elementary Schools				
General Organization	$ 1,273	$ 153	$ 251	$ 1,175
PBSIS	247	-	219	28
Total All Schools	$ 1,520	$ 153	$ 470	$ 1,203

EXHIBIT H-4

PROSPECT PARK BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance, July 1, 2012	Additions	Deletions	Balance, June 30, 2013
LIABILITIES				
Payroll Deductions and Withholdings	$ 61,328	$ 3,263,099	$ 3,303,522	$ 20,905
Accrued Salaries and Wages	13	5,878,667	5,879,659	(979)
Total	$ 61,341	$ 9,141,766	$ 9,183,181	$ 19,926

LONG-TERM DEBT

EXHIBIT I-1

PROSPECT PARK BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Purpose	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance, July 1, 2012	Matured	Balance, June 30, 2013
School Bond Series 2001	8/15/2001	$ 2,186,000	8/15/2013	$ 170,000	4.25%			
			8/15/2014	180,000	4.35%			
			8/15/2015	190,000	4.40%			
			8/15/2016	196,000	4.50%	$ 901,000	$ 165,000	$ 736,000
School Bond Series 2010	7/27/2010	2,679,000	08/1/13-16	50,000	2.00%			
			08/1/17-18	250,000	2.25-2.50%			
			08/1/19-20	260,000	3.00%			
			08/1/21-23	270,000	3.00-4.00%			
			8/1/2024	275,000	4.00%			
			8/1/2025	274,000	4.00%			
						2,629,000	50,000	2,579,000
						$ 3,530,000	$ 215,000	$ 3,315,000
					Paid by Budget Appropiation		$ 215,000	

PROSPECT PARK BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

PROSPECT PARK BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Local Sources					
Local Property Tax Levy	$ 318,900	-	$ 318,900	$ 318,900	-
Total Revenues	318,900	-	318,900	318,900	-
EXPENDITURES					
Regular Debt Service					
Principal	215,000		215,000	215,000	
Interest	117,013	-	117,013	117,013	-
Total Expenditures	332,013	-	332,013	332,013	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,113)	-	(13,113)	(13,113)	-
Fund Balance, Beginning of Year	13,113	-	13,113	13,113	-
Fund Balance, End of Year	$ -	$ -	$ -	$ -	$ -

STATISTICAL SECTION

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

EXHIBIT J-1

PROSPECT PARK BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011 (Restated)	2012 (Restated)	2013
Governmental activities										
Net Investment in Capital Assets	$ 7,179,550	$ 7,095,865	$ 7,021,837	$ 6,950,640	$ 6,882,380	$ 6,939,801	$ 7,605,712	$ 7,813,825	$ 7,873,163	$ 7,205,942
Restricted	118,225	25,288	19,822	20,091	370,345	671,558	1,206,335	1,220,392	2,132,497	2,827,136
Unrestricted	226,202	254,855	854,320	1,375,515	1,083,471	1,352,512	378,010	1,714,981	1,100,840	836,576
Total governmental activities net position	$ 7,523,977	$ 7,376,008	$ 7,895,979	$ 8,346,246	$ 8,336,196	$ 8,963,871	$ 9,190,057	$ 10,749,198	$ 11,106,500	$ 10,869,654
Business-type activities										
Net Investment in Capital Assets	$ 10,226	$ 10,456	$ 8,870	$ 16,123	$ 21,034	$ 43,736	$ 69,182	$ 65,577	$ 58,158	$ 53,631
Restricted										
Unrestricted	5,599	18,378	41,116	75,288	81,839	113,477	156,036	135,106	159,811	136,739
Total business-type activities net position	$ 15,825	$ 28,834	$ 49,986	$ 91,411	$ 102,873	$ 157,213	$ 225,218	$ 200,683	$ 217,969	$ 190,370
District-wide										
Net Investment in Capital Assets	$ 7,189,776	$ 7,106,321	$ 7,030,707	$ 6,966,763	$ 6,903,414	$ 6,983,537	$ 7,674,894	$ 7,879,402	$ 7,931,321	$ 7,259,573
Restricted	118,225	25,288	19,822	20,091	370,345	671,558	1,206,335	1,220,392	2,132,497	2,827,136
Unrestricted	231,801	273,233	895,436	1,450,803	1,165,310	1,465,989	534,046	1,850,087	1,260,651	973,315
Total district net position	$ 7,539,802	$ 7,404,842	$ 7,945,965	$ 8,437,657	$ 8,439,069	$ 9,121,084	$ 9,415,275	$ 10,949,881	$ 11,324,469	$ 11,060,024

Note 1 - Net Position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Source: District's fiancial statements

PROSPECT PARK BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
Instruction										
Regular	$ 3,499,423	$ 3,991,394	$ 4,070,600	$ 4,278,954	$ 4,955,636	$ 5,168,739	$ 5,285,213	$ 5,117,872	$ 5,512,268	$ 6,503,427
Special education	1,776,924	1,508,062	1,515,502	1,338,476	1,607,336	1,610,460	1,766,651	1,814,798	1,778,279	1,712,950
Other instruction	568,202	240,456	240,185	662,662	294,280	329,103	332,622	462,708	596,294	700,772
School Sponsored Activities and Athletics	13,968	39,592	4,256	4,556	4,497	34,607	12,863	9,242	7,751	7,122
Support Services:										
Student & instruction related services	891,556	1,204,768	1,209,244	1,260,904	1,573,891	1,477,032	1,574,259	1,561,269	1,647,336	1,653,762
General Administration Services	258,568	289,144	247,516	318,451	379,037	331,882	424,846	432,212	444,033	435,503
School Administrative services	323,846	323,912	336,603	398,449	455,551	376,567	433,852	451,817	480,068	456,217
Business / Central Services	255,200	326,123	282,359	312,430	305,213	318,462	387,686	435,225	343,836	422,817
Plant operations and maintenance	771,981	797,304	742,355	680,861	774,045	910,148	877,338	803,017	996,123	1,037,746
Pupil transportation	373,429	244,835	224,628	153,118	239,015	226,181	192,670	151,864	184,835	260,221
Interest on long-term debt	110,230	80,447	75,372	70,086	64,589	58,877	52,953	125,234	124,654	113,967
Total governmental activities expenses	8,843,327	9,046,037	8,948,620	9,478,947	10,653,090	10,842,058	11,340,953	11,365,258	12,115,477	13,304,504
Business-type activities:										
Food service	227,592	263,746	270,041	256,410	324,845	356,981	391,560	431,609	377,061	442,009
Total business-type activities expense	227,592	263,746	270,041	256,410	324,845	356,981	391,560	431,609	377,061	442,009
Total district expenses	$ 9,070,919	$ 9,309,783	$ 9,218,661	$ 9,735,357	$ 10,977,935	$ 11,199,039	$ 11,732,513	$ 11,796,867	$ 12,492,538	$ 13,746,513
Program Revenues										
Governmental activities:										
Operating grants and contributions	$ 2,716,825	$ 2,865,990	$ 3,000,852	$ 3,225,311	$ 3,523,422	$ 2,752,539	$ 3,914,878	$ 2,826,837	$ 2,674,893	$ 2,981,733
Capital grants and contributions							287,245	779,572	72,984	78,340
Total governmental activities program revenues	2,716,825	2,865,990	3,000,852	3,225,311	3,523,422	2,752,539	4,202,123	3,606,409	2,747,877	3,060,073
Business-type activities:										
Charges for services										
Food service	75,979	82,510	79,899	66,513	73,249	91,418	76,646	54,390	55,317	53,948
Operating grants and contributions	151,638	194,245	211,294	230,795	262,346	319,450	363,688	352,422	338,881	360,272
Capital grants and contributions							14,014	-	-	-
Total business type activities program revenues	227,617	276,755	291,193	297,308	335,595	410,868	454,348	406,812	394,198	414,220
Total district program revenues	$ 2,944,442	$ 3,142,745	$ 3,292,045	$ 3,522,619	$ 3,859,017	$ 3,163,407	$ 4,656,471	$ 4,013,221	$ 3,142,075	$ 3,474,293
Net (Expense)/Revenue										
Governmental activities	$ (6,126,502)	$ (6,180,047)	$ (5,947,768)	$ (6,253,636)	$ (7,129,668)	$ (8,089,519)	$ (7,138,830)	$ (7,758,849)	$ (9,367,600)	$ (10,244,431)
Business-type activities	25	13,009	21,152	40,898	10,750	53,887	62,788	(24,797)	17,137	(27,789)
Total district-wide net expense	$ (6,126,477)	$ (6,167,038)	$ (5,926,616)	$ (6,212,738)	$ (7,118,918)	$ (8,035,632)	$ (7,076,042)	$ (7,783,646)	$ (9,350,463)	$ (10,272,220)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes	$ 1,516,868	$ 1,863,284	$ 2,214,567	$ 2,389,174	$ 2,389,174	$ 2,389,174	$ 2,425,012	$ 2,485,637	$ 2,535,350	$ 2,535,350
Taxes levied for debt service	190,804	104,196	191,553	197,079	196,660	196,028	195,184	252,603	329,814	318,900
Unrestricted grants and contributions	3,803,863	4,030,709	4,033,818	4,043,454	4,472,662	6,106,579	4,719,044	6,598,999	6,766,756	7,060,173
Investment earnings		10,137	16,511	50,719	60,800	24,170	11,668	10,758	8,952	6,678
Miscellaneous income	108,000	23,782	13,690	23,477	322	1,243	19,108	5,440	84,030	86,484
Other		(30)	(2,400)	-	-	-	-			
Transfers							(5,000)			
Total governmental activities	5,619,535	6,032,078	6,467,739	6,703,903	7,119,618	8,717,194	7,365,016	9,353,437	9,724,902	10,007,585

EXHIBIT J-2

PROSPECT PARK BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type activities:										
Investment earnings				$ 527	$ 712	$ 453	$ 217	$ 262	$ 149	$ 190
Transfers	-	-	-	-	-	-	5,000			
Total business-type activities	-	-	-	527	712	453	5,217	262	149	190
Total district-wide	$ 5,619,535	$ 6,032,078	$ 6,467,739	$ 6,704,430	$ 7,120,330	$ 8,717,647	$ 7,370,233	$ 9,353,699	$ 9,725,051	$ 10,007,775
Change in Net Position										
Governmental activities	$ (506,967)	$ (147,969)	$ 519,971	$ 450,267	$ (10,050)	$ 627,675	$ 226,186	$ 1,594,588	$ 357,302	$ (236,846)
Business-type activities	25	13,009	21,152	41,425	11,462	54,340	68,005	(24,535)	17,286	(27,599)
Total district	$ (506,942)	$ (134,960)	$ 541,123	$ 491,692	$ 1,412	$ 682,015	$ 294,191	$ 1,570,053	$ 374,588	$ (264,445)

Source: District's financial statements

EXHIBIT J-3

PROSPECT PARK BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Restricted								$ 3,365,932	$ 3,654,923	$ 2,442,174
Committed								16,400		
Assigned								61,732	113,092	1,111,532
Unassigned								(420,613)	(454,450)	(486,169)
Reserved	$ 385,738	$ 378,191	$ 903,935	$ 1,282,150	$ 1,596,018	$ 2,647,183	$ 2,698,048			
Unreserved	(19,461)	58,613	157,326	287,246	(9,295)	(434,326)	(491,774)			
Total general fund	$ 366,277	$ 436,804	$ 1,061,261	$ 1,569,396	$ 1,586,723	$ 2,212,857	$ 2,206,274	$ 3,023,451	$ 3,313,565	$ 3,067,537
All Other Governmental Funds										
Restricted								$ 968,491	$ 848,696	$ 706,996
Unassigned										
Reserved						$ 510,755	$ 1,860,356			
Unreserved	$ 98,910	$ (12,036)	$ (36,321)	$ (13,436)	$ (31,804)	(600,384)	(2,386,130)			
Total all other governmental funds	$ 98,910	$ (12,036)	$ (36,321)	$ (13,436)	$ (31,804)	$ (89,629)	$ (525,774)	$ 968,491	$ 848,696	$ 706,996

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

Source: District's financial statements

EXHIBIT J-4

PROSPECT PARK BOARD OF EDUCATION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Property Tax levy	$ 1,707,672	$ 1,967,480	$ 2,406,120	$ 2,586,253	$ 2,585,834	$ 2,585,202	$ 2,620,196	$ 2,738,240	$ 2,865,164	$ 2,854,250
Interest earnings		10,137	16,511	50,719	60,800	24,170	11,668	10,758	8,952	6,678
Miscellaneous	108,000	23,782	13,690	23,477	9,513	1,349	19,108	20,109	86,215	86,674
State sources	5,917,468	6,252,403	6,259,362	6,530,891	7,140,985	7,952,626	6,748,060	9,146,885	8,471,789	9,200,610
Federal sources	603,220	644,296	775,308	737,874	846,073	906,386	2,173,107	1,043,854	1,040,659	919,446
Total revenue	8,336,360	8,898,098	9,470,991	9,929,214	10,643,205	11,469,733	11,572,139	12,959,846	12,472,779	13,067,658
Expenditures										
Instruction										
Regular Instruction	3,480,410	3,977,952	4,072,110	4,175,790	4,872,956	5,155,370	5,273,083	5,103,217	5,485,471	6,258,246
Special education instruction	1,773,598	1,522,964	1,510,529	1,301,535	1,575,104	1,608,854	1,766,594	1,817,441	1,787,462	1,718,252
Other instruction	568,445	240,553	240,088	656,552	290,625	329,103	332,622	462,708	596,294	691,570
School sponsored activities and athletics	13,968	39,592	4,256	4,420	4,369	34,607	12,863	9,242	7,751	7,122
Support Services:										
Student & inst. related services	889,044	1,176,173	1,206,070	1,238,276	1,571,211	1,276,617	1,358,461	1,339,624	1,429,910	1,644,264
General administration Services	258,568	289,144	261,618	304,927	380,580	331,882	424,846	432,212	444,033	435,503
School administration services	321,377	320,582	314,313	381,771	441,792	372,257	428,656	469,572	468,188	453,111
Business / Central services	255,200	326,123	282,359	304,620	297,662	318,462	387,686	435,225	343,836	422,817
Plant operations and maintenance	571,551	596,527	542,740	667,288	760,828	906,219	873,410	798,172	992,226	1,003,232
Pupil transportation	373,429	244,835	224,628	153,118	239,015	226,181	192,670	151,864	184,835	260,221
Capital outlay	25,673	6,763	14,823	12,818	13,444	145,843	763,792	2,026,817	232,640	229,035
Debt service:										
Principal	110,000	115,000	120,000	125,000	130,000	135,000	140,000	150,000	205,000	215,000
Interest and other charges	111,984	82,279	77,285	72,079	66,660	61,029	55,184	90,409	124,814	117,013
Cost of Issuance for Bond Sale								40,901	-	-
Total expenditures	8,753,247	8,938,487	8,870,819	9,398,194	10,644,246	10,901,424	12,009,867	13,327,404	12,302,460	13,455,386
Excess (Deficiency) of revenues over (under) expenditures	(416,887)	(40,389)	600,172	531,020	(1,041)	568,309	(437,728)	(367,558)	170,319	(387,728)
Other Financing sources (uses)										
Bond Proceeds								2,679,000		
Cancelled grant receivable		(30)								
Transfers in	5,732	64					155,135			
Transfers out	(5,732)	(64)					(160,135)			
Total other financing sources (uses)	-	(30)	-	-	-	-	(5,000)	2,679,000	-	-
Net change in fund balances	$ (416,887)	$ (40,419)	$ 600,172	$ 531,020	$ (1,041)	$ 568,309	$ (442,728)	$ 2,311,442	$ 170,319	$ (387,728)
Debt service as a percentage of noncapital expenditures	2.54%	2.21%	2.23%	2.10%	1.85%	1.82%	1.74%	2.13%	2.73%	2.51%

* Noncapital expenditures are total expenditures less capital outlay.

Source: District's fiancial statements

EXHIBIT J-5

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN YEARS
(Unaudited)

Fiscal Year Ended June 30,	Prior Year Reimbursement	Interest on Capital Reserve	Interest on Investments and Deposits	Miscellaneous	Total
2004	$ 88,209		$ 14,059		$ 102,268
2005	2,736	$ 240	9,897	$ 21,046	33,919
2006		266	16,245	13,690	30,201
2007		269	50,450	23,477	74,196
2008		254	60,546	322	61,122
2009		1,214	22,956	1,243	25,413
2010		911	10,757	19,108	30,776
2011		944	9,814	4,521	15,279
2012		803	8,149	84,030	92,982
2013		756	5,922	86,484	93,162

Source: District's financial statements

PROSPECT PARK BOARD OF EDUCATION
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate [a]
2004	$ 3,090,200	$ 159,548,300	$ 14,713,650	$ 2,757,400	$ 180,109,550	$ 303,010	$ 180,412,560	$ 251,656,677	$ 1.091
2005	3,090,200	159,916,200	14,541,650	2,757,400	180,305,450	269,100	180,574,550	295,088,984	1.333
2006	3,195,200	159,799,100	14,986,750	2,757,400	180,738,450	238,200	180,976,650	295,088,984	1.430
2007	3,155,200	160,051,300	14,911,150	2,755,700	180,873,350	224,100	181,097,450	344,156,105	1.428
2008	3,115,200	160,822,300	14,728,350	2,755,700	181,421,550	218,000	181,639,550	N/A	1.423
2009	3,115,200	160,946,100	14,729,550	2,755,700	181,546,550	84,800	181,631,350	392,720,756	1.442
2010	3,048,500	161,102,900	14,707,150	2,755,700	181,614,250	228,200	181,842,450	392,720,756	1.506
2011	3,118,900	160,604,900	14,879,950	2,755,700	181,359,450	228,200	181,587,650	395,063,261	1.578
2012	3,118,900	159,640,200	14,832,450	2,755,700	180,347,250	189,782	180,537,032	254,456,705	1.581
2013	3,118,900	158,275,000	14,832,450	2,755,700	178,982,050	189,782	179,171,832	253,901,232	1.599

Source: County Abstract of Ratables

a Tax rates are per $100

PROSPECT PARK BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)

(rate per $100 of assessed value)

Calendar Year	Total Direct School Tax Rate	Overlapping Rates			Total Direct and Overlapping Tax Rate
		Regional High School District	Municipality	County	
2004	$ 1.091	$ 0.786	$ 1.241	$ 0.771	$ 3.889
2005	1.333	0.920	1.318	0.859	4.430
2006	1.430	1.054	1.437	0.999	4.920
2007	1.428	1.191	1.522	1.079	5.220
2008	1.423	1.493	1.588	1.217	5.721
2009	1.442	1.515	1.695	1.216	5.867
2010	1.506	1.519	1.923	1.168	6.116
2011	1.578	1.490	2.039	1.109	6.215
2012	1.581	1.464	2.135	1.093	6.273
2013	1.599	1.387	2.277	0.954	6.217

Source: County Abstract of Ratables

PROSPECT PARK BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	2013		2004	
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Tilcon, NJ Inc.			$ 5,413,600	3.00%
Prospect Park Partners LLC	$ 5,490,100	3.06%		
Schom Family LLC.	1,300,000	0.73%		
Galletta Realty LLC.			1,300,000	0.72%
Hazen Realty LLC.	1,252,500	0.70%	1,248,200	0.69%
D&S Acquisitions	950,000	0.53%	950,000	0.53%
100 Holdings, LLC			924,400	0.51%
Jacshon Realty & GL Orson Realty LLC.	924,400	0.52%		
Normed Realty LLC	655,100	0.37%	655,100	0.36%
Individual 1	515,400	0.29%		
Lont & Overcamp	505,200	0.28%		
Individual 2	392,100	0.22%		
Individual 3	375,800	0.21%		
	$ 12,360,600	6.47%	$ 10,491,300	5.82%

Source: Municipal Tax Assessor

* Only top 5 taxpayer information was available for 2003.

PROSPECT PARK BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	$ 1,707,672	$ 1,707,672	100.00%	N/A
2005	1,967,480	1,967,480	100.00%	N/A
2006	2,406,120	2,406,120	100.00%	N/A
2007	2,586,253	2,586,253	100.00%	N/A
2008	2,585,834	2,585,834	100.00%	N/A
2009	2,585,202	2,585,202	100.00%	N/A
2010	2,620,196	2,620,196	100.00%	N/A
2011	2,738,240	2,738,240	100.00%	N/A
2012	2,865,164	2,865,164	100.00%	N/A
2013	2,854,250	2,854,250	100.00%	N/A

Source: District records

N/A - Not Applicable

EXHIBIT J-10

PROSPECT PARK BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities: General Obligation Bonds	Total District	Population	(A)	Per Capita
2004	$ 2,081,000	$ 2,081,000	5,735		$ 363
2005	1,971,000	1,971,000	5,687		347
2006	1,736,000	1,736,000	5,646		307
2007	1,611,000	1,611,000	5,610		287
2008	1,481,000	1,481,000	5,578		266
2009	1,346,000	1,346,000	5,569		242
2010	1,206,000	1,206,000	5,605		215
2011	3,735,000	3,735,000	5,871		636
2012	3,530,000	3,530,000	5,874		601
2013	3,315,000	3,315,000	5,888		563

Source: District records

A = Estimated

PROSPECT PARK BOARD OF EDUCATION
RATIOS OF NET GENERAL OBLIGATION DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Obligation Debt Outstanding: General Obligation Debt	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value [a] of Property	Per Capita [b]
2004	$ 2,081,000		$ 2,081,000	1.15%	$ 363
2005	1,971,000		1,971,000	1.09%	347
2006	1,736,000		1,736,000	0.96%	307
2007	1,611,000		1,611,000	0.89%	287
2008	1,481,000		1,481,000	0.82%	266
2009	1,346,000		1,346,000	0.74%	242
2010	1,206,000		1,206,000	0.66%	215
2011	3,735,000		3,735,000	2.06%	636
2012	3,530,000		3,530,000	1.96%	601
2013	3,315,000		3,315,000	1.85%	563

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

PROSPECT PARK BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2012
(Unaudited)

	Gross Debt	Deductions	Net Debt
Municipal Debt: (1)			
Prospect Park School District Board of Education	$ 3,315,000	$ 3,315,000	
Borough of Prospect Park	3,203,578	3,651	$ 3,199,927
	$ 6,518,578	$ 3,318,651	3,199,927
Overlapping Debt Apportioned to the Municipality:			
Passaic County: (2) and (3)			
County of Passaic (A)			2,357,869
Passaic County Utilities Authority (A)			380,277
Passaic Valley Sewerage Commission (4) (B)			443,122
			3,181,268
Total Direct and Overlapping Debt			$ 6,381,195

Source:
(1) Borough of Prospect Park's 2012 Annual Debt Statement
(2) PCUA 2012 Audit
(3) Passaic County 2012 Annual Debt Statement
(4) PVSC 2012 Audit

(A) The debt for this entity was apportioned by dividing the municipality's 2012 equalized value by the total 2012 equalized value for Passaic County.
(B) The debt was computed based upon municipal flow to the Authority or Commission

PROSPECT PARK BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2013

Equalized valuation basis		
2012	$	254,189,218
2011		311,882,115
2010		347,986,683
	$	914,058,016
Average equalized valuation of taxable property	$	304,686,005
Debt limit (3 % of average equalization value)		9,140,580
Total Net Debt Applicable to Limit		3,315,922
Legal debt margin	$	5,824,658

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	$ 6,620,468	$ 7,593,337	$ 8,829,181	$ 10,260,152	$ 11,675,576	$ 8,690,206	$ 12,615,537	$ 11,753,749	$ 10,524,019	$ 9,140,580
Total net debt applicable to limit	2,223,490	1,856,000	1,736,000	1,611,000	1,481,000	1,346,000	1,206,000	3,735,922	3,530,922	3,315,922
Legal debt margin	$ 4,396,978	$ 5,737,337	$ 7,093,181	$ 8,649,152	$ 10,194,576	$ 7,344,206	$ 11,409,537	$ 8,017,827	$ 6,993,097	$ 5,824,658
Total net debt applicable to the limit as a percentage of debt limit	33.59%	24.44%	19.66%	15.70%	12.68%	15.49%	9.56%	31.78%	33.55%	36.28%

Source: Annual Debt Statements

EXHIBIT J-14

PROSPECT PARK BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Year	Population	Per Capita Personal Income	Unemployment Rate
2004	5,735	$ 33,370	4.20%
2005	5,687	35,269	6.20%
2006	5,646	37,865	6.30%
2007	5,610	40,223	5.90%
2008	5,578	41,556	8.60%
2009	5,569	40,426	14.40%
2010	5,605	42,228	14.60%
2011	5,871	43,209	14.40%
2012	5,874	N/A	14.20%
2013	5,888	N/A	N/A

Source: New Jersey Department of Education

N/A - Not Available
(A) - Estimated

PROSPECT PARK BOARD OF EDUCATION
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	2013		2004	
Employer	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment

NOT AVAILABLE

EXHIBIT J-16

PROSPECT PARK BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
(Unaudited)

Function/Program	2007	2008	2009	2010	2011	2012	2013
Instruction							
Regular	52.0	55.0	56.0	59.0	60.0	75.0	72.0
Special education	14.0	16.0	13.0	10.0	16.0	18.0	19.0
Support Services:							
Student & instruction related services	8.5	8.5	8.0	8.2	8.8	5.0	5.0
General administration	1.0	1.0	1.0	1.0	1.0	3.0	1.0
School administrative services	4.0	4.0	3.0	3.8	3.8	1.0	2.0
Central services	5.0	5.0	5.0	2.9	3.0	2.0	3.0
Plant operations and maintenance	5.0	5.0	5.0	4.8	5.5	4.0	5.0
Total	90	95	91	90	98.1	108.0	107.0

Source: District Personnel Records

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

PROSPECT PARK BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Enrollment [a]	Operating Expenditures [b]	Cost Per Pupil [c]	Percentage Change	Teaching Staff	Teacher/Pupil Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2004	756.3	$ 8,505,590	$ 11,246	5.07%	73	N/A		756.3	723.8	1.06%	95.70%
2005	819.9	8,734,445	10,653	-5.28%	72	N/A		819.9	781.4	8.41%	95.30%
2006	843.9	8,661,043	10,263	-3.66%	69	1:20.7	1:15.28	843.9	817.3	2.93%	96.85%
2007	836.0	9,188,297	10,991	7.09%	66	1:20.7	1:15.28	822.0	787.2	-2.60%	95.77%
2008	837.0	10,434,142	12,466	13.42%	66	1:20.7	1:15.28	833.0	802.2	1.34%	96.30%
2009	884.0	10,559,552	11,945	-4.18%	66	1:20.7	1:15.28	884.5	843.7	6.18%	95.39%
2010	883.0	11,050,891	12,515	4.77%	69	1:20.7	1:15.28	871.4	833.3	-1.48%	95.63%
2011	865.0	11,019,277	12,739	1.79%	78	01:20.7	01:15.3	873.5	832.0	0.24%	95.25%
2012	900.0	11,740,006	13,044	2.40%	73	01:20.7	01:15.3	898.6	859.3	2.87%	95.63%
2013	908.0	12,894,338	14,201	8.86%	74	01:20.7	01:15.3	899.9	857.6	0.14%	95.30%

Sources: District records

Note:
a Enrollment based on annual October district count.
b Operating expenditures equal total expenditures less debt service and capital outlay.
c Cost per pupil represents operating expenditures divided by enrollment.

N/A - Not Available

EXHIBIT J-18

PROSPECT PARK BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST SEVEN FISCAL YEARS
(Unaudited)

	2013	2012	2011	2010	2009	2008	2007
District Building							
Elementary/Middle - School #1							
Square Feet	94,950	94,950	94,950	94,950	94,950	94,950	73,659
Capacity (students)	972	972	972	972	972	972	972
Enrollment	908	900	867	885	884	835	836
Other - Board Office							
Square Feet	1,424	1,424	1,424	1,424	1,424	1,424	1,424

Number of Schools at June 30, 2013
Elementary / Middle School = 1

Source: District Records

Note:
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only seven years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

EXHIBIT J-19

PROSPECT PARK BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)

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

School Facilities	Project # (s)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
School Number 1	N/A	$ 80,246	$ 71,173	$ 58,523	$ 117,824	$ 136,515	$ 200,941	$ 119,833	$ 141,564	$ 121,577	$ 168,435
Total School Facilities		80,246	71,173	58,523	117,824	136,515	200,941	119,833	141,564	121,577	168,435
Other Facilities		-	-	-	-	-	-	-	-	-	-
Grand Total		$ 80,246	$ 71,173	$ 58,523	$ 117,824	$ 136,515	$ 200,941	$ 119,833	$ 141,564	$ 121,577	$ 168,435

Source: District Records

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2013
(Unaudited)

	Coverage	Deductible
School Package Policy - NJ School Boards Association		
Property - Blanket Building & Contents	$ 23,989,703	$ 5,000
Blanket Extra Expense	50,000,000	5,000
Comprehensive General Liability	16,000,000	1,000
Public Employee Dishonesty	100,000	500
Workers' Compensation and Employers' Liability - NJ School Boards Association		
Bodily Injury by Accident	2,000,000	
Bodily Injury by Disease - each employee	2,000,000	
Bodily Injury by Disease - policy limit	2,000,000	
Computers and Scheduled Equipment - NJ School Boards Association		
Data Processing Equipment	460,000	1,000
Boiler and Machinery - NJ School Boards Association		
Property Damage	100,000,000	5,000
Public Employees' Position Bond		
Board Secretary	100,000	

Source: School District's records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

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 Trustees
Prospect Park Board of Education
Prospect Park, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements 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 Prospect Park Board of Education as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Prospect Park Board of Education's basic financial statements and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Prospect Park of Education'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 Prospect Park Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Prospect Park Board of Education'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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002 that we consider to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Prospect Park Board of Education's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-002.

We also noted certain matters that we reported to management of the Prospect Park Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 22, 2013.

Prospect Park Board of Education's Responses to Findings

The Prospect Park Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Prospect Park Board of Education's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 not to provide an opinion on the effectiveness of the Prospect Park Board of Education'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 Prospect Park Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lerch, Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 22, 2013

LERCH, VINCI & HIGGINS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY U.S. OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Prospect Park Board of Education
Prospect Park, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Prospect Park Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/ Grant Compliance Supplement that could have a direct and material effect on each of Prospect Park Board of Education's major federal and state programs for the fiscal year ended June 30, 2013. The Prospect Park Board of Education's major federal and 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 federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Prospect Park Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Prospect Park Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Prospect Park 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 federal and state programs for the fiscal year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 2013-003 and 2013-004. Our opinion on each major federal and state program is not modified with respect to these matters.

The Prospect Park Board of Education's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Prospect Park Board of Education's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Prospect Park 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 Prospect Park Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. OMB Circular A-133 and 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 Prospect Park 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 federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-003 and 2013-004 that we consider to be significant deficiencies.

The Prospect Park Board of Education's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Prospect Park Board of Education's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 U.S. OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by U.S. OMB Circular A-133 and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 04-04

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Prospect Park Board of Education as of and for the fiscal year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 22, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. OMB Circular A-133 and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Lerch, Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary W. Higgins

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 22, 2013

EXHIBIT K-3
Schedule A

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2012	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment Carryover Receivable	Adjustments	Balance at June 30, 2013 (Account Receivable)	Balance at June 30, 2013 Unearned Revenue	Balance at June 30, 2013 Due to Grantor	MEMO GAAP Receivable
General Fund														
U.S. Department of Health and Human Services - Passed-through State Department of Education														
Medical Assistance Program	93.778	N/A	7/1/12-6/30/13	$ 47,969	-	-	$ 47,969	$ 47,969	-	-	-	-	-	-
Total U. S. Department of Health and Human Services					-	-	47,969	47,969	-	-	-	-	-	-
U.S. Department of Education														
Education Jobs Fund	84.410A	N/A	7/1/12-6/30/13	651							$ (651)	$ 651		$ (651)
Education Jobs Fund	84.410A	N/A	7/1/11-6/30/12	260,978	$ (253,050)	-	260,978	-	-	-	-	7,928	-	-
Total U. S. Department of Education					(253,050)	-	260,978	-	-	-	(651)	8,579	-	(651)
Total General Fund					(253,050)	-	308,947	47,969	-	-	(651)	8,579	-	(651)
Food Service Fund														
U.S. Department of Agriculture Passed-through State Department of Education														
National School Lunch Program	10.555	N/A	7/1/12-6/30/13	294,702			267,812	294,702			(26,890)			(26,890)
National School Lunch Program	10.555	N/A	7/1/11-6/30/12	269,322	(22,077)		22,077							
Non-Cash Assistance (Food Distribution)	10.555	N/A	7/1/12-6/30/13	25,740			25,740	24,206				1,534		
Non-Cash Assistance (Food Distribution)	10.555	N/A	7/1/11-6/30/12	30,638	1,662			1,662						
After School Snack	10.555	N/A	7/1/12-6/30/13	2,021			2,021	2,021						
School Breakfast Program	10.553	N/A	7/1/12-6/30/13	31,499			28,225	31,499			(3,274)			(3,274)
School Breakfast Program	10.553	N/A	7/1/11-6/30/12	29,325	(2,702)	-	2,702	-	-	-	-	-	-	-
Total Food Service Fund					(23,117)	-	348,577	354,090	-	-	(30,164)	1,534	-	(30,164)
U.S. Department of Education Passed-through State Department of Education														
Special Revenue Fund														
Title I	84.010	NCLB427013	9/1/12-8/31/13	517,073		82,262	127,221	510,113	(82,262)		(472,114)	89,222		(382,892)
Title I - Carryover	84.010	NCLB427012	9/1/11-8/31/12	564,248	(370,506)	(82,262)	469,204	35,069	82,262	63,629				
ARRA - Title I	84.389	ARRA2010	9/1/09-8/31/11	289,317	45,549	27,199		1,628	(27,199)			45,921		
Title IIA	84.367	NCLB427013	9/1/12-8/31/13	26,045		(27,199)			27,199		(53,244)	53,244		
Title IIA - Carryover	84.367	NCLB427012	9/1/11-8/31/12	34,114	4,801	980	9,012	49,186	(980)	(35,373)				
Title IID - Carryover	84.318	NCLB427011	9/1/10-8/31/11	1,663	4,971	(980)			980		(1,017)	5,988		
Title III	84.365	NCLB427013	9/1/12-8/31/13	14,624				8,644			(15,604)	6,960		(8,644)
Title III - Carryover	84.365	NCLB427012	9/1/11-8/31/12	14,139	3,334		27,828	660		30,502				
Title IV-Carryover	84.184	NCLB457009	9/1/08-8/31/09	9,769	12,293							12,293		
Title V-Carryover	84.186	NCLB427008	9/1/07-8/31/08	2,441	(1,916)						(1,916)			(1,916)
I.D.E.A. Part B, Preschool	84.173	PS-4270-13	9/1/12-8/31/13	9,001				9,000			(18,021)	9,021		(9,000)
I.D.E.A. Part B, Preschool - Carryover	84.173	PS-4270-12	9/1/11-8/31/12	9,020	1,285		403					1,688		
ARRA - I.D.E.A. Part B, Preschool	84.392	PS-4270-10	9/1/09-8/31/11	10,781	1,238							1,238		
I.D.E.A. Part B, Basic Regular	84.027	FT-4270-13	9/1/12-8/31/13	242,916				86,768			(242,916)	156,148		(86,768)
I.D.E.A. Part B, Basic Regular-Carryover	84.027	FT-4270-12	9/1/11-8/31/12	244,351	(73,311)		169,703	159,978			(63,586)			(63,586)
ARRA - I.D.E.A. Part B, Basic Regular	84.391	FT-4270-10	9/1/09-8/31/11	299,818	23,003	-	-	558	-	-	-	22,445	-	-
Total Special Revenue Fund					(349,259)	-	803,371	861,604	-	58,758	(868,418)	402,168	-	(552,806)
Total Federal Awards					$ (625,426)	$ -	$ 1,460,895	$ 1,263,663	$ -	$ 58,758	$ (899,233)	$ 412,281	$ -	$ (583,621)

The Notes to the Schedules of Federal Awards and State Financial Assistance are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2012 Unearned Revenue (Accts. Receivable	Balance July 1, 2012 Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2013 (Accounts) Receivable	Balance at June 30, 2013 Unearned Revenue	Balance at June 30, 2013 Due to Grantor	Memo GAAP Receivable	Memo Cumulative Total Expenditures
General Fund													
Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	$ 494,171			$ 446,368	$ 494,171		$ (47,803)				$ 494,171
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	464,891	$ (45,139)		45,139							
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	96,662			87,312	96,662		(9,350)				96,662
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	51,103	(4,962)		4,962							
Equalization Aid	13-495-034-5120-078	7/1/12-6/30/13	7,085,487			6,400,082	7,085,487		(685,405)				7,085,487
Equalization Aid	12-495-034-5120-078	7/1/11-6/30/12	6,798,358	(660,091)		660,091							
Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	7,699			6,954	7,699		(745)				7,699
Extraordinary Sp. Ed. Costs Aid	12-100-034-5120-473	7/1/11-6/30/12	25,243	(25,243)		25,243							
Additional Nonpublic Transportation Aid	N/A	7/1/12-6/30/13	7,134				7,134		(7,134)			$ (7,134)	7,134
Additional Nonpublic Transportation Aid	N/A	7/1/11-6/30/12	5,742	(5,742)		5,742							
Demonstrably Eff. Program Aid	08-495-034-5064-002	7/1/07-6/30/08	355,392	185						$ 185			
Targeted At-Risk Aid	08-495-034-5120-005	7/1/07-6/30/08	241,500	3,981						3,981			
TPAF Social Security	13-495-034-5095-002	7/1/12-6/30/13	398,110			378,173	398,110		(19,937)			(19,937)	398,110
TPAF Social Security	12-495-034-5095-002	7/1/11-6/30/12	358,303	(19,365)		19,365							
TPAF Pension Contribution - NCGI	13-495-034-5095-007	7/1/12-6/30/13	16,672			16,672	16,672						16,672
TPAF Pension Contribution - Normal Contribution	13-495-034-5095-006	7/1/12-6/30/13	316,881			316,881	316,881						316,881
TPAF Pension Contribution - PRM Contribution	13-495-034-5095-001	7/1/12-6/30/13	377,165	-	-	377,165	377,165	-	-	-	-	-	377,165
Total General Fund				(756,376)	-	8,790,149	8,799,981	-	(770,374)	4,166	-	(27,071)	8,799,981
Special Revenue													
Early Childhood Program Aid	08-495-034-5120-025	7/1/07-6/30/08	636,107	7,322			6,371			951			6,371
Preschool Education Aid	12-495-034-5120-086	7/1/11-6/30/12	168,796	156,404		16,880	173,284						173,284
Preschool Education Aid	13-495-034-5120-086	7/1/12-6/30/13	257,982			232,184	55,739		(25,798)	202,243			55,739
Character Education	04-495-034-5120-053	7/1/03-6/30/04	4,000		$ 48						$ 48		
Hurricane Education Recovery	n/a	7/1/06-6/30/07	1,119		1,119						1,119		
Evening School for the Foreign Born	06-100-034-5062-026	7/1/05-6/30/06	4,474		3,239						3,239		
New Jersey Nonpublic Aid													
Auxiliary Services													
Compensatory Education	13-100-034-5120-067	7/1/12-6/30/13	28,427			28,427	5,853				22,574		5,853
Compensatory Education	12-100-034-5120-067	7/1/11-6/30/12	21,134		9,891			$ 9,891					
Handicapped Services													
Supplementary Instruction	13-100-034-5120-066	7/1/12-6/30/13	4,163			4,163	3,608				555		3,608
Supplementary Instruction	12-100-034-5120-066	7/1/11-6/30/12	5,612		1,403			1,403					
Examination and Classification	13-100-034-5120-066	7/1/12-6/30/13	11,140			11,140	6,052				5,088		6,052
Examination and Classification	12-100-034-5120-066	7/1/11-6/30/12	10,788		3,379			3,379					
Corrective Speech	13-100-034-5120-066	7/1/12-6/30/13	16,405			16,405	13,983				2,422		13,983
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	26,855		3,195			3,195					
Nursing	13-100-034-5120-070	7/1/12-6/30/13	21,049			21,049	21,049						21,049
Textbooks	13-100-034-5120-064	7/1/12-6/30/13	15,165			15,165	15,165						15,165
Textbooks	12-100-034-5120-064	7/1/11-6/30/12	14,615		39			39					
Technology	13-100-034-5120-373	7/1/12-6/30/13	5,597			5,597	5,394				203		5,394
Transportation	13-100-034-5120-068	7/1/12-6/30/13	22,153	-	-	22,153	22,153	-	-	-	-	-	22,153
Total Special Revenue Fund				163,726	22,313	373,163	328,651	17,907	(25,798)	203,194	35,248	-	328,651

The Notes to the Schedules of Federal Awards and State Financial Assistance are an Integral Part of this Statement

Continued

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2012 Unearned Revenue (Accts. Receivable)	Balance July 1, 2012 Due to Grantor	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Balance at June 30, 2013 (Accounts) Receivable	Balance at June 30, 2013 Unearned Revenue	Balance at June 30, 2013 Due to Grantor	Memo GAAP Receivable	Memo Cumulative Total Expenditures
Capital Projects													
NJ Schools Development Authority	4270-010-09-OWAY		$ 1,576,795	$ (914,311)			$ 78,340		$ (1,419,116)	$ 426,465		$ (1,419,116)	$ 1,150,330
NJ Schools Development Authority	4270-010-09-OOAJ		67,811	(67,811)	-	-	-	-	(67,811)	-	-	(67,811)	67,811
				(982,122)	-	-	78,340	-	(1,486,927)	426,465	-	(1,486,927)	1,218,141
State School Lunch Program	13-100-010-3350-023	7/1/12-6/30/13	6,182			$ 5,624	6,182		(558)			(558)	6,182
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	6,212	(501)	-	501	-	-	-	-	-	-	-
Total Food Service Fund				(501)	-	6,125	6,182	-	(558)	-	-	(558)	6,182
Total State Financial Assistance				(1,575,273)	$ 22,313	9,169,437	9,213,154	$ 17,907	(2,283,657)	633,825	$ 35,248	(1,514,556)	10,352,955
State Financial Assistance Not Subject to Single Audit Determination													
General Fund													
TPAF Pension Contribution - NCGI	13-495-034-5095-007	7/1/12-6/30/13	16,672			(16,672)	(16,672)						(16,672)
TPAF Pension Contribution - Normal Contribution	13-495-034-5095-006	7/1/12-6/30/13	316,881			(316,881)	(316,881)						(316,881)
TPAF Pension Contribution - PRM Contribution	13-495-034-5095-001	7/1/12-6/30/13	377,165	-	-	(377,165)	(377,165)	-	-	-	-	-	(377,165)
Total State Financial Assistance Subject to Single Audit				$ (1,575,273)	$ 22,313	$ 8,458,719	$ 8,502,436	$ 17,907	$ (2,283,657)	$ 633,825	$ 35,248	$ (1,514,556)	$ 9,642,237

The Notes to the Schedules of Federal Awards and State Financial Assistance are an Integral Part of this Statement

PROSPECT PARK BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Prospect Park Board of Education. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using 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 Notes 1(C) to the Board's basic financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of $7,868 for the general fund and an increase of $10,728 for the special revenue fund. See the Notes to Required Supplementary Information 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 as follows:

	Federal	State	Total
General Fund	$ 48,620	$ 8,792,113	$ 8,840,733
Special Revenue Fund	870,826	330,157	1,200,983
Capital Projects Fund		78,340	78,340
Food Service Fund	354,090	6,182	360,272
Total Financial Assistance	$ 1,273,536	$ 9,206,792	$ 10,480,328

PROSPECT PARK BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of $398,110 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2013. The amount reported as TPAF Pension System Contributions in the amount of $333,553 and TPAF Post-Retirement Medical Benefits Contributions in the amount of $377,165 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2013.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's basic financial statements and the amount subject to State single audit and major program determination.

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	Unmodified	
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?	X yes	____ none reported
Noncompliance material to basic financial statements noted?	X yes	____ no

Federal Awards Section

Internal Control over compliance: (1) Were material weakness(es) identified?	____ yes	X no
2) Significant deficiencies identified that are not considered to be material weakness(es)?	____ yes	X none reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555	National School Lunch/Breakfast Programs
84.010	NCLB - Title I

Dollar threshold used to distinguish between Type A and Type B programs:		$ 300,000
Auditee qualified as low-risk auditee?	____ yes	X no

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part I – Summary of Auditor's Results

State Awards Section

Internal Control over compliance:

1)	Material weakness(es) identified?	____ yes	X no
2)	Were significant deficiency(ies) identified that were not considered to be material weaknesses?	X yes	____ none reported

Type of auditor's report on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04, as amended? X yes ____ none

Identification of major programs:

State Grant/Project Number(s)	Name of State Program
13-495-034-5120-078	Equalization Aid
13-495-034-5120-089	Special Education Categorical Aid
13-495-034-5120-084	Security Aid
13-495-034-5095-002	TPAF - Social Security Tax

Dollar threshold used to distinguish between Type A and Type B Programs: $ 300,000

Auditee qualified as low-risk auditee? ____ yes X no

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2013-001:

During our tests of transactions, it was noted that the District misclassified expenditures relating to roof replacement, charter school tuition, food service equipment and Treasurer of School Monies salary payments. The expenditures and related appropriations were reclassified by audit adjustments to the proper budget appropriations.

Criteria or specific requirement:

The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition and NJAC 6A-23.2.2(f).

Condition:

Line item account classification determinations were not being carefully reviewed and/or monitored, which resulted in certain misclassifications.

Context:

The District misclassified $26,520 of roof replacement service to Purchased Professional and Technical Services instead of Cleaning, Repair and Maintenance Services in General Fund. Charter school payments of $16,191 were misclassified in the General Fund. $8,625 of payments to Treasurer of School Monies were charged to Title I Purchased Professional Services. Also, $3,155 of food service equipment was misclassified to supplies.

Effect:

None – Financial statements have been adjusted for audit presentation.

Cause:

Unknown.

Recommendation:

The District should reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with New Jersey Administrative Code.

View of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

Finding 2013-002:

The cash balance in the general ledger for Food Service Fund for the year ended June 30, 2013 was not in agreement with the supporting bank reconciliation, subsidiary records and/or journals. Several cash receipts relating to sales, interest and transfers from General Fund totaling $54,558 were not posted in the general ledger.

Criteria or specific requirement:

State Department of Education's GAAP Technical Systems Manual, Generally Accepted Accounting Principles.

Condition:

Various financial statement balances were understated at June 30, 2013.

Questioned Costs:

None. Adjustments have been made to the basic financial statements.

Context:

The general ledger account balances should be reconciled to subsidiary records to verify proper posting and reporting.

Effect:

None, adjustments have been applied to the District's June 30, 2013 basic financial statements.

Recommendation:

The Food Service Fund general ledger be reconciled to the respective subsidiary ledgers, including bank reconciliations on a monthly basis to ensure all transactions are properly reflected.

View of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR FEDERAL AWARDS

There are none.

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

CURRENT YEAR STATE AWARDS

Finding 2013-003

Our audit of purchases and procedures related to compliance with the Public School Contracts Law revealed the following:

- Purchases and contracts for HVAC service repairs were made in excess of the bid threshold and were not procured through public bids advertised in accordance with 18A:18A.
- No quotes were provided for payments relating to floor replacement, roof replacement, locksmith services and door replacement, conversion of restroom and installation of double egress doors.
- Professional service contract awards were not advertised in the District's official newspaper.

State program information:

Equalization Aid	495-034-5120-078
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084

Criteria or specific requirement:

State Grant Compliance Supplement – State Aid – Public
NJSA 18A:18A – Public School Contracts Law

Condition:

Purchases and contracts for goods and services were made which were not in accordance with the procedures specified in the Public School Contracts Law.

Questioned Costs:

Unknown.

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs (Cont'd)

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR STATE AWARDS (Continued)

Finding 2013-003 (Continued)

Context:

- HVAC service repairs that were in excess of the bid threshold which were not obtained through advertised public bids.
- No quotes were obtained for payments relating to floor replacement, roof replacement, locksmith service and door replacement, conversion of restroom and installation of double egress doors.
- Professional service contract awards were not advertised in the District's official newspaper.

Effect:

Noncompliance with bidding requirements of the Public School Contracts Law.

Recommendation:

Internal control procedures be reviewed and revised to ensure purchases and contract awards in excess of the bid or quote threshold are made in accordance with the Public School Contracts Law. Additionally, all contracts for professional services be advertised.

View of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs (Cont'd)

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR STATE AWARDS (Continued)

Finding 2013-004

The Board Secretary's monthly financial reports and monthly certification of line item appropriations from July 2012 through March 2013 were not approved in the official minutes within sixty days of the respective month end.

State program information:

Equalization Aid	495-034-5120-078
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084

Criteria or specific requirement:

State Grant Compliance Supplement – State Aid Public

Condition:

See Finding 2013-004

Questioned Cost:

Not applicable

Context:

See Finding 2013-004

Cause:

Unknown.

Effect:

Unknown.

PROSPECT PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs (Cont'd)

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133and New Jersey OMB's Circular 04-04, as amended.

CURRENT YEAR STATE AWARDS (Continued)

Finding 2013-004 (Continued)

Recommendation:

The Board should acknowledge, in the minutes, the receipt and approval of the monthly Board Secretary's reports as well as the monthly certifications within sixty days of the respective month end.

View of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed the finding and has indicated it will implement procedures to ensure corrective action is taken.

PROSPECT PARK BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS

Finding 2012-1

Certain accounts in the general ledger for the year ended June 30, 2012 were not in agreement with the supporting reconciliations and subsidiary records. In addition, certain revenues for Extraordinary State Aid and Nonpublic Transportation Aid were not accrued in the District's financial records as of June 30, 2012.

Status

Corrective action has been taken.

Finding 2012-2

The salary of a certain District employee charged to a Federal Grant was not in agreement with the amount approved in the official minutes.

Status

Corrective action has been taken.

Finding 2012-3

Our audit of expenditures revealed several budget line item overexpenditures at year end.

Status

Corrective action has been taken.

Finding 2012-4

Our audit of purchases and procedures related to compliance with the Public School Contracts Law revealed the following:

- Contracts awarded through Educational Data Services (Ed Data) were not approved by Board resolution.
- Purchases and contracts for computer equipment including whiteboards and building improvements were made in excess of the bid threshold and were not procured through public bids advertised in accordance with 18A:18A.
- No quotes were provided for payments relating to office furniture.
- Vendor political contribution disclosure forms were not on file in all instances where required.

Status

See Finding 2013-003.

PROSPECT PARK BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR YEAR FINDINGS (Continued)

Finding 2012-5

Certain accounts in the general ledger for the year ended June 30, 2012 were not in agreement with the supporting reconciliations and subsidiary records. In addition, certain revenues for Extraordinary State aid and Nonpublic Transportation Aid were not accrued in the Districts financial records as of June 30, 2012.

Status

Corrective action has been taken.

Finding 2012-6

The Board Secretary's monthly financial reports and monthly certification of line item appropriations from January 2012 through June 30, 2012 were not approved in the official minutes.

Status

See Finding 2013-004.