

**BOROUGH OF WATCHUNG
SCHOOL DISTRICT**

**Borough of Watchung School District
Watchung, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

BOROUGH OF WATCHUNG SCHOOL DISTRICT

Watchung, New Jersey

For the Fiscal Year Ended June 30, 2013

Borough of Watchung School District

**Watchung Borough School District Board of Education
Business Office**

BOROUGH OF WATCHUNG SCHOOL DISTRICT
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INTRODUCTORY SECTION



Watchung Borough Board of Education

One Dr. Parenty Way, Watchung, NJ 07069
Phone: 908-755-8536 Fax: 908-755-6946

Dr. Barbara A. Resko, Superintendent
Charisse Gutierrez, Business Administrator/Board
Secretary

September 20, 2013

Honorable President and
Members of the Board of Education
Watchung Borough School District
County of Somerset, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the Watchung Borough School 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 Watchung Borough Board of Education (the District). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statement and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, as well as special education for handicapped students. The District completed the 2012-2013 fiscal year with an enrollment of 717 students, which is 7 more students than the previous year's enrollment. The enrollment includes 21 preschool tuition students and two half time special education students.

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2. ECONOMIC CONDITION AND OUTLOOK: The Borough of Watchung was organized on April 20, 1926 and covers an area of approximately 6.2 square miles. Watchung was settled in the early eighteenth century and grew slowly until recent years. In 1960 the population was 3,312 and in 2000 it was 5,613. Watchung Borough is primarily a suburban residential community with 1,872 residential structures. The Borough also has a number of substantial commercial ratables principally located on State Highway 22 on the outskirts of the Borough. The Watchung Square Mall, a 750,000 square foot shopping center was completed and is currently assessed for over \$128 million. Crystal Ridge, a new 280-unit apartment complex has also been completed adjacent to the shopping center. This portion of the project is assessed at over \$40 million. These units are expected to generate 100 students when fully occupied. Currently we have 60 students from Crystal Ridge in our Pre-K through 8 system.

3. MAJOR INITIATIVES: In 2012-2013, the administrative team was streamlined. The district now has a Superintendent/Director of Special Services, a dual Principal, and an Assistant Principal. A new Business Administrator/Board Secretary joined the administrative team in February 2013. The district also hired new architectural and legal firms.

The Watchung Borough Public Schools have continued to provide excellence in education for all students, Pre-K through eighth grade. This is the district's second year of a tuition based, integrated Preschool Program for children 3-4 years. A full-day academic kindergarten is offered to students whose reach age five by October 1. Spanish, German, and French are offered to students in grades 6-8. Students in grades 4-5 study Latin. Mathematics includes accelerated geometry and algebra. Industrial Arts and Robotics are taught at the middle school level. Award winning vocal and instrumental music, art, and performing arts opportunities abound in our schools. SOAR is the district's program for gifted and talented students. Guidance counselors in both schools assist teachers and administrators with assessing and meeting the academic, social and emotional needs of our students. The district revised its Intervention and Referral Services procedures and documents. Our Child Study Team has coordinated a multiple disabled special education program for students in Bayberry School and an intensive resource class in Valley View as required by the New Jersey Department of Education. During 2012-2013 school year, the teachers revised the mathematics curriculum which was recorded electronically in the Rubicon Atlas Mapping system. An updated Technology Plan was developed for the 2013-2016 school years. We have eReaders, iPads, Smart Boards, and Distance Learning equipment available to all students. All curricula are aligned with the Common Core Standards and are reviewed and approved by the Board of Education. The district adopted and piloted the Danielson's Framework for Teacher Model and the Teachscape platform in compliance with the state's new teacher evaluation requirements.

The Somerset County Youth Service Commission again provided grants that sponsored spring and fall programs for the Bayberry Girls on the Run and Valley View Girls on Track. These self-esteem building after-school running programs are for girls at Bayberry and Valley View Schools. The programs are designed to help girls develop self-confidence, determination, and focus on goal setting and cooperation. The district was also awarded a competitive grant entitled "Pursuit of Excellence". This is a one-hour after school tutoring program for "at-risk" needy students in Bayberry and Valley View Schools. By providing after-school tutorial services, the district assists students in third through eighth grade to build academic skills, increase their success in school, and their feelings of self-worth and importance in the community. The District provides a late bus to transport students home after this program.

The Watchung Education Foundation, an organization that was established to raise money for Bayberry and Valley View Schools to provide an ongoing centralized source of additional funds and resources to assist the Watchung School District in maintaining and enhancing the quality of education in Watchung, funded the following grants for the district in the 2012-2013 school year:

Honorable President and
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- Fish anatomy program
- Books for Bayberry Library
- Brain Bop and Brain Pop Jr. programs for Bayberry students
- Makerbot 3D printer

The school programs are further enhanced by involvement of parents in the Parent Teacher Organization and community groups such as the Watchung Hills Municipal Alliance, Garden Club and the Watchung Police Department's D.A.R.E. program. The PTO funded the following grants for the district in the 2012-2013 school year:

- Field trip subsidy for Bayberry and Valley View schools
- Technology (iPads)
- Subscription to Study Island
- Signage
- Block grants for Art, Industrial Arts, Choral, Instrumental, Music Composition, Physical Education, Foreign Language, Social Studies and Science, Library

Settlement of Collective Bargaining Agreement

Upon recommendation of the negotiations committee, the board of education approved the memorandum of agreement and salary guides for the period July 1, 2014 to June 30, 2016. The agreement was ratified by the Watchung Borough Education Association on September 3, 2013 and subsequent approved by the board on September 11, 2013. The settlement of 2% each year (cost of \$83,000 over three years) comes just in time for the beginning of the 2013-2014 school year.

Partial Roof Replacement at Valley View School

District operating maintenance of school facilities encompasses the overall properties in the district. Care, maintenance and repair of our school buildings, grounds, and oversight of new construction allow students a safe environment to learn. By evaluating needs and multi-year planning, the district is able to efficiently plan for resources needed district-wide.

On March 13, 2013, the district adopted a resolution approving the submission of application for the roof replacement at the Valley View School to the New Jersey Department of Education as an other capital project with no state funding. On June 5, 2013, Parette Somjen Architects recommended that we award the bid to Chris Andersen Roofing and Erecting Company Inc. Bid amount including alternates totaled \$417,700. On July 24, 2013, the district adopted a resolution approving the withdrawal of \$510,370 from the Capital Reserve Account to be used for payment of invoices related to this project. We are nearing completion of the partial roof replacement at Valley View School. Construction which began in July 2013 was substantially complete prior to the opening day of the current school year.

Solar Project at Bayberry School

On January 13, 2011 the district adopted a resolution authorizing participating in the Somerset County Improvement Authority 2011 Renewable Energy Program. This program finances 100% of the capital cost of solar panels and related equipment, plus installation, operation and maintenance of a "solar project" for the district at Bayberry School. The panels were mounted on the school building and also as part of a canopy system. The Authority issued County guaranteed bonds to finance the solar projects at no cost, directly or indirectly to the district. Debt service on the

Honorable President and
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bonds is paid in the first instance by a solar developer that is chosen by the Authority pursuant to the competitive contracting procedures of the Local Public Contracts Law.

Based on updated calculation by Gabel Associates, the solar canopy at Bayberry is projected to return approximately \$20,000 per year in actual energy savings.

Local Unit Facility	Year 1 Savings	Life of Project Total Savings	
		Nominal	NPV
Bayberry Elementary School	\$6,371	\$305,326	\$210,618

* Note that Year 1 Savings does not reflect a full year of savings, because the system became operational in August 2013. Therefore the Year 1 savings represents a partial year only.

Roof Replacement at Bayberry School

As part of our Long Range Facility Plan, the roof at Bayberry School will be replaced during the summer of 2014. The district applied for a grant from the State for the roof replacement. We expect to receive notification if the State will fund approximately 40% of the cost some time in December 2013.

Safety and Security Measures

The District has taken reasonable steps to maintain a balance between having a welcoming school climate and a facility which is secure. Some of these steps take little cost to implement while others require some capital investment. At June 30, 2013, the district was in a position to deposit funds into capital reserve to cover these anticipated expenditures.

Demographic Study

The District will be embarking on a joint demographic projection for long-term district planning with Warren Township, Township of Green Brook and Watchung Hills Regional High School. This is aligned with the goals set forth during our recent Strategic Planning session. Growth in the district's enrollment is expected to continue. The degree to which that may happen is dependent upon economic factors and their impact on the housing market. The demographic study will address new and available housing in Watchung. Based upon the current economy and the current status of approved projects in Watchung, it is anticipated that new housing may substantially impact the district's enrollment in the near future. However, it is noted that when the economy improves, especially the housing market, this could change.

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

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal awards 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.

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

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the 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 Basic Financial Statements", Note 1.

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

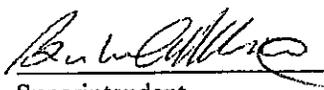
8. RISK MANAGEMENT: The Board carries various forms of insurance that includes, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on J-20.

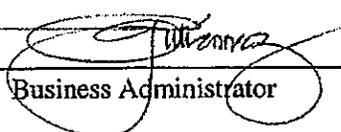
9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP was selected as the Board's Audit firm. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

Honorable President and
Members of the Board of Education
Watchung Borough School District
Page 6
September 20, 2013

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

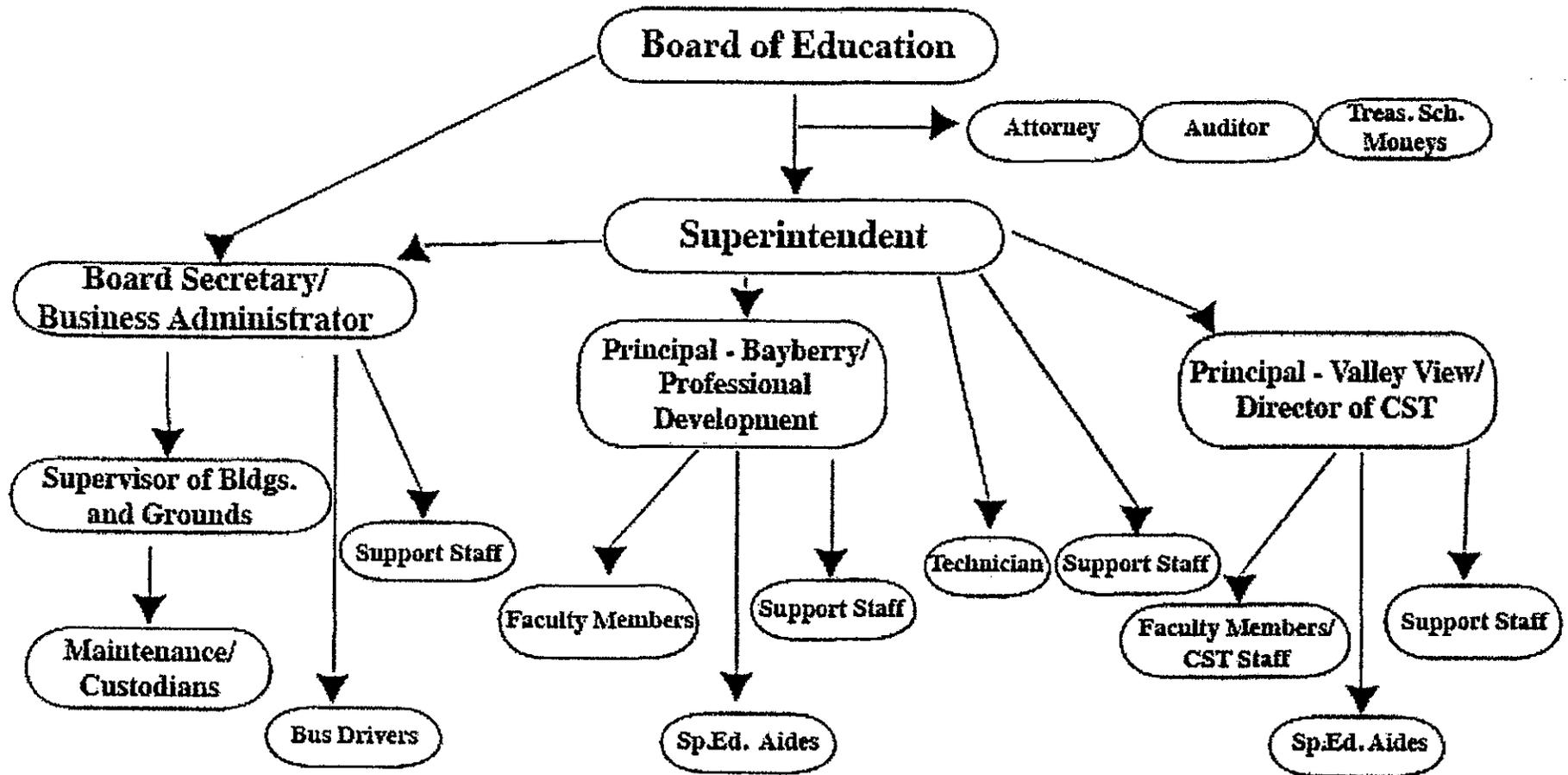
Respectfully submitted by,

Signed: 
Title: Superintendent

Signed: 
Title: Business Administrator

WATCHUNG BOROUGH BOARD OF EDUCATION

ORGANIZATIONAL CHART Unit Control



BOROUGH OF WATCHUNG SCHOOL DISTRICT
ROSTER OF OFFICIALS
YEAR ENDED JUNE 30, 2013

Members of the Board of Education

Term Expires

Jeffrey Bonner, President	2013
Kathleen Caldas, Vice President	2014
Tiffany Brigante	2016
Georgia Glasser-Nehls	2013
Tina Kelly	2014
John Malchow	2016
Ellyn Margulies	2014
Charles Neiss	2013
James Rhyner	2016

Other Officials

Barbara A. Resko, Ph. D., Superintendent of Schools
 Charisse Gutierrez, Business Administrator/Board Secretary
 Mary Nunn, Principal
 William J. Hance, Treasurer
 Lindabury, McCormick, Estabrook & Cooper, P.C. - Legal Counsel

**BOROUGH OF WATCHUNG SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Nisivoccia LLP
Mount Arlington Corporate Center
200 Valley Road Suite 300
Mount Arlington, NJ 07856
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney at Law

Lindabury, McCormick, Estabrook & Cooper, P.C.
53 Cardinal Drive
P.O. Box 2369
Westfield, NJ 070910

Architect

Parette Somjen Architects
439 Route 46 East
Rockaway, NJ 07866

Benefit Advisor

Brown & Brown Benefit Advisors
24 Arnett Avenue Suite 200
Lambertville, NJ 08530

Property Insurance

Willis
350 Mt. Kemble Avenue
P.O. Box 1959
Morristown, NJ 07962

Official Depository

PNC Bank
45 Mountain Boulevard
Warren, NJ 07059

FINANCIAL SECTION



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

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

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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

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

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

The Honorable President and Members
of the Board of Education
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Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

September 20, 2013
Mount Arlington, New Jersey

NISIVOCCIA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

BOROUGH OF WATCHUNG SCHOOL DISTRICT
Management Discussion and Analysis
(Unaudited)

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

Financial Highlights

- The District's financial status is strong, in spite of minimal increases in state aid for several years.
- Overall revenue was \$13.6 million.
- Overall expenditures were \$12.2 million.
- Actual revenue was more than expected, primarily in tuition and additional state aid from extraordinary aid and special education aid.
- Enrollment in the District has been increasing for the last several years and cost per pupil has also been increasing.

Overview of the Financial Statements

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

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

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

Figure A-1

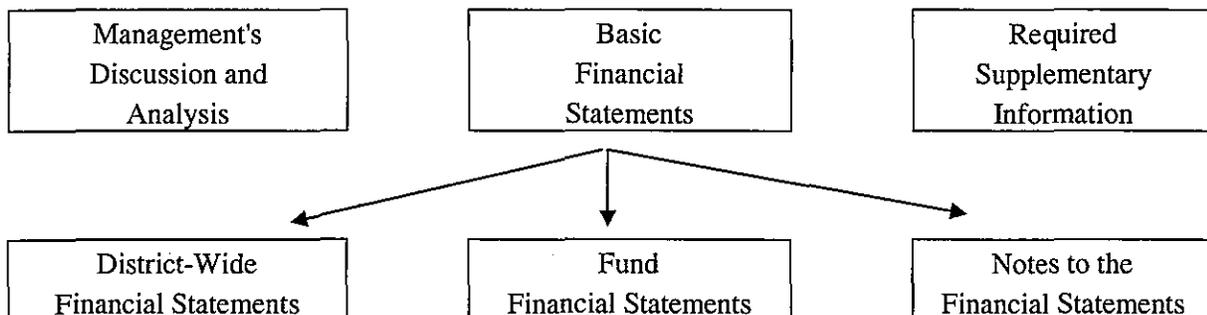


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

- *Notes to Financial Statements:* Provided additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased \$1,371,744. Net position from governmental activities increased by \$1,368,054 combined with an increase in net position from business activities of \$3,690. Net investment in capital assets increased by \$1,025,691, restricted net position increased by \$387,157 and unrestricted net position decreased by \$41,104.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	
Current and Other Assets	\$ 3,685,369	\$ 3,403,344	\$ 9,416	\$ 5,726	\$ 3,694,785	\$ 3,409,070	8.38%
Capital Assets	13,360,787	13,753,874			13,360,787	13,753,874	-2.86%
Total Assets	<u>17,046,156</u>	<u>17,157,218</u>	<u>9,416</u>	<u>5,726</u>	<u>17,055,572</u>	<u>17,162,944</u>	-0.63%
Long-Term Debt Outstanding	7,069,773	8,462,479			7,069,773	8,462,479	-16.46%
Other Liabilities	877,452	963,862			877,452	963,862	-8.96%
Total Liabilities	<u>7,947,225</u>	<u>9,426,341</u>			<u>7,947,225</u>	<u>9,426,341</u>	-15.69%
Net Position:							
Net Investment in Capital							
Assets	6,470,676	5,444,985			6,470,676	5,444,985	18.84%
Restricted	3,014,467	2,627,560			3,014,467	2,627,560	14.72%
Unrestricted/(Deficit)	<u>(386,212)</u>	<u>(341,668)</u>	<u>9,416</u>	<u>5,726</u>	<u>(376,796)</u>	<u>(335,942)</u>	-12.16%
Total Net Position	<u>\$ 9,098,931</u>	<u>\$ 7,730,877</u>	<u>\$ 9,416</u>	<u>\$ 5,726</u>	<u>\$ 9,108,347</u>	<u>\$ 7,736,603</u>	17.73%

Changes in Net Position. The District's combined net position was \$9,108,347 on June 30, 2013, or \$1,371,743 more than it was the year before. (See Figure A-3). Net investment in capital assets increased by \$1,025,691 due to the \$68,799 of additions to capital assets, the retirement of \$1,500,000 of bond principal less \$461,886 in depreciation expense plus a decrease of \$41,802 in deferred interest offset by \$39,420 in bond issuance costs. Restricted net position increased by \$386,907 due primarily to the \$161,351 decrease in year-end encumbrances offset by the \$550,000 increase in capital reserve account, \$87,191 decrease in excess surplus and the \$13,553 decrease in capital projects. Unrestricted net position decreased by \$41,104 due primarily to the net of the unamortized bond premium, compensated absences and accrued interest payable offset by excess revenues.

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	
Revenue:							
Program Revenue:							
Charges for Services			\$ 8,353	\$ 8,326	\$ 8,353	\$ 8,326	0.32%
Operating Grants & Contributions	\$ 1,568,461	\$ 1,320,584	7,049	7,771	1,575,510	1,328,355	18.61%
General Revenue:							
Property Taxes	11,755,732	11,562,213			11,755,732	11,562,213	1.67%
Unrestricted Federal and State Aid	58,675	82,040			58,675	82,040	-28.48%
Other	214,730	229,023			214,730	229,023	-6.24%
Total Revenue	<u>13,597,598</u>	<u>13,193,860</u>	<u>15,402</u>	<u>16,097</u>	<u>13,613,000</u>	<u>13,209,957</u>	3.05%
Expenses:							
Instruction	7,004,395	6,567,620			7,004,395	6,567,620	6.65%
Pupil and Instruction Services	1,914,782	1,873,706			1,914,782	1,873,706	2.19%
Administrative and Business	1,184,278	1,255,394			1,184,278	1,255,394	-5.66%
Maintenance and Operations	1,188,082	1,224,782			1,188,082	1,224,782	-3.00%
Transportation	563,612	540,830			563,612	540,830	4.21%
Other	374,396	324,846	11,712	14,348	386,108	339,194	13.83%
Total Expenses	<u>12,229,545</u>	<u>11,787,178</u>	<u>11,712</u>	<u>14,348</u>	<u>12,241,257</u>	<u>11,801,526</u>	3.73%
Increase in Net Position	<u>\$ 1,368,053</u>	<u>\$ 1,406,682</u>	<u>\$ 3,690</u>	<u>\$ 1,749</u>	<u>\$ 1,371,743</u>	<u>\$ 1,408,431</u>	-2.60%

Revenue Sources. The District's total revenue for the 2012/2013 school year was \$13,613,000 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$11,755,732 of the total, or 86.36 percent. (See Figure A-5). Approximately 12.00 percent came from state and federal aid and the remainder from miscellaneous sources.

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

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 1,575,510	11.57%
Property Taxes	11,755,732	86.36%
Federal and State Categorical Grants	58,675	0.43%
Charges for Services	8,353	0.06%
Other	214,730	1.58%
	<u>\$ 13,613,000</u>	<u>100.00%</u>

The total cost of all programs and services was \$12,241,257. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (77.46 percent). (See Figure A-6). The District's maintenance and operations activities accounted for 9.71 percent of total costs. The most significant contributors to the costs of Maintenance and Operations were fuel and other costs. It is important to remember that \$461,886 in depreciation is included in expenses for the year.

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

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 7,004,395	57.22%
Pupil and Instruction Services	1,914,782	15.64%
Administrative and Business	1,184,278	9.67%
Maintenance and Operations	1,188,082	9.71%
Transportation	563,612	4.60%
Other	386,108	3.16%
	<u>\$ 12,241,257</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District remains strong. Maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

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

- Participation in a joint insurance fund operated by Diploma Joint Insurance Fund resulting in low cost property, liability and workers compensation insurance.
- Participation in Joint Transportation Agreements.
- Participation in Joint Purchasing Agreements.
- Participation in e-Rate Programs.

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

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

Figure A-7
Net Cost of Governmental Activities

	Total Costs of Services		Net Cost of Services	
	2012/2013	2011/2012	2012/2013	2011/2012
Instruction	\$ 7,004,395	\$ 6,567,620	\$ 5,575,814	\$ 5,365,061
Pupil and Instruction Services	1,914,782	1,873,706	1,866,232	1,833,269
Administrative and Business	1,184,278	1,255,394	1,092,948	1,177,806
Maintenance and Operations	1,188,082	1,224,782	1,188,082	1,224,782
Transportation	563,612	540,830	563,612	540,830
Other	374,396	324,846	374,396	324,846
	<u>\$ 12,229,545</u>	<u>\$ 11,787,178</u>	<u>\$ 10,661,084</u>	<u>\$ 10,770,507</u>

- The cost of all governmental activities this year was approximately \$12.2 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$1.63 million.
- Approximately \$11.755 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity increased by \$3,690 (Refer to Figure A-4). Factors contributing to these results included:

- Food service revenues exceeded expenses by \$3,690, accounting for all of the increase in the net position of the business-type activities.

Financial Analysis of the District's Funds

The District's financial position remains strong despite significant changes in the student clientele and difficult economic times.

In an effort to return special education students to the district, it has been forced to expand its classroom teaching staff, special education aides and special transportation. The savings realized from the reduction in out of district placements, however, has largely offset the cost of these additional teachers and special education aides. Fringe benefit costs for all staff have increased dramatically in the past several years.

These factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

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

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

Capital Asset and Debt Administration

Figure A-8
Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	
Land	\$ 411,364	\$ 411,364			\$ 411,364	\$ 411,364	0.00%
Building and Building Improvements	12,379,951	12,774,893			12,379,951	12,774,893	-3.09%
Machinery and Equipment	243,854	243,419			243,854	243,419	0.18%
Construction in Progress	325,618	324,198			325,618	324,198	0.44%
Total Capital Assets (Net of Depreciation)	\$ 13,360,787	\$ 13,753,874	\$ -0-	\$ -0-	\$ 13,360,787	\$ 13,753,874	-2.86%

Long-term Debt

At year-end, the District had a net of \$6,890,111 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

Figure A-9
Outstanding Long-Term Debt

	Total School District		Percentage Change
	2012/2013	2011/2012	
General Obligation Bonds	\$ 7,215,000	\$ 8,715,000	-17.21%
Less: Deferred Amount on the Refunding Bonds	(324,889)	(406,111)	-20.00%
	6,890,111	8,308,889	
Compensated Absences	179,662	153,590	16.98%
	\$ 7,069,773	\$ 9,802,797	-27.88%

- The District continued to pay down its debt, retiring \$1,500,000 of outstanding bonds.
- Compensated absences payable increased by a net amount of \$26,072 due to retirement and a change in the method of the calculation for vested sick days.

Factors Bearing on the District's Future

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

- Tax Levies for school districts cannot exceed 2% unless we meet very few exceptions. Unless our costs, many of which are beyond our control, are kept below the levy cap, Watchung Borough may progressively lose programs. The District will be faced with the potential of level or reduced State Aid and a strict 2% budget CAP.

Capital Asset and Debt Administration

Figure A-8
Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
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Machinery and Equipment	243,854	243,419			243,854	243,419	0.18%
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	6,890,111	8,308,889	
Compensated Absences	179,662	153,590	16.98%
	\$ 7,069,773	\$ 9,802,797	-27.88%

- The District continued to pay down its debt, retiring \$1,500,000 of outstanding bonds.
- Compensated absences payable increased by a net amount of \$26,072 due to retirement and a change in the method of the calculation for vested sick days.

- Personnel – We are a human resource dependent organization. Our recent contract settlement has placed a 2% increase each year on total compensation costs for our collective bargaining unit through June 30, 2016.
- As part of our Long Range Facility Plan, the roof at Bayberry School will be replaced during the summer of 2014. The district applied for a grant from the State for the roof replacement. We expect to receive notification if the State will fund approximately 40% of the cost some time in December 2013.

Request for Information

This financial report is designed to provide a general overview of the Borough of Watchung School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mrs. Charisse Gutierrez, School Business Administrator/Board Secretary, at the Board of Education Office at One Dr. Parenty Way, Watchung, NJ 07069.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,498,052	\$ 8,802	\$ 1,506,854
Receivable from State Government	95,861		95,861
Receivable from Federal Government	25,962	614	26,576
Other Accounts Receivable	2,095		2,095
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,908,483		1,908,483
Maintenance Reserve Account - Cash and Cash Equivalents	91,500		91,500
Unamortized Bond Issuance Costs	63,416		63,416
Capital Assets:			
Sites (Land) and Construction in Progress	736,982		736,982
Depreciable Buildings and Building Improvements and Machinery and Equipment	12,623,805		12,623,805
Total Assets	<u>17,046,156</u>	<u>9,416</u>	<u>17,055,572</u>
LIABILITIES			
Accrued Interest Payable	281,103		281,103
Accounts Payable - Vendors	77,565		77,565
Interfund Payable	1,095		1,095
Unearned Revenue	45,385		45,385
Unamortized Bond Premium	472,304		472,304
Noncurrent Liabilities:			
Due Within One Year	1,513,778		1,513,778
Due Beyond One Year	5,555,995		5,555,995
Total Liabilities	<u>7,947,225</u>		<u>7,947,225</u>
NET POSITION			
Net Investment in Capital Assets	6,470,676		6,470,676
Restricted for:			
Capital Projects	2,085,644		2,085,644
Other Purposes	928,823		928,823
Unrestricted/(Deficit)	<u>(386,212)</u>	<u>9,416</u>	<u>(376,796)</u>
Total Net Position	<u>\$ 9,098,931</u>	<u>\$ 9,416</u>	<u>\$ 9,108,347</u>

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

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 5,680,582		\$ 1,090,310		\$ (4,590,272)		\$ (4,590,272)
Special Education	918,890		286,965		(631,925)		(631,925)
Other Special Instruction	274,789		37,612		(237,177)		(237,177)
School-Sponsored Other Instruction	130,134		13,694		(116,440)		(116,440)
Support Services:							
Tuition	381,886				(381,886)		(381,886)
Student & Instruction Related Services	1,532,896		48,550		(1,484,346)		(1,484,346)
General Administrative Services	432,302		91,330		(340,972)		(340,972)
School Administrative Services	480,194				(480,194)		(480,194)
Central Services	248,191				(248,191)		(248,191)
Administrative Information Technology	23,591				(23,591)		(23,591)
Plant Operations and Maintenance	1,188,082				(1,188,082)		(1,188,082)
Pupil Transportation	563,612				(563,612)		(563,612)
Interest on Long Term Debt	254,398				(254,398)		(254,398)
Capital Outlay	119,998				(119,998)		(119,998)
Total Governmental Activities	12,229,545		1,568,461		(10,661,084)		(10,661,084)

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

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 11,712	\$ 8,353	\$ 7,049			\$ 3,690	\$ 3,690
Total Business-Type Activities	11,712	8,353	7,049			3,690	3,690
Total Primary Government	\$ 12,241,257	\$ 8,353	\$ 1,575,510	\$ -0-	\$ (10,661,084)	3,690	(10,657,394)
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					9,938,532		9,938,532
Taxes Levied for Debt Service					1,817,200		1,817,200
Other Local Government Units - Unrestricted					44,335		44,335
Federal and State Aid not Restricted					58,675		58,675
Tuition from Individuals					144,670		144,670
Miscellaneous Income					25,725		25,725
Total General Revenue					12,029,137		12,029,137
Change in Net Position					1,368,053	3,690	1,371,743
Net Position - Beginning					7,730,878	5,726	7,736,604
Net Position - Ending					\$ 9,098,931	\$ 9,416	\$ 9,108,347

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,288,435	\$ 3,298	\$ 206,319	\$ 1,498,052
Receivables From Federal Government		25,962		25,962
Receivables From State Government	95,861			95,861
Other Receivables		2,095		2,095
Restricted Cash and Cash Equivalents	1,999,983			1,999,983
Total Assets	<u>\$ 3,384,279</u>	<u>\$ 31,355</u>	<u>\$ 206,319</u>	<u>\$ 3,621,953</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable - Vendors	\$ 60,837	\$ 16,728		\$ 77,565
Interfund Payable	1,095			1,095
Unearned Revenue	1,600	14,627	\$ 29,158	45,385
Total Liabilities	<u>63,532</u>	<u>31,355</u>	<u>29,158</u>	<u>124,045</u>
Fund Balances:				
Restricted:				
Capital Reserve Account	1,908,483			1,908,483
Maintenance Reserve Account	91,500			91,500
Excess Surplus Designated for Subsequent Year's Expenditures	462,382			462,382
Excess Surplus	374,941			374,941
Capital Projects Fund			177,161	177,161
Assigned:				
Encumbrances	92,866			92,866
Assigned- Designated for Subsequent Year's Expenditures	115,258			115,258
Unassigned:				
General Fund	275,317			275,317
Total Fund Balances	<u>3,320,747</u>		<u>177,161</u>	<u>3,497,908</u>
Total Liabilities and Fund Balances	<u>\$ 3,384,279</u>	<u>\$ 31,355</u>	<u>\$ 206,319</u>	

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 \$19,298,841 and the accumulated depreciation is \$5,938,054.	13,360,787
Interest on long-term debt is not accrued in Governmental Funds, but rather is recognized as an expenditure when due.	(281,103)
Bond Issuance Costs are Reported as expenditures in the Governmental Funds. The Cost is \$95,124 and the Amortization is \$31,708.	63,416
Bond Premiums are Reported as revenue in the Governmental Funds. The Premiums are \$708,457 and the Amortization is \$236,153.	(472,304)
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	<u>(7,069,773)</u>
Net Position of Governmental Activities	<u>\$ 9,098,931</u>

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 9,938,532			\$ 1,817,200	\$ 11,755,732
Other Local Government Units - Unrestricted	44,335				44,335
Tuition from Individuals	144,670				144,670
Interest Earned on Capital Reserve Funds	250				250
Miscellaneous	25,475	\$ 39,421			64,896
Total - Local Sources	10,153,262	39,421		1,817,200	12,009,883
State Sources	1,439,380				1,439,380
Federal Sources		148,335			148,335
Total Revenue	11,592,642	187,756		1,817,200	13,597,598
EXPENDITURES					
Current:					
Regular Instruction	3,488,340	56,466			3,544,806
Special Education Instruction	479,987	131,290			611,277
Other Special Instruction	178,354				178,354
School Sponsored/Other Instruction	78,414				78,414
Support Services and Undistributed Costs:					
Tuition	381,886				381,886
Student & Instruction Related Services	1,107,301				1,107,301
General Administrative Services	360,425				360,425
School Administrative Services	322,439				322,439
Central Services	187,191				187,191
Administrative Information Technology	23,591				23,591
Plant Operations and Maintenance	1,024,532				1,024,532
Pupil Transportation	537,064				537,064
Allocated and Unallocated Benefits	3,009,911				3,009,911

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Debt Service:					
Principal				\$ 1,500,000	\$ 1,500,000
Interest and Other Charges				317,200	317,200
Capital Outlay	\$ 187,377		\$ 1,420		188,797
Total Expenditures	<u>11,366,812</u>	<u>\$ 187,756</u>	<u>1,420</u>	<u>1,817,200</u>	<u>13,373,188</u>
Excess/(Deficit) of Revenue over/(under) Expenditures	225,830		(1,420)		224,410
Fund Balance—July 1	<u>3,094,917</u>		<u>178,581</u>		<u>3,273,498</u>
Fund Balance—June 30	<u>\$ 3,320,747</u>	<u>\$ - 0 -</u>	<u>\$ 177,161</u>	<u>\$ - 0 -</u>	<u>\$ 3,497,908</u>

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

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

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$		224,410
Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.			
		Depreciation Expense	\$ (461,886)
		Capital outlays	<u>68,799</u>
			(393,087)
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)			1,500,000
The governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities over the life of the bonds. (-)			(15,854)
Also, the governmental funds report the effect of deferred interest costs relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (-)			(81,222)
Finally, the governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (+)			118,076
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).			41,802
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).			<u>(26,072)</u>
Change in Net Position of Governmental Activities (Exhibit A-2)	\$		<u><u>1,368,053</u></u>

Exhibit B-4

BOROUGH OF WATCHUNG SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - <u>Enterprise Funds</u> <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 8,802
Intergovernmental Accounts Receivable:	
Federal	<u>614</u>
Total Current Assets	<u>9,416</u>
Non-Current Assets:	
Capital Assets	124,047
Less: Accumulated Depreciation	<u>(124,047)</u>
Total Non-Current Assets	<u>- 0 -</u>
Total Assets	<u>9,416</u>
NET POSITION:	
Unrestricted	<u>9,416</u>
Total Net Position	<u>\$ 9,416</u>

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

Exhibit B-5

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

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 8,353
Total Operating Revenue	8,353
Operating Expenses:	
Cost of Sales	11,712
Total Operating Expenses	11,712
Operating Loss	(3,359)
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	7,049
Total Non-Operating Revenue	7,049
Change in Net Position	3,690
Net Position - Beginning of Year	5,726
Net Position - End of Year	\$ 9,416

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

Exhibit B-6

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

	Business-type Activities - <u>Enterprise Funds</u> <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 8,353
Payments to Food Service Vendor	<u>(11,712)</u>
Net Cash Used for Operating Activities	<u>(3,359)</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources:	
Special Milk Program	<u>7,968</u>
Net Cash Provided by Noncapital Financing Activities	<u>7,968</u>
Net Increase in Cash and Cash Equivalents	4,609
Cash and Cash Equivalents, July 1	<u>4,193</u>
Cash and Cash Equivalents, June 30	<u>\$ 8,802</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	<u>\$ (3,359)</u>
Net Cash Used for Operating Activities	<u>\$ (3,359)</u>

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

Exhibit B-7

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

	<u>Agency</u>	<u>Flex Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 245,745	\$ 20,806	\$ 132,284
Interfund Receivable:			
General Fund	1,095		
 Total Assets	 <u>246,840</u>	 <u>20,806</u>	 <u>132,284</u>
LIABILITIES:			
Accrued Salaries and Wages Payable	220,981		
Due to Student Groups	25,859		
 Total Liabilities	 <u>246,840</u>		
NET POSITION:			
Held in Trust for Flex Spending Claims		20,806	
Held in Trust for Unemployment Claims			132,284
 Total Net Position	 <u>\$ -0-</u>	 <u>\$ 20,806</u>	 <u>\$ 132,284</u>

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

Exhibit B-8

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

	<u>Flex Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Employee Contributions	<u>\$ 64,060</u>	<u>\$ 10,697</u>
Total Contributions	<u>64,060</u>	<u>10,697</u>
Investment Earnings:		
Interest	<u>4</u>	<u>228</u>
Net Investment Earnings	<u>4</u>	<u>228</u>
Total Additions	<u>64,064</u>	<u>10,925</u>
Deductions		
Unemployment Compensation Claims		32,636
Flex Spending Claims	<u>66,950</u>	
Total Deductions	<u>66,950</u>	<u>32,636</u>
Change in Net Position	(2,886)	(21,711)
Net Position - Beginning of the Year	<u>23,692</u>	<u>153,995</u>
Net Position - End of the Year	<u>\$ 20,806</u>	<u>\$ 132,284</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

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

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

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

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund, Flex Spending Trust and Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

(Continued)

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

D. Budgets/Budgetary Control:

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

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

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

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

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,599,337	\$ 194,959
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(7,203)
Prior Year State Aid Payments Recognized for GAAP Statements	29,656	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(36,351)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 11,592,642</u>	<u>\$ 187,756</u>

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

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,366,812	\$ 194,959
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.		(7,203)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 11,366,812	\$ 187,756

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on a budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

	Capital Projects Fund
Fund Balance - (Budgetary Basis)	\$ 205,962
Reconciliation to Government Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on a GAAP Basis	(28,801)
Fund Balance per Governmental Funds (GAAP)	\$ 177,161

E. Cash and Cash Equivalents:

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

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

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

K. Capital Assets:

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

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

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

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

L. Long Term Liabilities:

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

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

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

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2013, the amount earned by these employees but not yet disbursed was \$220,981.

N. Compensated Absences:

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

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

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

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$3,320,747 General Fund fund balance at June 30, 2013, \$92,866 is assigned for encumbrances; \$115,258 is assigned as designated for subsequent year's expenditures; \$91,500 is restricted in the maintenance reserve account; \$1,908,483 is restricted in the capital reserve account; \$462,382 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2014; \$374,941 is restricted for current year excess surplus in accordance with N.J.S.A.18A:7F-7 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2015; and there is \$275,317 in unassigned fund balance, which is \$36,351 less than the calculated maximum fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2014.

Capital Projects Fund: Of the \$177,161 fund balance in the Capital Projects Fund at June 30, 2013, \$205,962 is restricted and excludes \$28,801 of SDA grants receivable not recognized on a GAAP Basis.

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

(Continued)

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

P. Fund Balance Appropriated: (Con't)

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as noted on the prior page.

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$36,351 as of June 30, 2013 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position:

The District has a deficit in unrestricted net position from governmental activities in the amount of \$386,212. This is primarily due to the accrual of compensated absences of \$179,662, accrued interest of \$281,103, unamortized bond issuance costs of \$63,416 and unamortized bond premiums of \$472,304 offset by General Fund unassigned and assigned fund balance.

This does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Fund Balance Restrictions, Commitments and Assignments:

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

Fund balance restrictions have been established for a capital reserve, a maintenance reserve, excess surplus and Capital Projects Fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources at June 30, 2013 in Capital Projects Fund of \$177,161.

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

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

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

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

S. Net Position:

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

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

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

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

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

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

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions (Cont'd):

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or

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

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

Investments:

- (7) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	<u>Total</u>
Checking Accounts	\$ 1,896,510	\$ 1,908,483	\$ 91,500	\$ 3,896,493
New Jersey Cash Management Fund	9,179			9,179
	<u>\$ 1,905,689</u>	<u>\$ 1,908,483</u>	<u>\$ 91,500</u>	<u>\$ 3,905,672</u>

During the period ended June 30, 2013, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents and investments at June 30, 2013, was \$3,905,672 and the bank balance was \$4,386,554. The \$9,179 in the New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account in the amount of \$15,000 was established by Board resolution on October 15, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by Board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line item appropriations 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 account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

Beginning Balance, July 1, 2012			\$ 1,358,233
Deposit by Board Resolution June 26, 2013	\$	550,000	
Interest Earnings		<u>250</u>	
			<u>550,250</u>
Ending Balance, June 30, 2013			<u>\$ 1,908,483</u>

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

NOTE 5. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$100,000 was established by the Borough of Watchung School District during the year ended June 30, 2010. The funds for the establishment of this reserve were withdrawn from assigned general fund balance. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

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

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

Balance July 1, 2012			\$ 100,000
Withdrawal by Board Resolution February 27, 2013			<u>(8,500)</u>
Balance June 30, 2013			<u>\$ 91,500</u>

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

(Continued)

NOTE 6. CAPITAL ASSETS

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

	<u>Beginning Balance Restated</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 411,364			\$ 411,364
Construction in Progress	324,198	\$ 1,420		325,618
Total Capital Assets Not Being Depreciated	<u>735,562</u>	<u>1,420</u>		<u>736,982</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	17,752,664			17,752,664
Machinery and Equipment	741,816	67,379		809,195
Total Capital Assets Being Depreciated	<u>18,494,480</u>	<u>67,379</u>		<u>18,561,859</u>
Governmental Activities Capital Assets	<u>19,230,042</u>	<u>68,799</u>		<u>19,298,841</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(4,977,771)	(394,942)		(5,372,713)
Machinery and Equipment	(498,397)	(66,944)		(565,341)
	<u>(5,476,168)</u>	<u>(461,886)</u>		<u>(5,938,054)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,753,874</u>	<u>\$ (393,087)</u>	<u>\$ - 0 -</u>	<u>\$ 13,360,787</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 124,047			\$ 124,047
Less Accumulated Depreciation	<u>(124,047)</u>			<u>(124,047)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

The District has ongoing construction projects totaling \$24,386,355. These projects are for the referendum approved by the voters in September 2001 and two separate projects authorized in 2009-2010. As of June 30, 2013, the District has \$-0- in encumbrances outstanding.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 369,508
Special Education	55,426
Student and Other Instruction Related Services	23,094
General and School Administrative Services	9,239
Operations and Maintenance of Plant	<u>4,619</u>
	<u>\$ 461,886</u>

NOTE 7: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2013, the District transferred funds of \$3,339 to the capital outlay accounts for equipment which did not require approval from the County Superintendent. The transfer to construction services of 79,740 had approval from the County Superintendent.

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

NOTE 8. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Accrued</u>	<u>Retired</u>	<u>Ending Balance</u>
Serial Bonds Payable	\$ 8,715,000		\$ 1,500,000	\$ 7,215,000
Less: Deferred Amount on Refunding	(406,111)		(81,222)	(324,889)
Net Serial Bonds Payable	<u>8,308,889</u>		<u>1,418,778</u>	<u>6,890,111</u>
Compensated Absences Payable	<u>153,590</u>	\$ 61,602	<u>35,530</u>	<u>179,662</u>
	<u>\$ 8,462,479</u>	<u>\$ 61,602</u>	<u>\$ 1,454,308</u>	<u>\$ 7,069,773</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board will be liquidated through the Debt Service Fund. Bonds payable at June 30, 2013 are as follows:

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Final Date of Maturity</u>	<u>Balance 6/30/2013</u>
School Refunding Bonds	8/13/2009	2.00%-4.00%	12/15/2016	<u>\$ 7,215,000</u>

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

<u>Fiscal Year Ended</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,595,000	\$ 270,300	\$ 1,865,300
2015	1,730,000	204,688	1,934,688
2016	1,875,000	124,100	1,999,100
2017	<u>2,015,000</u>	<u>38,613</u>	<u>2,053,613</u>
	<u>\$ 7,215,000</u>	<u>\$ 637,701</u>	<u>\$ 7,852,701</u>

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

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable (Cont'd)

On August 13, 2009, the Watchung Borough School District issued \$8,770,000 refunding bonds with interest rates ranging from 2.00% to 4.50% to advance refund \$8,938,000 school bonds with interest rates of 3.875% to 4.375%. The refunding bonds mature on December 15, 2009 through 2016. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds are called on December 15, 2012 through 2016. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$398,996, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$369,791.

B. Bonds Authorized But Not Issued:

As of June 30, 2013, the Board had bonds authorized but not issued in the amount of \$355.

C. Capital Leases Payable:

As of June 30, 2013, the District had no capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance for compensated absences is \$179,662. There is no current portion of compensated absences payable. This compensated absences payable will be liquidated through the General Fund.

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

NOTE 9. PENSION PLANS

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

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

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

NOTE 9. PENSION PLANS (Cont'd)

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective July 1, 2012, the employee contributions for PERS and TPAF increased from 6.5% to 6.64% of employees' annual compensation, as defined. Subsequent increases are being phased in over 7 years effective each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

District contributions to PERS amounted to \$126,155, \$131,924 and \$135,703 for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

District and employee contributions to DCRP amounted to \$6,373, \$6,110 and \$-0- for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

During the fiscal years ended June 30, 2013, 2012 and 2011 the State of New Jersey contributed \$296,715, \$146,253 and \$-0-, respectively, to the TPAF for pension benefits on-behalf of the District.

NOTE 10. POST-RETIREMENT BENEFITS

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

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

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$335,509, \$294,006 and \$309,508 for 2013, 2012 and 2011, respectively.

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

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are provided through Horizon Blue Cross/Blue Shield.

Property and Liability Insurance

The Borough of Watchung School District is a member of the Diploma Joint Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The financial information for Fund year ended June 30, 2013 is not available. Selected, summarized financial information for the Fund as of June 30, 2012 is as follows:

	<u>Diploma Joint Insurance Fund</u>
Total Assets	\$ 11,182,134
Net Position	\$ 4,544,727
Total Revenue	\$ 6,026,693
Total Expenses	\$ 6,148,319
Change in Net Position	\$ (121,626)
Members Dividends	\$ -0-

Financial statements for the Fund are available at the Fund's Executive Director's Office:

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

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

(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following is a summary of the District's contributions, employee contributions and interest earned, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Trust Fiduciary Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2013		\$ 10,925	\$ 32,636	\$ 132,284
2012		8,806	33,415	153,995
2011	\$ 231,000	9,316	92,871	178,604

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		\$ 1,095
Fiduciary Accounts	\$ 1,095	
	<u>\$ 1,095</u>	<u>\$ 1,095</u>

The interfund between the General Fund and the Fiduciary Accounts represents General Fund monies not yet received as of June 30, 2013.

NOTE 13. ECONOMIC DEPENDENCY

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

NOTE 14. DEFERRED COMPENSATION

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

AIG (V.A.L.I.C.)
 AXA Equitable Life Assurance
 Metropolitan Life Insurance Company
 Lincoln Investment Planning, Inc.

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

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District estimates that the potential claims against it resulting from litigation not covered by insurance would not materially affect the financial position of the District.

Encumbrances

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
\$ 92,866	\$ 7,203	\$ 100,069

On the District's Governmental Funds Balance Sheet as of June 30, 2013, \$-0- is assigned for year-end encumbrances on budgetary basis. On the GAAP basis, encumbrances in the Special Revenue fund which id \$7,203 less than the actual year-end encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as a reduction in grants receivables in the Special Revenue Fund.

NOTE 16. TAX CALENDAR

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

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

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 9,938,532		\$ 9,938,532	\$ 9,938,532	
Tuition from Individuals	100,000		100,000	144,670	\$ 44,670
Other Local Government Units - Unrestricted				44,335	44,335
Interest Earned on Capital Reserve Funds	1,000		1,000	250	(750)
Miscellaneous	5,000		5,000	25,475	20,475
Total - Local Sources	<u>10,044,532</u>		<u>10,044,532</u>	<u>10,153,262</u>	<u>108,730</u>
State Sources:					
Transportation Aid	47,475		47,475	47,475	
Special Education Aid	352,964		352,964	352,964	
Security Aid	10,218		10,218	10,218	
Extraordinary Aid				55,578	55,578
Nonpublic Transportation Aid				6,090	6,090
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				296,715	296,715
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				335,509	335,509
TPAF Social Security (Reimbursed - Non-Budgeted)				341,526	341,526
Total State Sources	<u>410,657</u>		<u>410,657</u>	<u>1,446,075</u>	<u>1,035,418</u>
TOTAL REVENUES	<u>10,455,189</u>		<u>10,455,189</u>	<u>11,599,337</u>	<u>1,144,148</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 34,501	\$ 1	\$ 34,502	\$ 32,502	\$ 2,000
Kindergarten - Salaries of Teachers	222,397	68,635	291,032	289,604	1,428
Grades 1-5 - Salaries of Teachers	1,530,086	38,163	1,568,249	1,568,249	
Grades 6-8 - Salaries of Teachers	1,320,853	(14,866)	1,305,987	1,293,977	12,010
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000	5,950	7,950	4,634	3,316
Purchased Professional - Educational Services	500		500		500
Regular Programs - Undistributed Instruction:					
Other Salaries of Instruction	38,600	4,801	43,401	42,712	689
Purchased Professional - Educational Services	1,000	8,100	9,100	8,673	427
Purchased Technical Services	5,000	(4,434)	566		566
Other Purchased Services (400-500 series)	52,587	1,076	53,663	45,012	8,651
General Supplies	212,009	3,501	215,510	163,762	51,748
Textbooks	50,270	(5,500)	44,770	33,037	11,733
Other Objects	5,575	603	6,178	6,178	
Total Regular Programs - Instruction	3,475,378	106,030	3,581,408	3,488,340	93,068
Special Education:					
Multiple Disabilities:					
Salaries of Teachers	53,600		53,600	38,621	14,979
Other Salaries for Instruction	62,988		62,988	61,096	1,892
General Supplies	4,000	(2,000)	2,000	2,000	
Total Multiple Disabilities	120,588	(2,000)	118,588	101,717	16,871
Resource Room/Resource Center:					
Salaries of Teachers	384,912	(9,890)	375,022	372,824	2,198
General Supplies	4,000		4,000	3,996	4
Total Resource Room/Resource Center	388,912	(9,890)	379,022	376,820	2,202

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Disabilities - Part - Time:					
Salaries of Teachers		\$ 2,000	\$ 2,000	\$ 1,450	\$ 550
Total Preschool Disabilities - Part - Time		2,000	2,000	1,450	550
Total Special Education Instruction	\$ 509,500	(9,890)	499,610	479,987	19,623
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	189,850	(17,870)	171,980	160,652	11,328
General Supplies	500		500	500	500
Total Basic Skills/Remedial - Instruction	190,350	(17,870)	172,480	160,652	11,828
Bilingual Education - Instruction:					
Salaries of Teachers	17,452		17,452	17,452	
General Supplies	250		250	250	
Total Bilingual Education - Instruction	17,702		17,702	17,702	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	26,678	12,629	39,307	39,307	
Supplies and Materials	2,100		2,100	2,071	29
Total School-Sponsored Cocurricular Activities - Instruction	28,778	12,629	41,407	41,378	29
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	16,000	9,537	25,537	25,537	
Purchased Services (300-500 series)	5,000		5,000	5,000	
Supplies and Materials	5,500		5,500	2,499	3,001
Other Objects	500		500	500	500
Total School-Sponsored Cocurricular Athletics - Instruction	27,000	9,537	36,537	33,036	3,501

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Community Services Programs/Operations:					
Other Objects	\$ 4,000		\$ 4,000	\$ 4,000	
Total Community Services Programs/Operations	4,000		4,000	4,000	
Total Instruction	4,252,708	\$ 100,436	4,353,144	4,225,095	\$ 128,049
Undistributed Expenditures:					
Instuction:					
Tuition to Other LEAs Within the State - Special	174,736	74,940	249,676	226,500	23,176
Tuition to Private Schools for the Handicapped - Within State	291,139	(112,403)	178,736	155,386	23,350
Total Undistributed Expenditures - Instruction	465,875	(37,463)	428,412	381,886	46,526
Health Services:					
Salaries	125,360	1,672	127,032	126,512	520
Purchased Professional and Technical Services	3,500		3,500	2,625	875
Other Purchased Services (400-500 series)	500		500		500
Supplies and Materials	3,500		3,500	3,112	388
Other Objects	650		650	170	480
Total Health Services	133,510	1,672	135,182	132,419	2,763
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	52,357	17,453	69,810	69,809	1
Purchased Professional - Educational Services	102,403	30,910	133,313	116,205	17,108
Supplies and Materials	750		750	500	250
Other Objects	100		100		100
Total Other Support Services - Speech, OT, PT and Related Services	155,610	48,363	203,973	186,514	17,459

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Extra Services:					
Salaries	\$ 229,977	\$ 3,507	\$ 233,484	\$ 232,425	\$ 1,059
Total Other Support Services - Students - Extra Services	229,977	3,507	233,484	232,425	1,059
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	153,710		153,710	153,710	
Salaries of Secretarial and Clerical Assistants	22,176	266	22,442	22,442	
Supplies and Materials	1,000		1,000	1,000	
Total Other Support Services - Students - Guidance	176,886	266	177,152	177,152	
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	208,049	(69,803)	138,246	138,246	
Salaries of Secretarial and Clerical Assistants	23,434		23,434	23,434	
Misc. Pur. Serv. (400-500 series) Other Than Residential Costs	2,697	(1)	2,696	293	2,403
Supplies and Materials	2,250	3,500	5,750	5,685	65
Other Objects	12,000	(4,457)	7,543	7,136	407
Total Other Support Services - Students - Child Study Teams	248,430	(70,761)	177,669	174,794	2,875
Improvement of Instructional Services:					
Salaries of Other Professional Staff	43,166		43,166	43,166	
Other Purchased Services (400-500)		2,063	2,063	2,063	
Supplies and Materials	2,960	(2,869)	91		91
Total Improvement of Instructional Services	46,126	(806)	45,320	45,229	91

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Educational Media Services/School Library:					
Salaries	\$ 87,075	\$ 43,166	\$ 130,241	\$ 130,241	
Salaries of Technology Coordinators	43,166	(43,166)			
Purchased Professional and Technical Services	4,110		4,110	3,855	\$ 255
Other Purchased Services (400-500)	2,000		2,000	1,598	402
Supplies and Materials	15,706		15,706	13,408	2,298
Other Objects	400		400	289	111
Total Educational Media Services/School Library	152,457		152,457	149,391	3,066
Instructional Staff Training Services:					
Other Salaries	1,100	1,100	2,200	2,200	
Purchased Professional - Educational Services	31,000		31,000	1,720	29,280
Other Purchased Services (400-500 series)	2,707	1,500	4,207	1,546	2,661
Other Objects	7,106	(1,500)	5,606	3,911	1,695
Total Instructional Staff Training Services	41,913	1,100	43,013	9,377	33,636
Support Services - General Administration:					
Salaries	216,681	(10,000)	206,681	206,681	
Legal Services	19,535	13,542	33,077	33,077	
Audit Fees	27,000		27,000	12,500	14,500
Architectural/Engineering Services	14,118	10,000	24,118	10,065	14,053
Other Purchased Professional Services	3,850		3,850	80	3,770
Purchased Technical Services	8,000	(591)	7,409	6,136	1,273
Communications/Telephone	73,827		73,827	64,218	9,609
Miscellaneous Purchased Services (400-500 series)	12,286		12,286	6,864	5,422
General Supplies	8,500		8,500	6,592	1,908
Miscellaneous Expenditures	17,990		17,990	14,212	3,778
Total Support Services - General Administration	401,787	12,951	414,738	360,425	54,313

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 235,157	\$ (5,091)	\$ 230,066	\$ 229,897	\$ 169
Salaries of Secretarial and Clerical Assistants	79,612	(1,099)	78,513	77,002	1,511
Purchased Professional and Technical Services	9,000	(1,076)	7,924	7,365	559
Other Purchased Services (400-500 series)	1,000		1,000	238	762
Supplies and Materials	6,400		6,400	6,384	16
Other Objects	4,000		4,000	1,553	2,447
Total Support Services - School Administration	335,169	(7,266)	327,903	322,439	5,464
Support Services - Central Services:					
Salaries	203,989	(19,179)	184,810	184,704	106
Miscellaneous Purchased Services (400-500 series)	1,600		1,600	469	1,131
Supplies and Materials	1,868		1,868	1,868	
Miscellaneous Expenditures	2,000		2,000	150	1,850
Total Support Services - Central Services	209,457	(19,179)	190,278	187,191	3,087
Support Services - Administrative Information Technology:					
Purchased Professional Services	23,000	591	23,591	23,591	
Total Support Services - Administrative Information Technology	23,000	591	23,591	23,591	
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	104,766	22,533	127,299	110,630	16,669
General Supplies	12,140	3,169	15,309	15,203	106
Total Required Maintenance of School Facilities	116,906	25,702	142,608	125,833	16,775

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 517,590	\$ (22,462)	\$ 495,128	\$ 488,714	\$ 6,414
Purchased Professional and Technical Services	4,500	(2,275)	2,225	1,291	934
Cleaning, Repair and Maintenance Services	23,350	(3,693)	19,657	19,605	52
Other Purchased Property Services	10,000		10,000	8,906	1,094
Insurance	83,429	(1,036)	82,393	75,288	7,105
Miscellaneous Purchased Services	850	(332)	518	29	489
General Supplies	49,385	739	50,124	49,867	257
Energy (Electricity)	281,917	(110,977)	170,940	51,113	119,827
Other Objects	1,050	274,767	275,817	192,553	83,264
Energy (Natural Gas)	192,186	(190,748)	1,438	1,438	
Total Custodial Services	1,164,257	(56,017)	1,108,240	888,804	219,436
Care and Upkeep of Grounds:					
Salaries	8,088		8,088	8,088	
General Supplies	2,000		2,000	1,807	193
Total Care and Upkeep of Grounds	10,088		10,088	9,895	193
Student Transportation Services:					
Salaries of Non-Instructional Aides	17,258	(3,517)	13,741	7,360	6,381
Salaries for Transportation - Between Home & School - Reg	74,779		74,779	65,717	9,062
Salaries for Pupil Trans. (Other than Between Home & School)	3,000		3,000	1,059	1,941
Salaries for Pupil Trans. (Between Home & School) - NonPublic	5,500		5,500	5,191	309
Management Fee - ESCs & CTSA's Transportation Program	8,000	(2,086)	5,914	3,000	2,914
Cleaning, Repair and Maintenance Services	5,000		5,000	2,880	2,120
Contracted Services:					
Between Home and School - Vendors	281,567	2,223	283,790	283,169	621
Other Than Between Home and School - Vendors	12,000	1,477	13,477	13,338	139
Between Home and School - Joint Agreements	53,535		53,535	52,806	729

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Contracted Services:					
Special Education Students - Vendors	\$ 20,900		\$ 20,900	\$ 20,900	
Special Education Students - ESCs & CTSAs	63,650	\$ (6,400)	57,250	43,877	\$ 13,373
Aid in Lieu of Payments - NonPublic	30,000		30,000	27,026	2,974
Miscellaneous Purchased Services - Transportation	1,840	2,650	4,490	2,656	1,834
Supplies and Materials	5,500	2,086	7,586	7,550	36
Other Objects	400	135	535	535	
Total Student Transportation Services	<u>582,929</u>	<u>(3,432)</u>	<u>579,497</u>	<u>537,064</u>	<u>42,433</u>
Unallocated Benefits:					
Social Security Contributions	151,250		151,250	133,481	17,769
Other Retirement Contributions- PERS	150,000		150,000	119,782	30,218
Other Retirement Contributions- DCRP		7,000	7,000	6,373	627
Unemployment Compensation	40,000	(7,000)	33,000		33,000
Workmen's Compensation	54,823	(1)	54,822	52,534	2,288
Health Benefits	1,948,254	(10,123)	1,938,131	1,650,061	288,070
Tuition Reimbursement	20,000		20,000	19,574	426
Other Employee Benefits	39,600	15,621	55,221	54,356	865
Total Unallocated Benefits	<u>2,403,927</u>	<u>5,497</u>	<u>2,409,424</u>	<u>2,036,161</u>	<u>373,263</u>
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				296,715	(296,715)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				335,509	(335,509)
TPAF Social Security (Reimbursed - Non-Budgeted)				341,526	(341,526)
Total On-Behalf Contributions				<u>973,750</u>	<u>(973,750)</u>
Total Personal Services - Employee Benefits	<u>2,403,927</u>	<u>5,497</u>	<u>2,409,424</u>	<u>3,009,911</u>	<u>(600,487)</u>
Total Undistributed Expenses	<u>6,898,304</u>	<u>(95,275)</u>	<u>6,803,029</u>	<u>6,954,340</u>	<u>(151,311)</u>
TOTAL CURRENT EXPENSE	<u>11,151,012</u>	<u>5,161</u>	<u>11,156,173</u>	<u>11,179,435</u>	<u>(23,262)</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
General Administration		\$ 58,339	\$ 58,339	\$ 58,339	
School Administration	\$ 4,500		4,500	4,500	
School Buses - Special	55,000	(55,000)			
Infrastructure	91,214	(91,214)			
Total Equipment	<u>150,714</u>	<u>(87,875)</u>	<u>62,839</u>	<u>62,839</u>	
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services		11,474	11,474	10,900	574
Construction Services		79,740	79,740	66,500	13,240
Assessment for Debt Service on SDA Funding	47,138		47,138	47,138	
Total Facilities Acquisition and Construction Services	<u>47,138</u>	<u>91,214</u>	<u>138,352</u>	<u>124,538</u>	<u>13,814</u>
TOTAL CAPITAL OUTLAY	<u>197,852</u>	<u>3,339</u>	<u>201,191</u>	<u>187,377</u>	<u>13,814</u>
Transfer of Funds to Charter Schools					
TOTAL EXPENDITURES	<u>11,348,864</u>	<u>8,500</u>	<u>11,357,364</u>	<u>11,366,812</u>	<u>(9,448)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(893,675)	(8,500)	(902,175)	232,525	1,134,700
Fund Balance, July 1	3,124,573		3,124,573	3,124,573	
Fund Balance, June 30	<u>\$ 2,230,898</u>	<u>\$ (8,500)</u>	<u>\$ 2,222,398</u>	<u>\$ 3,357,098</u>	<u>\$ 1,134,700</u>

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<u>Recapitulation:</u>					
Restricted:					
Excess Surplus				\$ 374,941	
Excess Surplus - For Subsequent Year's Expenditures				462,382	
Capital Reserve				1,908,483	
Maintenance Reserve				91,500	
Assigned:					
Year End Encumbrances				92,866	
Assigned- For Subsequent Year's Expenditures				115,258	
Unassigned					
				311,668	
				3,357,098	
Reconciliation to Governmental Funds Statements (GAAP):					
Last Two State Aid Payments not Recognized on GAAP Basis				(36,351)	
				\$ 3,320,747	
				\$ 3,320,747	

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 46,624		\$ 46,624	\$ 46,624	
Federal Sources	148,335		148,335	148,335	
Total Revenues	<u>194,959</u>		<u>194,959</u>	<u>194,959</u>	
EXPENDITURES:					
Instruction:					
Salaries of Teachers		\$ 13,768	13,768	13,768	
Other Salaries for Instruction		2,071	2,071	2,071	
Tuition	6,000	716	6,716	6,716	
General Supplies	98,846	(55,322)	43,524	43,524	
Textbooks		523	523	523	
Total Instruction	<u>104,846</u>	<u>(38,244)</u>	<u>66,602</u>	<u>66,602</u>	
Support Services:					
Salaries of Other Professional Staff	90,113	21,144	111,257	111,257	
Personal Services - Employee Benefits		16,675	16,675	16,675	
Purchased Professional and Educational Services		425	425	425	
Total Support Services	<u>90,113</u>	<u>38,244</u>	<u>128,357</u>	<u>128,357</u>	
Total Expenditures	<u>\$ 194,959</u>	<u>\$ -0-</u>	<u>\$ 194,959</u>	<u>\$ 194,959</u>	<u>\$ -0-</u>

Exhibit C-3

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,599,337	\$ 194,959
Differences - Budget to GAAP:		
Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue, whereas the GAAP Basis does not.		(7,203)
Prior Year State Aid Payments Recognized for GAAP Statements	29,656	
Current year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(36,351)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	\$ 11,592,642	\$ 187,756
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,366,812	\$ 194,959
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.		(7,203)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 11,366,812	\$ 187,756

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

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

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

	No Child Left Behind		IDEA Part B		Local	Totals
	Title II Part A	Title III	Basic	Preschool		
REVENUE:						
Local Sources					\$ 46,624	\$ 46,624
Federal Sources	\$ 16,522	\$ 523	\$ 124,574	\$ 6,716		148,335
Total Revenue	16,522	523	124,574	6,716	46,624	194,959
EXPENDITURES:						
Instruction:						
Salaries of Teachers	13,768					13,768
Other Salaries for Instruction					2,071	2,071
Tuition				6,716		6,716
General Supplies					43,524	43,524
Textbooks		523				523
Total Instruction	13,768	523		6,716	45,595	66,602
Support Services:						
Salaries of Other Professional Staff			110,653		604	111,257
Personal Services - Employee Benefits	2,754		13,921			16,675
Purchased Professional and Educational Services					425	425
Total Support Services	2,754		124,574		1,029	128,357
Total Expenditures	\$ 16,522	\$ 523	\$ 124,574	\$ 6,716	\$ 46,624	\$ 194,959

BOROUGH OF WATCHUNG SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOT APPLICABLE

CAPITAL PROJECTS FUND

Exhibit F-1

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

Expenditures:

Other Purchased Professional and Technical Services	
Construction Services	\$ 1,420
	<hr/>
Total Expenditures	1,420
	<hr/>
Deficiency of Revenue Under Expenditures	(1,420)
	<hr/>
Fund Balance - Beginning of Year	207,382
	<hr/>
Fund Balance - End of Year	\$ 205,962
	<hr/> <hr/>
<u>Recapitulation:</u>	
Restricted	\$ 205,962
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	(28,801)
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 177,161
	<hr/> <hr/>

F-1A

BOROUGH OF WATCHUNG SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
RENOVATE, CONSTRUCT, FURNISH AND EQUIP ADDITIONS TO THE BAYBERRY AND VALLEY VIEW SCHOOLS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 5,096,645		\$ 5,096,645	\$ 5,096,645
Bond Proceeds	18,903,000		18,903,000	18,903,000
Total Revenue and Other Financing Sources	<u>23,999,645</u>		<u>23,999,645</u>	<u>23,999,645</u>
Expenditures:				
Equipment	91,433		91,433	271,930
Legal Services	106,061		106,061	103,000
Other Purchased Professional and Technical Services	2,386,462		2,386,462	2,369,550
Construction Services	21,270,464		21,270,464	21,255,520
Total Expenditures	<u>23,854,420</u>		<u>23,854,420</u>	<u>24,000,000</u>
Excess of Revenue and Other Financing Sources over Expenditures	<u>\$ 145,225</u>	<u>\$ - 0 -</u>	<u>\$ 145,225</u>	<u>\$ (355)</u>
Additional Project Information:				
Project Number	SP201964/201965			
Grant Date	2/14/2003			
Bond Authorization Date	8/19/2009			
Bonds Authorized	\$ 18,903,000			
Bonds Issued	\$ 18,903,000			
Original Authorized Cost	\$ 24,000,000			
Change Orders	- 0 -			
Revised Authorized Costs	<u>\$ 24,000,000</u>			
Percentage Increase over Original Authorized Cost				
Percentage Completion	99.39%			
Original Target Completion Date	9/30/2004			
Revised Target Completion Date	9/1/2013			

F-1B

BOROUGH OF WATCHUNG SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
VALLEY VIEW MIDDLE SCHOOL - RENOVATIONS TO BATHROOMS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 64,646		\$ 64,646	\$ 64,646
Transfer from Capital Reserve	130,334		130,334	130,334
Total Revenue and Other Financing Sources	<u>194,980</u>		<u>194,980</u>	<u>194,980</u>
Expenditures:				
Legal Services	1,342		1,342	1,342
Other Purchased Professional and Technical Services	49,645		49,645	41,614
Construction Services	114,415	\$ 710	115,125	152,024
Total Expenditures	<u>165,402</u>	<u>710</u>	<u>166,112</u>	<u>194,980</u>
Excess/(Deficit) of Revenue and Other Financing Sources over/(under) Expenditures	<u>\$ 29,578</u>	<u>\$ (710)</u>	<u>\$ 28,868</u>	<u>\$ -0-</u>
Additional Project Information:				
SDA Project Number	5540-050-09-0ZXX			
Grant Date	6/3/10			
Original Authorized Cost	\$ 194,980			
Change Orders	-0-			
Revised Authorized Costs	<u>\$ 194,980</u>			
Percentage Completion	85.19%			
Original Target Completion Date	9/1/2010			
Revised Target Completion Date	9/1/2013			

F-1C

BOROUGH OF WATCHUNG SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
BAYBERRY SCHOOL - RENOVATIONS TO BATHROOMS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

	Prior Periods	Current Year	Totals	Revised Authorized Costs
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 74,458		\$ 74,458	\$ 74,458
Transfer from Capital Reserve	116,917		116,917	116,917
Total Revenue and Other Financing Sources	191,375		191,375	191,375
Expenditures:				
Legal Services	1,342		1,342	1,342
Other Purchased Professional and Technical Services	33,678		33,678	28,303
Construction Services	123,776	\$ 710	124,486	161,730
Total Expenditures	158,796	710	159,506	191,375
Excess/(Deficit) of Revenue and Other Financing Sources over/(under) Expenditures	\$ 32,579	\$ (710)	\$ 31,869	\$ -0-
Additional Project Information:				
SDA Project Number	5540-050-09-0ZYJ			
Grant Date	6/3/10			
Original Authorized Cost	\$ 191,375			
Change Orders	-0-			
Revised Authorized Costs	<u>\$ 191,375</u>			
Percentage Completion	83.35%			
Original Target Completion Date	9/1/2010			
Revised Target Completion Date	9/1/2013			

PROPRIETARY FUNDS

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

ASSETS:

Current Assets:		
Cash and Cash Equivalents	\$	8,802
Intergovernmental Accounts Receivable:		
Federal		614
		<hr/>
Total Current Assets		9,416
		<hr/>
Non-Current Assets:		
Capital Assets		124,047
Less: Accumulated Depreciation		(124,047)
		<hr/>
Total Non-Current Assets		- 0 -
		<hr/>
Total Assets		9,416
		<hr/>
NET POSITION:		
Unrestricted		9,416
		<hr/>
Total Net Position	\$	9,416
		<hr/> <hr/>

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

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 8,353
Total Operating Revenue	<u>8,353</u>
Operating Expenses:	
Cost of Sales	<u>11,712</u>
Total Operating Expenses	<u>11,712</u>
Operating (Loss)	(3,359)
Non-Operating Income:	
Federal Sources:	
Special Milk Program	<u>7,049</u>
Total Non-Operating Income	<u>7,049</u>
Change in Net Position	3,690
Net Position - Beginning of Year	<u>5,726</u>
Net Position - End of Year	<u><u>\$ 9,416</u></u>

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

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 8,353
Payments to Food Service Vendor	(11,712)
	(3,359)
Net Cash Used for Operating Activities	
	(3,359)
Cash Flows from Noncapital Financing Activities:	
Federal Sources:	
Special Milk Program	7,968
	7,968
Net Cash Provided by Noncapital Financing Activities	
	7,968
Net Increase in Cash and Cash Equivalents	
	4,609
Cash and Cash Equivalents, July 1	
	4,193
Cash and Cash Equivalents, June 30	
	\$ 8,802
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (3,359)
Net Cash Used for Operating Activities	
	\$ (3,359)

FIDUCIARY FUNDS

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

	<u>Student Activities</u>	<u>Payroll Agency</u>	<u>Total Agency</u>	<u>Flex Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ASSETS:					
Cash and Cash Equivalents	\$ 25,859	\$ 219,886	\$ 245,745	\$ 20,806	\$ 132,284
Interfund Receivable:					
General Fund		1,095	1,095		
Total Assets	<u>25,859</u>	<u>220,981</u>	<u>246,840</u>	<u>20,806</u>	<u>132,284</u>
LIABILITIES:					
Accrued Salaries and Wages Payable		220,981	220,981		
Due to Student Groups	25,859		25,859		
Total Liabilities	<u>25,859</u>	<u>220,981</u>	<u>246,840</u>		
NET POSITION:					
Held in Trust for Flex Spending Claims				20,806	
Held in Trust for Unemployment Claims					132,284
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 20,806</u>	<u>\$ 132,284</u>

Exhibit H-2

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

	<u>Flex Spending Trust</u>	<u>Unemployment Compensation Trust</u>
Additions:		
Contributions:		
Employee Contributions	\$ 64,060	\$ 10,697
Total Contributions	<u>64,060</u>	<u>10,697</u>
Investment Earnings:		
Interest	4	228
Net Investment Earnings	<u>4</u>	<u>228</u>
Total Additions	<u>64,064</u>	<u>10,925</u>
Deductions		
Unemployment Compensation Claims		32,636
Flex Spending Claims	<u>66,950</u>	
Total Deductions	<u>66,950</u>	<u>32,636</u>
Change in Net Position	(2,886)	(21,711)
Net Position - Beginning of the Year	<u>23,692</u>	<u>153,995</u>
Net Position - End of the Year	<u>\$ 20,806</u>	<u>\$ 132,284</u>

Exhibit H-3

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 28,268	\$ 89,439	\$ 91,848	\$ 25,859
Total Assets	<u>\$ 28,268</u>	<u>\$ 89,439</u>	<u>\$ 91,848</u>	<u>\$ 25,859</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 28,268	\$ 89,439	\$ 91,848	\$ 25,859
Total Liabilities	<u>\$ 28,268</u>	<u>\$ 89,439</u>	<u>\$ 91,848</u>	<u>\$ 25,859</u>

Exhibit H-4

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Elementary School:				
Valley View School	\$ 19,251	\$ 72,589	\$ 75,590	\$ 16,250
Bayberry School	4,695	11,850	12,348	4,197
Sporting Officials	4,322	5,000	3,910	5,412
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total All Schools	<u>\$ 28,268</u>	<u>\$ 89,439</u>	<u>\$ 91,848</u>	<u>\$ 25,859</u>

Exhibit H-5

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 201,406	\$ 11,392,417	\$ 11,373,937	\$ 219,886
Interfund Receivable:				
General Fund		1,095		1,095
Total Assets	<u>\$ 201,406</u>	<u>\$ 11,393,512</u>	<u>\$ 11,373,937</u>	<u>\$ 220,981</u>
<u>LIABILITIES:</u>				
Net Payroll	\$ 39	\$ 4,171,583	\$ 4,171,622	
Accrued Salaries and Wages Payable	199,131	221,299	199,449	\$ 220,981
Payroll Deduction and Withholdings	2,236	7,000,630	7,002,866	
Total Liabilities	<u>\$ 201,406</u>	<u>\$ 11,393,512</u>	<u>\$ 11,373,937</u>	<u>\$ 220,981</u>

LONG-TERM DEBT

BOROUGH OF WATCHUNG SCHOOL DISTRICT
GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2012	Retired or Matured	Balance June 30, 2013
			Outstanding					
			Date	Amount				
School Refunding Bonds	08/13/09	\$ 8,770,000	12/15/13	\$ 1,595,000	4.00%	\$ 8,715,000	\$ 1,500,000	\$ 7,215,000
			12/15/14	1,730,000	3.00%			
			12/15/15	1,875,000	4.50%			
			12/15/16	450,000	3.25%			
			12/15/16	1,565,000	4.00%			
						<u>\$ 8,715,000</u>	<u>\$ 1,500,000</u>	<u>\$ 7,215,000</u>

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

NOT APPLICABLE

BOROUGH OF WATCHUNG SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 1,817,200		\$ 1,817,200	\$ 1,817,200	
Total Revenue	<u>1,817,200</u>		<u>1,817,200</u>	<u>1,817,200</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	317,200		317,200	317,200	
Redemption of Principal	<u>1,500,000</u>		<u>1,500,000</u>	<u>1,500,000</u>	
Total Regular Debt Service	<u>1,817,200</u>		<u>1,817,200</u>	<u>1,817,200</u>	
Total Expenditures	<u>1,817,200</u>		<u>1,817,200</u>	<u>1,817,200</u>	
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	-0-		-0-	-0-	
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION
(UNAUDITED)

This part of the School'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 School's overall financial health.

Contents

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

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

BOROUGH OF WATCHUNG SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	\$ (2,120,512)	\$ 6,363,995	\$ 8,080,406	\$ 9,377,723	\$ 10,188,050	\$ 10,823,137	\$ 12,440,718	\$ 13,419,096	\$ 5,444,985	\$ 6,470,676
Restricted	11,851,685	3,644,250	2,554,088	2,296,193	2,314,767	2,337,978	2,486,694	2,586,913	2,627,560	3,014,467
Unrestricted/(Deficit)	34,058	315,613	274,753	176,429	(254,479)	119,772	(914,897)	(797,669)	(341,668)	(386,212)
Total Governmental Activities Net Position	\$ 9,765,230	\$ 10,323,857	\$ 10,909,247	\$ 11,850,346	\$ 12,248,338	\$ 13,280,887	\$ 14,012,515	\$ 15,208,340	\$ 7,730,877	\$ 9,098,931
Business-type Activities										
Unrestricted	\$ 2,858	\$ 5,380	\$ 4,558	\$ 4,558	\$ 865	\$ 2,519	\$ 1,721	\$ 3,977	\$ 5,726	\$ 9,416
Total Business-type Activities Net Position	\$ 2,858	\$ 5,380	\$ 4,558	\$ 4,558	\$ 865	\$ 2,519	\$ 1,721	\$ 3,977	\$ 5,726	\$ 9,416
District-wide										
Net Investment in Capital Assets	\$ (2,120,512)	\$ 6,363,995	\$ 8,080,406	\$ 9,377,723	\$ 10,188,050	\$ 10,823,137	\$ 12,440,718	\$ 13,419,096	\$ 5,444,985	\$ 6,470,676
Restricted	11,851,685	3,644,250	2,554,088	2,296,193	2,314,767	2,337,978	2,486,694	2,586,913	2,627,560	3,014,467
Unrestricted/(Deficit)	36,916	320,993	279,311	180,987	(253,614)	122,291	(913,176)	(793,692)	(335,942)	(376,796)
Total District Net Position	\$ 9,768,088	\$ 10,329,238	\$ 10,913,805	\$ 11,854,904	\$ 12,249,203	\$ 13,283,406	\$ 14,014,236	\$ 15,212,317	\$ 7,736,603	\$ 9,108,347

Source: School District Financial Reports

BOROUGH OF WATCHUNG SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities										
Instruction:										
Regular	\$ 3,659,415	\$ 3,717,319	\$ 4,014,732	\$ 4,593,823	\$ 4,990,389	\$ 4,854,747	\$ 5,094,073	\$ 4,949,781	\$ 5,279,666	\$ 5,680,582
Special Education	352,532	445,776	612,055	768,066	642,267	833,309	882,425	873,731	891,087	918,890
Other Special Instruction	165,564	279,453	297,197	315,211	285,167	199,771	286,326	311,516	307,659	274,789
School-Sponsored/ Other Instruction					125,336	177,429	91,631	84,127	89,208	130,134
Support Services:										
Tuition	500,983	584,706	493,332	332,413	352,947	386,597	378,793	414,674	359,309	381,886
Student & Instruction Related Services	1,267,049	1,375,725	1,581,226	1,730,710	1,860,049	1,631,991	1,732,724	1,476,248	1,514,397	1,532,896
General Administrative Services	565,722	697,623	574,416	641,823	468,050	354,789	571,162	453,102	480,517	432,302
School Administrative Services	296,985	247,096	390,077	480,330	510,535	437,933	515,665	528,936	466,518	480,194
Plant Operations and Maintenance	766,523	846,071	1,010,145	1,142,929	1,359,366	1,151,374	1,129,582	1,206,358	1,224,782	1,188,082
Pupil Transportation	531,042	578,281	567,931	587,400	583,269	526,882	597,244	565,314	540,830	563,612
Central Services and Administrative										
Information Technology					282,086	353,600	207,193	210,672	308,359	271,782
Capital Outlay								57,866	37,147	119,998
Interest on Long-term Debt	732,921	677,364	648,278	616,582	581,841	543,333	560,823	566,240	287,699	254,398
Total Governmental Activities Expenses	8,838,735	9,449,416	10,189,388	11,209,288	12,041,303	11,451,755	12,047,642	11,698,565	11,787,178	12,229,545
Business-type Activities:										
Food Service	12,599	10,160	12,553	10,219	22,797	20,414	19,187	16,080	14,348	11,712
Total Business-type Activities Expense	12,599	10,160	12,553	10,219	22,797	20,414	19,187	16,080	14,348	11,712
Total District Expenses	\$ 8,851,334	\$ 9,459,576	\$ 10,201,941	\$ 11,219,507	\$ 12,064,100	\$ 11,472,169	\$ 12,066,829	\$ 11,714,645	\$ 11,801,526	\$ 12,241,257
Program Revenues										
Governmental Activities:										
Charges for Services										
Instruction (Tuition)					\$ 3,935					
Operating Grants and Contributions	\$ 612,799	\$ 2,042,362	\$ 2,079,791	\$ 2,376,308	1,478,947	\$ 588,273	\$ 901,996	\$ 928,058	\$ 1,320,584	\$ 1,568,461
Total Governmental Activities Program Revenues	612,799	2,042,362	2,079,791	2,376,308	1,482,882	588,273	901,996	928,058	1,320,584	1,568,461

BOROUGH OF WATCHUNG SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type Activities:										
Charges for Services										
Food Service	\$ 7,737	\$ 7,997	\$ 7,720	\$ 8,997	\$ 11,086	\$ 11,189	\$ 10,731	\$ 10,237	\$ 8,326	\$ 8,353
Operating Grants and Contributions	3,556	4,685	4,011		8,018	9,644	7,658	8,099	7,771	7,049
Total Business-type Activities Program Revenues	11,293	12,682	11,731	8,997	19,104	20,833	18,389	18,336	16,097	15,402
Total District Program Revenues	\$ 624,092	\$ 2,055,044	\$ 2,091,522	\$ 2,385,305	\$ 1,501,986	\$ 609,106	\$ 920,385	\$ 946,394	\$ 1,336,681	\$ 1,583,863
Net (Expense)/Revenue										
Governmental Activities	\$ (8,225,936)	\$ (7,407,054)	\$ (8,109,597)	\$ (8,832,980)	\$ (10,558,421)	\$ (10,863,482)	\$ (11,145,645)	\$ (10,770,507)	\$ (10,466,594)	\$ (10,661,084)
Business-type Activities	(1,306)	2,522	(822)	(1,222)	(3,693)	419	(798)	2,256	1,749	3,690
Total District-wide Net Expense	\$ (8,227,242)	\$ (7,404,532)	\$ (8,110,419)	\$ (8,834,202)	\$ (10,562,114)	\$ (10,863,063)	\$ (11,146,443)	\$ (10,768,251)	\$ (10,464,845)	\$ (10,657,394)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 6,349,412	\$ 6,897,781	\$ 7,940,952	\$ 8,548,938	\$ 8,907,646	\$ 9,263,952	\$ 9,606,630	\$ 9,791,813	\$ 9,791,813	\$ 9,938,532
Taxes Levied for Debt Service	1,354,076	645,325	811,265	876,367	1,553,357	1,620,012	1,652,575	1,653,751	1,770,400	1,817,200
Federal and State aid not restricted	683,079	94,821	80,707	121,924	324,924	887,882	490,662	386,722	82,040	58,675
Tuition	10,439	14,600		6,450		10,090	11,481	25,503	131,577	144,670
Investment Earnings	159,314	178,231	146,617	159,618	109,325	6,961	2,006	354	7,931	250
Miscellaneous Income	73,871	52,682	14,796	62,004	61,171	107,124	92,717	68,093	45,403	25,475
Special Item - Proceeds from Sale of Assets	13,839									
N.J. Economic Development Authority grants		63,822								
Adjustment to Capital Assets			(299,350)							
Other Local Governments - Unrestricted		18,419					21,203	40,095	44,112	44,335
Transfers	(65,542)			(1,222)						
Total Governmental Activities	8,578,488	7,965,681	8,694,987	9,774,079	10,956,423	11,896,021	11,877,274	11,966,331	11,873,276	12,029,137

BOROUGH OF WATCHUNG SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business-type Activities:										
Investment Earnings				\$ 1,222		\$ 1,235				
Total Business-type Activities				1,222		1,235				
Total District-wide	\$ 8,578,488	\$ 7,965,681	\$ 8,694,987	\$ 9,775,301	\$ 10,956,423	\$ 11,897,256	\$ 11,877,274	\$ 11,966,331	\$ 11,873,276	\$ 12,029,137
Change in Net Position										
Governmental Activities	\$ 352,552	\$ 558,627	\$ 585,390	\$ 941,099	\$ 398,002	\$ 1,032,539	\$ 731,628	\$ 1,195,824	\$ 1,406,682	\$ 1,368,053
Business-type Activities	(1,306)	2,522	(822)		(3,693)	1,654	(798)	2,256	1,749	3,690
Total District	\$ 351,246	\$ 561,149	\$ 584,568	\$ 941,099	\$ 394,309	\$ 1,034,193	\$ 730,830	\$ 1,198,080	\$ 1,408,431	\$ 1,371,743

Source: School District Financial Reports

BOROUGH OF WATCHUNG SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Assigned								\$ 332,548	\$ 366,311	\$ 208,124
Restricted/Reserved								2,062,231	2,448,979	2,837,306
Unassigned								355,400	279,627	275,317
Reserved	\$ 1,724,881	\$ 1,194,742	\$ 1,593,015	\$ 2,138,094	\$ 2,150,442	\$ 2,214,622	\$ 2,122,729			
Unreserved	215,344	378,101	333,255	278,668	321,615	308,188	265,759			
Total General Fund	<u>\$ 1,940,225</u>	<u>\$ 1,572,843</u>	<u>\$ 1,926,271</u>	<u>\$ 2,416,763</u>	<u>\$ 2,472,058</u>	<u>\$ 2,522,810</u>	<u>\$ 2,388,488</u>	<u>\$ 2,750,179</u>	<u>\$ 3,094,917</u>	<u>\$ 3,320,747</u>
All Other Governmental Funds										
Committed								\$ 192,134	\$ 178,581	\$ 177,161
Reserved	\$ 7,915,295	\$ 1,655,172	\$ 830,500	\$ 62,629	\$ 41,474	\$ 2,374	\$ 313,316			
Unreserved, Reported in:										
Capital Projects Fund	2,120,685	822,031	157,004	120,535	122,851	142,851				
Debt Service Fund	90,825	1			1		50,649			
Total All Other Governmental Funds	<u>\$ 10,126,804</u>	<u>\$ 2,477,205</u>	<u>\$ 987,504</u>	<u>\$ 183,163</u>	<u>\$ 164,325</u>	<u>\$ 145,225</u>	<u>\$ 363,965</u>	<u>\$ 192,134</u>	<u>\$ 178,581</u>	<u>\$ 177,161</u>
Total Governmental Funds	<u>\$ 12,067,029</u>	<u>\$ 4,050,048</u>	<u>\$ 2,913,774</u>	<u>\$ 2,599,926</u>	<u>\$ 2,636,383</u>	<u>\$ 2,668,035</u>	<u>\$ 2,752,453</u>	<u>\$ 2,942,313</u>	<u>\$ 3,273,498</u>	<u>\$ 3,497,908</u>

Source: School District Financial Reports

BOROUGH OF WATCHUNG SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax Levy	\$ 7,703,488	\$ 8,220,470	\$ 9,400,495	\$ 10,041,887	\$ 10,461,003	\$ 10,883,964	\$ 11,259,205	\$ 11,445,564	\$ 11,562,213	\$ 11,755,732
Tuition Charges	10,439	14,600		6,450	3,935	10,090	11,481	25,503	131,577	144,670
Other Local	13,839	18,419			34,296		21,203	40,095	44,112	44,335
Interest Earnings	159,314	178,231	146,617	159,618	109,325	6,961	2,006	354		250
Miscellaneous	73,871	64,444	45,207	99,016	26,875	107,124	134,934	111,676	147,430	64,896
State Sources	1,179,688	1,311,149	1,344,016	1,664,380	1,657,468	1,329,712	1,144,841	1,033,583	1,133,001	1,439,380
Federal Sources	116,190	136,908	137,793	180,257	146,402	146,443	205,600	237,614	175,527	148,335
Total Revenue	9,256,829	9,944,221	11,074,128	12,151,608	12,439,304	12,484,294	12,779,270	12,894,389	13,193,860	13,597,598
Expenditures										
Instruction										
Regular Instruction	2,722,194	2,793,111	2,792,576	3,059,095	3,322,626	3,503,570	3,424,209	3,322,441	3,350,559	3,544,806
Special Education Instruction	262,735	345,199	385,651	482,852	398,905	543,558	608,707	602,522	595,448	611,277
Other Special Instruction	127,734	222,252	218,254	223,934	178,395	199,771	178,589	185,403	201,941	178,354
School-Sponsored/Other Instruction					90,097	92,768	91,631	84,127	65,521	78,414
Support Services:										
Tuition	500,983	584,706	493,332	332,413	352,947	386,597	378,793	414,674	359,309	381,886
Student & Other Instruction Related Services	1,020,389	1,052,430	1,228,668	1,266,605	1,334,904	1,304,311	1,277,381	1,002,444	1,088,293	1,107,301
General Administrative Services	480,104	503,201	470,180	485,790	341,956	364,363	350,675	315,145	400,830	360,425
School Administrative Services	232,776	246,454	280,029	316,673	339,692	336,655	347,734	316,589	321,663	322,439
Central Services and Administrative										
Information Technology					194,138	201,209	207,193	210,672	235,189	210,782
Plant Operations and Maintenance	658,760	717,512	880,390	972,269	972,885	1,049,221	943,934	996,071	1,052,290	1,024,532
Pupil Transportation	503,187	549,475	552,695	569,345	556,975	508,771	571,497	530,465	511,509	537,064
Unallocated Benefits	1,493,114	1,798,751	1,940,754	2,410,859	2,675,329	2,303,026	2,569,026	2,730,224	2,829,434	3,009,911
Capital Outlay	6,026,823	7,798,420	1,508,329	851,451	545,640	38,810	138,557	289,352	80,289	188,797
Debt Service:										
Principal	650,000	735,000	810,000	875,000	970,000	1,075,000	1,205,000	1,290,000	1,410,000	1,500,000
Interest and Other Charges	704,075	678,513	649,544	617,949	583,356	545,013	401,926	414,400	360,400	317,200
Total Expenditures	15,382,874	18,025,024	12,210,400	12,464,235	12,857,846	12,452,643	12,694,852	12,704,529	12,862,675	13,373,188

BOROUGH OF WATCHUNG SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Excess/(Deficit) of Revenues										
Over/(Under) Expenditures	\$ (6,126,045)	\$ (8,080,804)	\$ (1,136,273)	\$ (312,627)	\$ (418,543)	\$ 31,651	\$ 84,418	\$ 189,860	\$ 331,185	\$ 224,410
Other Financing Sources/(Uses)										
Serial Bonds Issued							8,770,000			
Serial Bonds Defeased							(8,938,000)			
Bond Issuance Costs							(126,832)			
Bond Premium							944,609			
Deferred Interest							(649,777)			
Capital Leases (Non-budgeted)					455,000					
NJ Economic Development Authority Grants		63,822								
Transfers in	198,053	125,490		17,790						
Transfers out	(263,596)	(125,490)		(19,012)						
Total Other Financing Sources/(Uses)	(65,542)	63,822		(1,222)	455,000					
Net Change in Fund Balances	\$ (6,191,587)	\$ (8,016,982)	\$ (1,136,273)	\$ (313,849)	\$ 36,457	\$ 31,651	\$ 84,418	\$ 189,860	\$ 331,185	\$ 224,410
Debt Service as a Percentage of Noncapital Expenditures	14.47%	13.82%	13.64%	12.86%	12.62%	13.05%	12.80%	13.73%	13.85%	13.78%

Source: School District Financial Reports

Exhibit J-5

BOROUGH OF WATCHUNG SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2003	\$ 127,381	\$ 25,352	\$ 44,067	\$ 196,800
2004	12,206	10,439	59,369	82,014
2005	178,231	14,600	71,101	263,932
2006	146,617		14,796	161,413
2007	159,618	6,450	99,016	265,084
2008	109,325	3,935	26,875	140,135
2009	6,961	10,090	63,131	80,182
2010	2,006	11,481	90,086	103,573
2011	354	25,503	108,188	134,045
2012	7,931	131,577	45,403	184,911
2013	250	144,670	109,231	254,151

Source: School District of the Borough of Watchung records

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

Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2003	\$ 48,012,900	\$ 1,166,855,300	\$ 662,000	\$ 256,778,800	\$ 5,694,000	\$ 10,574,100	\$ 1,488,577,100	\$ 1,767,699	\$ 1,490,344,799	\$ 0.502	\$ 1,363,442,718
2004	46,557,400	1,234,853,701	676,500	272,440,800	6,229,100	43,540,000	1,604,297,501	1,670,552	1,605,968,053	0.489	1,566,423,582
2005	49,840,700	1,353,040,400	895,100	314,230,900	6,705,800	40,000,000	1,764,712,900	1,618,708	1,766,331,608	0.503	1,718,510,703
2006	50,009,200	1,359,902,300	895,100	311,874,300	6,705,800	40,000,000	1,769,386,700	1,398,633	1,770,785,333	0.567	1,857,818,879
2007	43,352,700	1,415,883,400	N/A	323,091,400	7,348,400	55,160,000	1,844,835,900	1,489,275	1,846,325,175	0.541	2,047,141,917
2008	41,366,100	1,373,917,500	N/A	333,359,400	7,295,500	60,600,000	1,816,538,500	1,562,784	1,818,101,284	0.590	1,964,456,771
2009	41,251,800	1,277,353,900	N/A	329,769,100	7,174,900	60,600,000	1,716,149,700	1,562,784	1,717,712,484	0.647	1,912,929,426
2010	35,609,900	1,184,481,400	N/A	295,509,400	6,367,200	56,964,000	1,578,931,900	1,762,687	1,580,694,587	0.724	1,824,791,793
2011	35,484,200	1,204,394,400	N/A	290,376,800	6,367,300	49,255,800	1,585,878,500	1,360,900	1,587,239,400	0.728	1,684,856,609
2012	35,511,800	1,221,449,700	N/A	282,766,200	6,273,400	49,255,800	1,595,256,900	1,577,286	1,596,834,186	0.732	1,674,592,266

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

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

b Tax rates are per \$100 of assessed value.

Source: Municipal Tax Assessor

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

Year Ended December 31,	School District of the Borough of Watchung Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	Regional High School District	County	
2003	\$ 0.370	\$ 0.132	\$ 0.502	\$ 0.395	\$ 0.258	\$ 0.382	\$ 1.537
2004	0.405	0.084	0.489	0.388	0.275	0.388	1.540
2005	0.423	0.080	0.503	0.385	0.294	0.365	1.547
2006	0.483	0.084	0.567	0.377	0.302	0.378	1.624
2007	0.461	0.080	0.541	0.387	0.304	0.375	1.607
2008	0.502	0.088	0.590	0.422	0.303	0.364	1.679
2009	0.552	0.095	0.647	0.427	0.318	0.369	1.761
2010	0.619	0.105	0.724	0.463	0.351	0.383	1.921
2011	0.617	0.111	0.728	0.492	0.363	0.303	1.886
2012	0.619	0.113	0.732	0.519	0.377	0.309	1.937

Note:

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

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

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

Source: Municipal Tax Collector and School Business Administrator

Exhibit J-8

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

Taxpayer	2012		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value

INFORMATION NOT AVAILABLE

Taxpayer	2003		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value

INFORMATION NOT AVAILABLE

Source: Municipal Tax Assessor

Exhibit J-9

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

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy^a</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2004	\$ 7,703,488	\$ 7,703,488	100.00%	-0-
2005	8,220,470	8,220,470	100.00%	-0-
2006	9,400,495	9,400,495	100.00%	-0-
2007	10,041,887	10,041,887	100.00%	-0-
2008	10,461,002	10,461,002	100.00%	-0-
2009	10,883,964	10,883,964	100.00%	-0-
2010	11,259,205	11,259,205	100.00%	-0-
2011	11,445,564	11,445,564	100.00%	-0-
2012	11,562,213	11,562,213	100.00%	-0-
2013	11,755,732	11,755,732	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Obligations Under Lease-Purchase Agreement	Bond Anticipation Notes (BANs)				
2004	\$ 17,253,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 17,253,000	4.40%	\$ 2,650
2005	16,518,000	-0-	-0-	-0-	-0-	16,518,000	4.02%	2,521
2006	15,708,000	-0-	-0-	-0-	-0-	15,708,000	3.47%	2,361
2007	14,833,000	-0-	-0-	-0-	-0-	14,833,000	3.07%	2,212
2008	13,863,000	-0-	-0-	-0-	355,000	14,218,000	2.85%	2,113
2009	12,788,000	-0-	-0-	-0-	-0-	12,788,000	2.75%	1,888
2010	11,415,000	-0-	-0-	-0-	-0-	11,415,000	2.81%	1,964
2011	10,125,000	-0-	-0-	-0-	-0-	10,125,000	2.38%	1,737
2012	8,715,000	-0-	-0-	-0-	-0-	8,715,000	2.05%	1,493
2013	7,215,000	-0-	-0-	-0-	-0-	7,215,000	1.69%	1,236

Source: School District Financial Reports

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

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

Exhibit J-11

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2004	\$ 17,253,000	-0-	\$ 17,253,000	1.16%	\$ 2,650.23
2005	16,518,000	-0-	16,518,000	1.03%	2,521.06
2006	15,708,000	-0-	15,708,000	0.89%	2,361.04
2007	14,833,000	-0-	14,833,000	0.84%	2,211.90
2008	13,863,000	-0-	13,863,000	0.75%	2,059.88
2009	12,788,000	-0-	12,788,000	0.70%	1,888.09
2010	11,415,000	-0-	11,415,000	0.66%	1,964.38
2011	10,125,000	-0-	10,125,000	0.64%	1,494.91
2012	8,715,000	-0-	8,715,000	0.55%	1,495.37
2013	7,215,000	-0-	7,215,000	0.45%	1,237.99

Source: School District Financial Reports

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

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

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

Exhibit J-12

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

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable ^a</u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes			
Watchung Hills Regional High School	\$ 6,655,280	21.97%	\$ 1,462,471
Borough of Watchung	22,065,374	100.00%	25,668,476
County of Somerset - Borough's Share	158,095,935	2.87%	<u>4,541,407</u>
Subtotal, Overlapping Debt			31,672,354
Borough of Watchung School District Direct Debt			<u>7,215,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 38,887,354</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2013

	Equalized valuation basis
2010	\$ 1,750,672,913
2011	1,726,408,121
2012	1,628,644,104
	\$ 5,105,725,138
Average Equalized Valuation of Taxable Property	\$ 1,701,908,379
Debt Limit (3% of average equalization value)	\$ 51,057,251 ^a
Net Bonded School Debt	7,215,000
Legal Debt Margin	\$ 43,842,251

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 58,878,984	\$ 58,119,876	\$ 54,306,404	\$ 52,707,158	\$ 51,057,251
Total Net Debt Applicable to Limit	12,788,000	11,415,000	10,215,000	8,715,000	7,215,000
Legal Debt Margin	\$ 46,090,984	\$ 46,704,876	\$ 44,091,404	\$ 43,992,158	\$ 43,842,251
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	21.72%	19.64%	18.81%	16.53%	14.13%

	Fiscal Year				
	2004	2005	2006	2007	2008
Debt Limit	\$ 39,699,929	\$ 44,688,843	\$ 50,447,953	\$ 55,373,713	\$ 58,062,085
Total Net Debt Applicable to Limit	17,253,000	16,518,355	15,708,000	14,833,000	13,863,000
Legal Debt Margin	\$ 22,446,929	\$ 28,170,488	\$ 34,739,953	\$ 40,540,713	\$ 44,199,085
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	43.46%	36.96%	31.14%	26.79%	23.88%

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

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

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

Year	Population ^a	Borough of Watchung Personal Income ^b	Somerset County Per Capita Personal Income ^c	Unemployment Rate ^d
2004	6,510	\$ 392,351,190	\$ 60,269	2.40%
2005	6,552	410,875,920	62,710	2.80%
2006	6,653	452,670,120	68,040	3.00%
2007	6,706	482,932,590	72,015	2.70%
2008	6,730	499,339,080	74,196	4.10%
2009	6,773	465,684,388	68,756	6.40%
2010	5,811	406,107,546	69,886	6.40%
2011	5,828	425,508,108	73,011 *	6.30%
2012	5,836 **	426,092,196 ***	73,011 *	N/A
2013	5,836 **	426,092,196 ***	73,011 *	6.60%

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

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

***- Latest Borough personal income available (2012) was used for calculation purposes.

N/A - Information not available

Source:

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

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

BOROUGH OF WATCHUNG SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2013		
		Percentage of Total Employment
Employer	Employees	

INFORMATION NOT AVAILABLE

2004		
		Percentage of Total Employment
Employer	Employees	

INFORMATION NOT AVAILABLE

Source: Somerset County Chamber of Commerce.

BOROUGH OF WATCHUNG SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction								
Regular	49	49	50	49	49	47	50	50
Special education	10	11	10	9	9	8	9	9
Other instruction	3	2	3	4	3	3	3	3
Support Services:								
Student & instruction related services	22	24	29	27	28	25	21	21
School administrative services	5	6	5	6	6	6	6	6
General and business administrative services	5	5	5	5	5	5	5	5
Plant operations and maintenance	9	11	9	9	9	9	9	8
Pupil transportation	1	1	2	2	2	2	2	2
Total	<u>104</u>	<u>109</u>	<u>113</u>	<u>111</u>	<u>111</u>	<u>105</u>	<u>105</u>	<u>104</u>

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

Source: School District of the Borough of Watchung Personnel Records

BOROUGH OF WATCHUNG SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2004	606	\$ 8,001,976	\$ 13,205	18.48%	66	11.4:1	11.5:1	605.8	581.2	1.71%	95.94%
2005	653	8,813,092	13,496	2.21%	75	19.1:1	21.9:1	652.8	625.8	7.76%	95.86%
2006	660	9,242,528	14,004	3.76%	84	N/A	N/A	659.4	633.1	1.01%	96.01%
2007	671	10,119,835	15,082	7.70%	86	N/A	N/A	673.5	644.8	2.14%	95.74%
2008	688	10,758,850	15,638	3.69%	92	N/A	N/A	687.2	658.2	2.03%	95.78%
2009	698	10,793,820	15,464	-1.11%	89	N/A	N/A	698.8	671.2	1.69%	96.05%
2010	718	10,949,369	15,250	-1.38%	75	N/A	N/A	716.7	687.1	2.56%	95.87%
2011	714	10,710,777	15,001	-1.63%	67	N/A	N/A	710.0	679.6	-0.93%	95.72%
2012	710	11,011,986	15,510	3.39%	67	N/A	N/A	681.3	654.7	-4.04%	96.10%
2013	717	11,367,191	15,854	2.22%	67	N/A	N/A	720.8	693.0	5.80%	96.14%

Note: Enrollment based on annual October district count.

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

N/A: Information not available

Source: Borough of Watchung District Records

BOROUGH OF WATCHUNG SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST EIGHT FISCAL YEARS
UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>District Building</u>								
Valley View								
Square Feet	83,960	83,960	83,960	83,960	83,960	83,960	83,960	83,960
Capacity (students)	470	470	470	470	470	470	470	470
Enrollment	284	284	309	319	342	351	349	334
Bayberry								
Square Feet	88,629	88,629	88,629	88,629	88,629	88,629	88,629	88,629
Capacity (students)	638	638	638	638	638	638	638	638
Enrollment	388	388	379	379	376	363	361	383

Number of Schools at June 30, 2012
 Elementary = 2

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

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

Source: District Facilities Office

Exhibit J-19

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

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

<u>*School Facility</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Bayberry Elementary	\$ 95,980	\$ 80,000	\$ 77,428	\$ 35,391	\$ 38,619
Valley View	46,374	112,785	86,713	33,374	24,557
District Total	<u>\$ 142,354</u>	<u>\$ 192,785</u>	<u>\$ 164,141</u>	<u>\$ 68,765</u>	<u>\$ 63,176</u>

<u>*School Facility</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Bayberry Elementary	\$ 35,611	\$ 60,018	\$ 18,646	\$ 28,036	\$ 20,321
Valley View	29,294	48,526	14,687	27,891	22,757
District Total	<u>\$ 64,905</u>	<u>\$ 108,544</u>	<u>\$ 33,333</u>	<u>\$ 55,927</u>	<u>\$ 43,078</u>

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

Source: District records

BOROUGH OF WATCHUNG SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2013
UNAUDITED

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Diploma Joint Insurance Fund		
Package Policy:		
Blanket Real and Personal Property	\$ 250,000,000	\$ 100,000
Earthquake	25,000,000	1,000
Flood	10,000,000	1,000
Boiler and Machinery	100,000,000	1,000
Crime Coverage:		
Faithful Performance	500,000	1,000
Money and Securities	50,000	1,000
General Liability	5,000,000	
Automobile	5,000,000	
School Board Legal Liability	5,000,000	5,000
Workers Compensation	Statutory 5,000,000	
Excess Umbrella Liability	5,000,000	
Catastrophe Umbrella Liability	50,000,000	
Environmental Liability	1,000,000	10,000
Selective Insurance:		
Surety Bonds:		
Board Secretary/Business Administrator	225,000	
Treasurer of School Moneys	225,000	

Source: District records

SINGLE AUDIT SECTION



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

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Watchung, in the County of Somerset (the "District") as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2013.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

September 20, 2013
Mount Arlington, New Jersey

NISIVOCIA LLP



Valerie A. Dolan
Licensed Public School Accountant # 2526
Certified Public Accountant



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

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

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

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

September 20, 2013
Mount Arlington, New Jersey

NISIVOCIA LLP



Valerie A. Dolan
Licensed Public School Accountant # 2526
Certified Public Accountant

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

Federal Grantor/Pass Through Grantor/ Program Title/ Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2012			Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2013		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:													
General Fund:													
Education Jobs Fund	84.410A	N/A	7/1/10-9/30/12	\$ 22,757	\$ (3,414)			\$ 3,414					
Total General Fund					(3,414)			3,414					
U.S. Department of Education Passed-through State Department of Education:													
No Child Left Behind Consolidated Grant:													
Title II, Part A	84.286A	NCLB 554012	9/1/11-8/31/12	17,525	(4,974)			4,974					
Title II, Part A	84.286A	NCLB 554013	9/1/12-8/31/13	16,522				16,522	\$ (16,522)				
Title III	84.365A	NCLB 554013	9/1/12-8/31/13	523				523	(523)				
					(4,974)			22,019	(17,045)				
Special Education Cluster:													
IDEA Combined Grant:													
I.D.E.A. Part B, Basic	84.027	IDEA 554012	9/1/11-8/31/12	127,973	(30,365)			30,365					
I.D.E.A. Part B, Basic	84.027	IDEA 554013	9/1/12-8/31/13	124,574				98,612	(124,574)	\$ (25,962)			
I.D.E.A. Part B, Preschool	84.173	IDEA 554013	9/1/12-8/31/13	6,716				6,716	(6,716)				
Total Special Education Cluster					(30,365)			135,693	(131,290)	(25,962)			
Total U.S. Department of Education					(35,339)			157,712	(148,335)	(25,962)			
U.S. Department of Agriculture:													
Passed-through State Department of Agriculture:													
Child Nutrition Cluster:													
Special Milk Program	10.556	N/A	7/1/11-6/30/12	7,771	(1,533)			1,533					
Special Milk Program	10.556	N/A	7/1/12-6/30/13	7,049				6,435	(7,049)	(614)			
Total U.S. Department of Agriculture/Child Nutrition Cluster					(1,533)			7,968	(7,049)	(614)			
Total Federal Awards					\$ (40,286)	\$ -0-	\$ -0-	\$ -0-	\$ 169,094	\$ (155,384)	\$ (26,576)	\$ -0-	\$ -0-

N/A - Not Applicable

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

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2012		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2013		MEMO	
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education												
General Fund:												
Categorical Special Education Aid	12-495-034-5120-089	7/1/11 - 6/30/12	\$ 330,218	\$ (29,656)		\$ 29,656						\$ 330,218
Extraordinary Aid	12-100-034-5120-473	7/1/11 - 6/30/12	53,889	(53,889)		53,889						53,889
Nonpublic Transportation	12-495-035-5120-014	7/1/11 - 6/30/12	5,394	(5,394)		5,394						5,394
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11 - 6/30/12	328,928	(32,266)		32,266						328,928
Categorical Transportation Aid	13-495-034-5120-014	7/1/12-6/30/13	47,475			43,273	\$ (47,475)			\$ (4,202)		47,475
Categorical Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	352,964			321,719	(352,964)			(31,245)		352,964
Categorical Security Aid	13-495-034-5120-078	7/1/12-6/30/13	10,218			9,314	(10,218)			(904)		10,218
Extraordinary Aid	13-100-034-5120-473	7/1/12-6/30/13	55,578				(55,578)		\$ (55,578)	(55,578)		55,578
Nonpublic Transportation	13-495-035-5120-014	7/1/12-6/30/13	6,090				(6,090)		(6,090)	(6,090)		6,090
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12-6/30/13	341,526			309,260	(341,526)		(32,266)	(32,266)		341,526
Total General Fund State Aid				(121,205)		804,771	(813,851)		(93,934)		(130,285)	1,532,280
Capital Projects Fund:												
N.J. Economic Development Authority Grant	SP210964/201965	N/A	5,096,645	(1)							(1)	5,096,645
N.J. Schools Development Authority Grant	5540-050-09-0ZXX	N/A	64,647	(8,137)							(8,137)	56,510
N.J. Schools Development Authority Grant	5540-050-09-0ZYJ	N/A	74,458	(20,663)							(20,663)	53,795
Total Capital Projects Fund				(28,801)							(28,801)	5,206,950
Total State Awards				\$ (150,006)	\$ -0-	\$ 804,771	\$ (813,851)	\$ -0-	\$ (93,934)	\$ -0-	\$ (159,086)	\$ 6,739,230

N/A - Not Available

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

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

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payments for the prior year and for the current budget year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, the current year payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The capital projects fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition. For GAAP purposes, that revenue is not recognized until the project is expended and submitted for reimbursement and the final expenditure report is submitted to the School Development Authority for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$6,695) for the general fund, (\$7,203) for the special revenue fund (which is for local grants not included in the table below) and (\$28,801) for the capital projects fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the TPAF Pension Contribution and on-behalf TPAF Pension and Post Retirement Contributions revenue of \$296,715 and \$335,509, respectively.

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,439,380	\$ 1,439,380
Special Revenue Fund	\$ 148,335		148,335
Food Service Fund	<u>7,049</u>		<u>7,049</u>
Total Awards	<u>\$ 155,384</u>	<u>\$ 1,439,380</u>	<u>\$ 1,594,764</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

NOTE 6. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA GRANTS)

The District has been awarded grants totaling \$139,105 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2013, the District has not drawn down \$28,801 of the grant funds. In the Capital Projects Fund, the District realized the full amount of the grant funds as a revenue on a budgetary basis in the year awarded and is realizing the grant funds as revenue on a GAAP basis when grant funds are expended and submitted for reimbursement.

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

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB's Circular 04-04*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB's Circular 04-04 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2013 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Categorical Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	\$ 352,964	\$ 352,964
Security Aid	13-495-034-5120-078	7/1/12-6/30/13	10,218	10,218

- The threshold used for distinguishing between Type A and Type B state programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs.

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- The audit did not disclose any finding or questioned costs for state awards as defined in section 510(a) of the federal circular and NJOMB 04-04.

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

Status of Prior Year Findings:

The District had no prior year audit findings.