

SCHOOL DISTRICT

OF

ATLANTIC HIGHLANDS

**ATLANTIC HIGHLANDS BOARD OF EDUCATION
ATLANTIC HIGHLANDS, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

ATLANTIC HIGHLANDS BOARD OF EDUCATION

ATLANTIC HIGHLANDS, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY

**ATLANTIC HIGHLANDS BOARD OF EDUCATION
FINANCE DEPARTMENT**

ATLANTIC HIGHLANDS SCHOOL DISTRICT

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INTRODUCTORY SECTION



Atlantic Highlands Board of Education

Dr. Susan Compton
Superintendent

Mrs. Sara Weimer
President

Mrs. Janet Sherlock
Business Administrator/Board Secretary

November 19, 2013

Honorable President and
Members of the Board of Education
Atlantic Highlands School District
County of Monmouth, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Atlantic Highlands 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 Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

I. REPORTING ENTITY AND ITS SERVICES:

Atlantic Highlands School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Atlantic Highlands Board of Education and its elementary school constitute the District's reporting entity.

The district provides a full range of education programs and services appropriate to grades Pre-K through 6. These include regular and special education for students with disabilities. The district completed the 2012-2013 fiscal year with an average daily enrollment of 302 students.

2. ECONOMIC CONDITION AND OUTLOOK:

Atlantic Highlands is a stable, older, year-round community. In October 2012, Atlantic Highlands was hit by Super Storm Sandy. The Atlantic Highlands Harbor suffered substantial damage. Many homes in town were also damaged. As of the writing of this letter, the Harbor has been fully restored and is again open for business. The downtown business area is also growing. There is a heightened interest in property ownership with property values remaining stable. This is also evidenced in an increase in the ratables and the renovation of the main business district. The appeal of this shoreline community is due in part, to its proximity to Manhattan and the prosperous harbor.

3. MAJOR INITIATIVES:

Atlantic Highlands Elementary School continues to provide an exceptional educational experience for all students. The breadth of programs from special education to gifted and talented meets each child's unique needs. The 2012-2013 school year demonstrated a continuing emphasis on curriculum alignment to the national Common Core Curriculum Standards. The district has realigned the math curriculum and purchased a new online math textbook series called Digits. The district has also begun to implement the new teacher's evaluation system mandated by the state. Our teachers continue to receive professional development throughout the year. Often in an effort to reduce cost, Atlantic Highlands holds professional development days in conjunction with other districts.

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of the budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the county superintendent. 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 reservations of fund balance at June 30, 2013.

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the district is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR-END:

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

8. DEBT ADMINISTRATION:

At June 30, 2013, the District had outstanding debt issues in the amount of \$3,165,000.

In March 2003 voters of the Borough of Atlantic Highlands approved a \$6,292,000 referendum for capital project #0130-020-02-1112/Renovations and Addition to the Atlantic Highlands Elementary School. Bonds were sold in August of 2003 in the amount of \$4,063,000 to fund the project along with a state grant in the amount of \$2,083,130. The proceeds of this bond issue were placed in the District's capital projects fund to finance capital improvements to the District's building and grounds. These improvements included an 11,000 sq. ft addition to house a new cafeteria, library/media center, a science classroom, special education classroom and an elevator to enable the district to be ADA compliant. Renovations to the existing building included reroofing, a total overhaul of the HVAC system, rehabilitation of kindergarten, pre-school disabled and music/band classrooms, small group instruction space and much needed upgrades to the electrical and communications systems. Repayment of interest began in August of 2004; repayment of principal began in August 2005.

In September 2009 voters of the Borough of Atlantic Highlands approved a \$490,000 referendum for capital project #0130-020-09-2000/Atlantic Highlands Elementary School Solar Panels. Bonds were sold in December of 2009 in the amount of \$490,000 to fund the project. The proceeds of this bond issue were placed in the District's capital projects fund to finance capital improvements to the District's building and grounds. The project included the installation of Solar Panels on the roof of the elementary school. Repayment of interest began in September of 2010; repayment of principal will begin in March 2011.

9. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect the Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

10. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, boiler and machinery, workers compensation, hazard and theft insurance on property and contents, and fidelity bonds.

11. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert A. Hulsart and Company was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB.

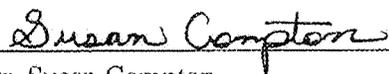
The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

The auditor's reports related specifically to the single audit are included in the single audit section of this report.

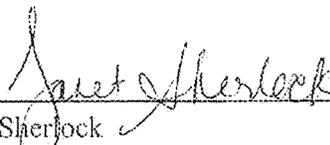
12. ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Atlantic Highlands 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 financial and accounting staff.

Respectfully submitted,



Dr. Susan Compton
Superintendent of Schools



Janet Sherlock
School Business Administrator /Board Secretary

ATLANTIC HIGHLANDS BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2013

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|---|----------------------------|
| Saranne Weimer, President | 2015 |
| Alyson Denzler, Vice President | 2014 |
| Patrick Hackett | 2013 |
| Hope Hanlon | 2014 |
| Regina Hawley-Keelen | 2013 |
| Wanda Kelley | 2014 |
| David Schutzenhofer | 2013 |
| Suzanne Santry | 2015 |
| Erinn Tarpey | 2015 |

Other Officials

Mr. Christopher J. Rooney, Superintendent

Ms. Janet Sherlock, School Business Administrator/Board Secretary

Ms. Janet Walling, Principal

Mr. Daniel Loughran, Supervisor of Curriculum & Instruction

ATLANTIC HIGHLANDS BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Audit Firm

Robert A. Hulsart & Co.
2807 Hurley Pond Road
Wall, N.J. 07719

Attorneys

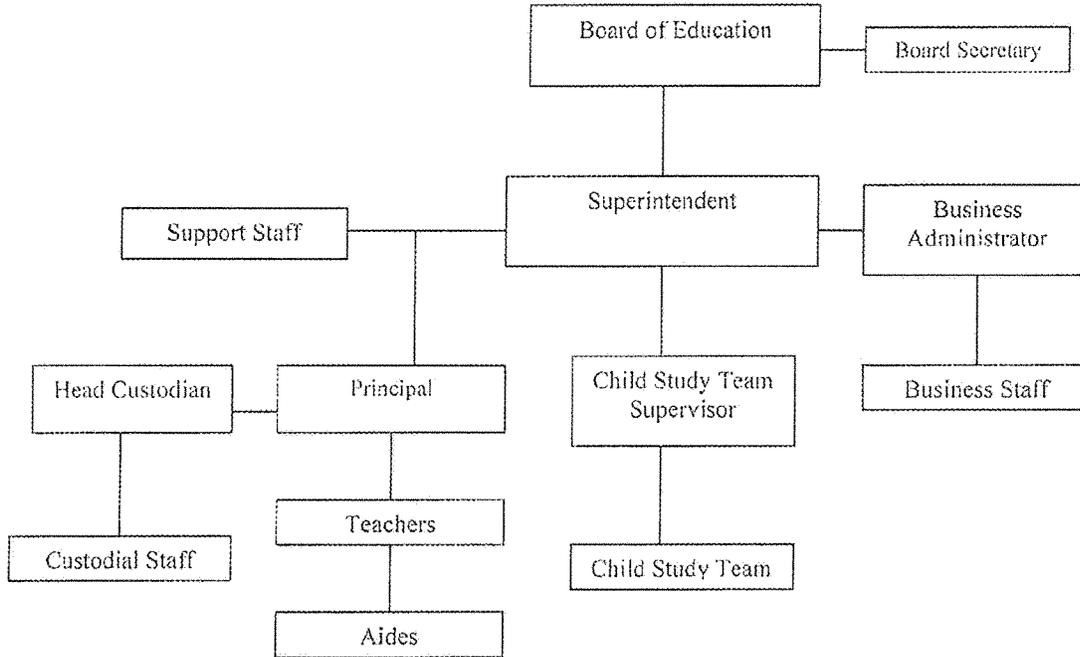
McOmber & McOmber
54 Shrewsbury Avenue
Red Bank, N.J. 07701

Official Depository

Wells Fargo Bank, N.A.
111 First Avenue
Atlantic Highlands, N.J. 07716

ATLANTIC HIGHLANDS BOARD OF EDUCATION

ORGANIZATIONAL CHART (Unit Control)



FINANCIAL SECTION

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
 of the Board of Education
 Atlantic Highlands School District
 County of Monmouth
 Atlantic Highlands, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Atlantic Highlands School District, in the County of Monmouth, State of New Jersey, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Atlantic Highlands School District, in the County of Monmouth, State of New Jersey, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information 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.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by 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 respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013 on our consideration of the Atlantic Highlands's Board of Education internal control over financial reporting and 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 Atlantic Highlands Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey

November 19, 2013

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

ATLANTIC HIGHLANDS SCHOOL DISTRICT
BOROUGH OF ATLANTIC HIGHLANDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The discussion and analysis of Atlantic Highlands School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Report's (CAFR) Letter of Transmittal which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

The MD & A is a Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statement -and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999.

Financial Highlights

Key Financial highlights for the 2012-2013 fiscal year are as follows:

- General revenues accounted for \$5,347,336 in revenue or 89% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions, and debt service accounted for \$684,288 or 11% percent to total revenues of \$6,031,624.
- Net Position of governmental activities increased by \$180,258.
- The School District had \$5,766,610 in expenses; only \$684,288 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$5,347,336 were adequate to provide for these programs.
- The General Fund had \$5,285,060 in revenues and \$5,214,568 in expenditures. The General Fund's balance Increased by \$70,492. This increase was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Atlantic Highlands School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole school district, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Atlantic Highlands School District, the General Fund is the most significant fund, with the Special Revenue Fund and Capital Project's Fund also having significance.

The School Board's auditor has provided assurance in his Independent Auditor's Report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the other parts of the Financial Section.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2012-2013 fiscal year?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental activities – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-Type Activities – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins with Exhibit B-1. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

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

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

Table 1 provides a summary of the School District's net position comparisons of fiscal year 2013 with 2012.

Table 1
Net Position

| | <u>2013</u> | <u>2012</u> |
|---------------------------|---------------------|------------------|
| <u>Assets</u> | | |
| Current and Other Assets | \$ 1,658,779 | 1,485,971 |
| Capital Assets, Net | <u>5,830,794</u> | <u>6,006,671</u> |
| Total Assets | <u>\$ 7,489,573</u> | <u>7,492,642</u> |
| <u>Liabilities</u> | | |
| Other Liabilities | \$ 546,540 | 476,741 |
| Long-Term Liabilities | <u>3,078,598</u> | <u>3,330,493</u> |
| Total Liabilities | <u>\$ 3,625,138</u> | <u>3,807,234</u> |

Table 1
Net Position (Continued)

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|------------------|
| <u>Net Position</u> | | |
| Invested in Capital Assets, Net of Debt | \$ 2,497,196 | 2,406,178 |
| Restricted | 1,077,467 | 979,058 |
| Unrestricted | <u>289,772</u> | <u>300,172</u> |
| Total Net Position | <u>\$ 3,864,435</u> | <u>3,685,408</u> |

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

Table 2
Changes in Net Position

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|------------------|
| <u>Revenues</u> | | |
| Program Revenues | | |
| Charges for Services | \$ 391,681 | 362,353 |
| Operating Grants and Contributions | 202,607 | 236,550 |
| General Revenues | | |
| Property Taxes | 4,555,522 | 4,554,584 |
| Grants and Entitlements | 748,439 | 592,061 |
| Other | <u>43,375</u> | <u>136,824</u> |
| Total Revenues | <u>\$ 5,941,624</u> | <u>5,882,372</u> |
| <u>Program Expenses</u> | | |
| Instruction | \$ 2,394,306 | 2,332,110 |
| Support Services | | |
| Pupils and Instructional Staff | 674,926 | 546,996 |
| General Administration, School Administration, Business | 439,022 | 470,009 |
| Operations and Maintenance of Facilities | 346,355 | 334,883 |
| Pupil Transportation | 54,015 | 37,038 |
| Interest on Debt | 105,657 | 158,701 |
| Food Service | 93,748 | 99,135 |
| Miscellaneous | <u>1,658,581</u> | <u>1,518,763</u> |
| Total Expenses | <u>\$ 5,766,610</u> | <u>5,497,635</u> |
| Increase/(Decrease) in Net Position | <u>\$ 175,014</u> | <u>384,737</u> |

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 84 percent of revenues for governmental activities for the Atlantic Highlands School District for fiscal year 2013. The District's total revenues were \$5,853,120 for the fiscal year ended June 30, 2013. Federal, state and local grants accounted for \$925,141, or 16 percent.

Business-Type Activities

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- Food service revenues were short of expenses by \$5,244.
- Charges for services represent \$61,745 of revenue. This represents amount paid by patrons for daily food services.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities was \$26,759. Overall net assets as of June 30, 2013 were \$47,367.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

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

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

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

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

Extracurricular activities includes expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

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

Other includes unallocated depreciation and amortization.

The School Board' Funds

The School Board uses funds to control and manage money for particular purposes. The Fund's basic financial statements allows the School Board to demonstrate its stewardship over and accountability for resources received from the Borough of Atlantic Highland's taxpayer's and other entities, including the State of New Jersey and the Federal Government. These statements also allow the reader to obtain more insight into the financial workings of the School Board, and assess further the School Board's overall financial health.

As the School Board completed the fiscal year ended June 30, 2013, it reported a combined net position balance of \$3,864,435. The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in net position.

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

Over the course of the year, the School Board revises its budget as it attempts to take into consideration unexpected changes in revenue and expenditures.

A schedule showing the School Board's original and final budget compared with actual operating results is provided in the section of the CAFR, entitled Budgetary Comparison Schedules. The School Board generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

Capital Assets

At June 30, 2013, the School Board had approximately \$5,830,794 million invested in a broad range of capital assets, including land, buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation to date. Table II below shows the net book value of capital assets at the end of the 2013 fiscal year.

| | Governmental Activities | Business Type Activities |
|--|------------------------------------|-------------------------------------|
| Table II Capital Assets at June 30, 2013 | | |
| Land | \$ 93,591 | |
| Buildings | 5,555,655 | |
| Machinery and Equipment | <u>155,849</u> | <u>25,699</u> |
| Total | <u>\$ 5,805,095</u> | <u>25,699</u> |

Debt Administration

At June 30, 2013, the School District had \$3,333,598 as outstanding debt. Of this amount \$168,598 is for compensated absences, and the balance \$3,165,000 for bonds for school construction and In March 2003 the voters of the Borough of Atlantic Highlands approved the building of an addition and renovations to the school in the amount of \$6,292,000.

Economic Factors and Next Year's Budget

The Atlantic Highlands School District is in very good financial condition presently. Future finances are not without challenges as the community continues to grow and state funding is decreased.

The Borough of Atlantic Highlands is primarily a residential community, with very few ratables. The majority of revenues needed to operate the District is derived from homeowners through property tax assessments and collections.

At this time, the most important factor affecting the budget is the unsettled situation with State Aid. While State aid may be frozen, the District may experience growth in student population. The tax levy will be the area that will need to absorb any increase in budget obligations.

In conclusion, the Atlantic Highlands School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Janet Sherlock, School Business Administrator/Board Secretary at Atlantic Highlands Board of Education, 140 First Avenue, Atlantic Highlands, NJ 07716.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

STATEMENT OF NET POSITION

Exhibit A-1

JUNE 30, 2013

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|---|--|---------------------|
| <u>Assets</u> | | | |
| Cash and Cash Equivalents | \$ 265,711 | 11,310 | 277,021 |
| Receivables, Net | 112,773 | 5,842 | 118,615 |
| Inventory | | 4,516 | 4,516 |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | 1,258,627 | | 1,258,627 |
| Capital Assets-(Non-Depreciable) | 93,591 | | 93,591 |
| Capital Assets, Net | <u>5,711,504</u> | <u>25,699</u> | <u>5,737,203</u> |
| Total Assets | <u>7,442,206</u> | <u>47,367</u> | <u>7,489,573</u> |
| <u>Liabilities</u> | | | |
| Accounts Payable | 291,540 | | 291,540 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 255,000 | | 255,000 |
| Due Beyond One Year | <u>3,078,598</u> | | <u>3,078,598</u> |
| Total Liabilities | <u>3,625,138</u> | <u>-</u> | <u>3,625,138</u> |
| <u>Net Position</u> | | | |
| Invested in Capital Assets, Net of Related Debt | 2,471,497 | 25,699 | 2,497,196 |
| Restricted For: | | | |
| Capital Projects | 162,355 | | 162,355 |
| Other Purposes | 915,112 | | 915,112 |
| Unrestricted | <u>268,104</u> | <u>21,668</u> | <u>289,772</u> |
| Total Net Position | <u>\$ 3,817,068</u> | <u>47,367</u> | <u>3,864,435</u> |

The accompanying notes to financial statements are an integral part of this statement.

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit A-2
Sheet 1 of 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

| Functions/Programs | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|------------------|-------------------------|--|----------------------------|-----------------------------|-------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 1,703,804 | 329,936 | | (1,373,868) | | (1,373,868) |
| Special Education | 591,801 | | 93,305 | (498,496) | | (498,496) |
| Other Special Instruction | 84,648 | | | (84,648) | | (84,648) |
| Other Instruction | 14,053 | | | (14,053) | | (14,053) |
| Support Services: | | | | | | |
| Tuition | 84,021 | | | (84,021) | | (84,021) |
| Student & Instruction Related Services | 590,905 | | 83,397 | (507,508) | | (507,508) |
| School Administrative Services | 122,741 | | | (122,741) | | (122,741) |
| General and Business Administrative Services | 316,281 | | | - | | - |
| Plant Operations and Maintenance | 346,355 | | | (316,281) | | (316,281) |
| Pupil Transportation | 54,015 | | | (346,355) | | (346,355) |
| Employee Benefits | 1,414,685 | | | (54,015) | | (54,015) |
| Interest on Long-Term Debt | 105,657 | | | (1,414,685) | | (1,414,685) |
| Unallocated Depreciation | 243,896 | | | (105,657) | | (105,657) |
| Total Government Activities | 5,672,862 | 329,936 | 176,702 | (5,166,224) | - | (5,166,224) |
| Business-Type Activities: | | | | | | |
| Food Service | 93,748 | 61,745 | 25,905 | - | (6,098) | (6,098) |
| Total Business-Type Activities | 93,748 | 61,745 | 25,905 | - | (6,098) | (6,098) |
| Total Primary Government | 5,766,610 | 391,681 | 202,607 | (5,166,224) | (6,098) | (5,172,322) |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit A-2
Sheet 2 of 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Net (Expense) Revenue and Changes in Net Position</u> | | |
|--|--|-------------------------------------|------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| General Revenues: | | | |
| Taxes: | | | |
| Property Taxes, Levied for General Purpose, Net | 4,185,461 | | 4,185,461 |
| Taxes Levied for Debt Service | 370,061 | | 370,061 |
| Federal and State Aid Not Restricted | 748,439 | | 748,439 |
| Miscellaneous Income | 42,521 | 854 | 43,375 |
| Total General Revenues | <u>5,346,482</u> | <u>854</u> | <u>5,347,336</u> |
| Change in Net Position | 180,258 | (5,244) | 175,014 |
| Net Position - Beginning | 3,636,810 | 52,611 | 3,689,421 |
| Net Position - Ending | <u>\$ 3,817,068</u> | <u>47,367</u> | <u>3,864,435</u> |

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEETGOVERNMENTAL FUNDSJUNE 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> |
|--|-------------------------|-------------------------------------|--------------------------------------|----------------------------------|---|
| <u>Assets</u> | | | | | |
| Cash and Cash Equivalents | \$ 1,343,178 | | | | 1,343,178 |
| Cash and Cash Equivalents-Restricted | | | 162,355 | 18,805 | 181,160 |
| Receivables from Other Governments | 78,841 | 33,932 | | | 112,773 |
| Interfund Receivable | 9 | | | | 9 |
| Total Assets | <u>\$ 1,422,028</u> | <u>33,932</u> | <u>162,355</u> | <u>18,805</u> | <u>1,637,120</u> |
| <u>Liabilities and Fund Balance</u> | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 257,617 | 33,923 | | | 291,540 |
| Interfund Payable | | 9 | | | 9 |
| Total Liabilities | <u>257,617</u> | <u>33,932</u> | <u>-</u> | | <u>291,549</u> |
| Fund Balance: | | | | | |
| Restricted for: | | | | | |
| Excess Surplus | 326,253 | | | | 326,253 |
| Excess Surplus - Designed for Subsequent Years | 312,670 | | | | 312,670 |
| Expenditures | | | | | |
| Committed To: | | | | | |
| Maintenance Reserve | 216,142 | | | | 216,142 |
| Emergency Reserve | 2,200 | | | | 2,200 |
| Capital Reserve Account | 1,021 | | | | 1,021 |
| Assigned To: | | | | | |
| Designated by the BOE for Subsequent Year's | | | | | |
| Expenditures | 38,021 | | | | 38,021 |
| Unassigned: | | | | | |
| Capital Projects | | | 162,355 | | 162,355 |
| Debt Service | | | | 18,805 | 18,805 |
| General Fund | 268,104 | | | | 268,104 |
| Total Fund Balances | <u>1,164,411</u> | <u>-</u> | <u>162,355</u> | <u>18,805</u> | <u>1,345,571</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,422,028</u> | <u>33,932</u> | <u>162,355</u> | <u>18,805</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 \$9,178,372 and the accumulated depreciation is \$3,373,277. | | | | | 5,805,095 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (see Note 3) | | | | | <u>(3,333,598)</u> |
| Net position of governmental activities | | | | | <u>\$ 3,817,068</u> |

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

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit B-2
Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-----------------------------|------------------------------|--------------------------|---------------------------------|
| Revenues | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 4,185,461 | | | 370,061 | 4,555,522 |
| Tuition Charges | 329,936 | | | | 329,936 |
| Miscellaneous | 42,521 | | | | 42,521 |
| Total Local Sources | 4,557,918 | - | - | 370,061 | 4,927,979 |
| State Sources | 727,142 | 47,417 | | 21,297 | 795,856 |
| Federal Sources | | 129,285 | | | 129,285 |
| Total Revenues | 5,285,060 | 176,702 | - | 391,358 | 5,853,120 |
| Expenditures | | | | | |
| Current: | | | | | |
| Regular Instruction | 1,703,804 | | | | 1,703,804 |
| Special Education Instruction | 498,496 | 93,305 | | | 591,801 |
| Other Special Instruction | 84,648 | | | | 84,648 |
| Other Instruction | 14,053 | | | | 14,053 |
| Support Services and Undistributed Costs: | | | | | |
| Tuition | 84,021 | | | | 84,021 |
| Student and Instruction Related Services | 433,984 | 74,277 | | | 508,261 |
| School Administrative Services | 122,741 | | | | 122,741 |
| Other Administrative Services | 316,281 | | | | 316,281 |
| Plant Operations and Maintenance | 346,355 | | | | 346,355 |
| Pupil Transportation | 54,015 | | | | 54,015 |
| Unallocated Benefits | 1,414,685 | | | | 1,414,685 |
| Capital Outlay | 141,485 | 9,120 | | | 150,605 |
| Debt Service Principal | | | | 270,000 | 270,000 |
| Interest on Debt Service | | | | 102,552 | 102,552 |
| Total Expenditures | 5,214,568 | 176,702 | - | 372,552 | 5,763,822 |

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

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit B-2
Sheet 2 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|---|-----------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| Excess (Deficiency) of Revenues Over Expenditures | 70,492 | - | - | 18,806 | 89,298 |
| Net Change in Fund Balances | 70,492 | - | - | 18,806 | 89,298 |
| Fund Balance - July 1 | 1,093,919 | | 162,355 | | 1,256,274 |
| Fund Balance - June 30 | \$ 1,164,411 | - | 162,355 | 18,806 | 1,345,572 |

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIESFOR THE YEAR END JUNE 30, 2013

| | |
|--|-------------------|
| Total Net Change in Fund Balances - Governmental Funds (From B-2) | \$ 89,298 |
| Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because: | |
| Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period. | 67,961 |
| Depreciation Expense | (243,896) |
| Repayment of bond principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities | 270,000 |
| Compensated Absences | <u>(3,105)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 180,258</u> |

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit B-4

PROPRIETARY FUNDSJUNE 30, 2013

| | <u>Enterprise Fund</u> |
|--------------------------------|----------------------------|
| <u>Assets</u> | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 11,310 |
| Accounts Receivable: | |
| State | 63 |
| Federal | 1,418 |
| Miscellaneous | 4,361 |
| Inventory | 4,516 |
| Total Current Assets | <u>21,668</u> |
| Noncurrent Assets: | |
| Equipment | 78,869 |
| Less: Accumulated Depreciation | <u>(53,170)</u> |
| Total Noncurrent Assets | <u>25,699</u> |
| Total Assets | <u><u>\$ 47,367</u></u> |
| <u>Net Position</u> | |
| Investment in Capital Assets | \$ 25,699 |
| Unrestricted | <u>21,668</u> |
| Total Net Position | <u><u>\$ 47,367</u></u> |

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES

Exhibit B-5

IN FUND NET POSITIONPROPRIETARY FUNDSJUNE 30, 2013

| | <u>Enterprise Fund</u> |
|-----------------------------------|----------------------------|
| Operating Revenues: | |
| Local Sources: | |
| Daily Sales Reimbursable Programs | \$ 58,402 |
| Miscellaneous | 3,343 |
| Total Operating Revenue | <u>61,745</u> |
| Operating Expenses: | |
| Salaries | 25,931 |
| Management Fee | 7,315 |
| Miscellaneous | 9,908 |
| Supplies | 6,812 |
| Cost of Sales | 39,826 |
| Depreciation | 3,956 |
| Total Operating Expenses | <u>93,748</u> |
| Operating (Loss)/Profit | (32,003) |
| Non-Operating Revenues: | |
| State Sources: | |
| State School Lunch Program | 854 |
| Federal Sources: | |
| National School Lunch Program | 18,599 |
| HHFKA Lunch Program | 1,067 |
| Commodities | 6,239 |
| Total Non-Operating Revenues | <u>26,759</u> |
| Change in Net Position | (5,244) |
| Net Position, July 1 | <u>52,611</u> |
| Net Position, June 30 | <u>\$ 47,367</u> |

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2013

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| Cash Flows from Operating Activities: | |
| Receipts from Daily Sales | \$ 61,745 |
| Payments to Suppliers | (90,864) |
| Net Cash Used by Operating Activities | <u>(29,119)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| State Sources | 854 |
| Federal Sources | 19,666 |
| Net Cash Provided by Noncapital Financing Activities | <u>20,520</u> |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (8,599) |
| Cash and Cash Equivalents July 1 | <u>19,909</u> |
| Cash and Cash Equivalents June 30 | <u>\$ 11,310</u> |
| Cash Flows from Operating Activities: | |
| Operating (Loss)/Profit | \$ (32,003) |
| Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities: | |
| Depreciation | 3,956 |
| Federal Commodities | 6,239 |
| Changes in Assets and Liabilities: | |
| (Increase)/Decrease in Inventory | (2,314) |
| Increase/(Decrease) in Accounts Payable | (131) |
| (Increase)/Decrease in Accounts Receivable | <u>(4,866)</u> |
| Net Cash Used by Operating Activities | <u>\$ (29,119)</u> |

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

FIDUCIARY FUNDSJUNE 30, 2013

| | <u>Unemployment Compensation Trust</u> |
|---|--|
| Assets: | |
| Cash and Cash Equivalents | <u>\$ 23,825</u> |
| Total Assets | <u><u>\$ 23,825</u></u> |
| Net Position: | |
| Held in Trust for Unemployment Claims and Other Purposes | <u>\$ 23,825</u> |
| Total Net Position | <u><u>\$ 23,825</u></u> |

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

FIDUCIARY FUNDSFOR THE YEAR ENDED JUNE 30, 2013

| | <u>Unemployment Compensation Trust</u> |
|----------------------------------|--|
| <u>Additions</u> | |
| Contributions: | |
| Other | \$ 3,259 |
| Total Additions | <u>3,259</u> |
| <u>Deductions</u> | |
| Unemployment Claims | <u>4,423</u> |
| Total Deductions | <u>4,423</u> |
| Change in Net Position | (1,164) |
| Net Position - Beginning of Year | <u>24,989</u> |
| Net Position - End of the Year | <u><u>\$ 23,825</u></u> |

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
ATLANTIC HIGHLANDS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity:

The Atlantic Highlands School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Atlantic Highlands School District had an approximate enrollment at June 30, 2013 of 330 students.

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

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

B. Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as student activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by state and federal aid, tuition and county tax levies, from business-type activities generally financed in whole or in part with fees charged to external parties.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees and other charges to users of the District's services and (2) operating grants and contributions. These revenues are subject to externally imposed restrictions to these program uses. Tax levies and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. The New Jersey Department of Education (the "Department") 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 Department believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

Capital Projects Fund: the capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Fund Type

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Fiduciary Fund Types

Agency Funds (Payroll and Student Activities Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Expendable Trust Fund: An expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent. Expendable trust funds include Unemployment Compensation Insurance.

E. Basis of Accounting:

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and expenses are recorded at the time liabilities are incurred.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. 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. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution.

The Public School Education Act of 1975, limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

G. 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 reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Short-Term Interfund Receivables/Payables:

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

I. 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.

J. Capital Assets and Depreciation

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The District contracted with an outside service company to provide a report with a comprehensive detail of capital assets and depreciation. This report was prepared during 2006. The report included capital assets purchased during the 2005-2006 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2006, fiscal year 2006 depreciation expense, total accumulated depreciation and book values were also provided. The report was updated to include 2012-2013 activity. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

| | |
|----------------------------|---------|
| Buildings and Improvements | 20 – 50 |
| Equipment and Vehicles | 5 – 20 |
| Furniture and Fixtures | 5 – 20 |

NOTE 1: Summary of Significant Accounting Policies (Continued)J. Capital Assets and Depreciation (Continued)

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

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2013</u> |
|---|---------------------------------------|------------------|--------------------|--|
| Governmental Activities: | | | | |
| Capital Assets that are Not Being Depreciated: | | | | |
| Land | \$ 93,591 | _____ | _____ | 93,591 |
| Total Capital Assets Not Being Depreciated | <u>93,591</u> | _____ | _____ | <u>93,591</u> |
| Depreciable Assets: | | | | |
| Buildings & Sites | 8,374,365 | 3,470 | | 8,377,835 |
| Equipment | <u>642,455</u> | <u>64,491</u> | _____ | <u>706,946</u> |
| Total | <u>9,016,820</u> | <u>67,961</u> | _____ | <u>9,084,781</u> |
| Less: Accumulated Depreciation for: | | | | |
| Buildings & Sites | (2,614,307) | (207,873) | | (2,822,180) |
| Equipment | <u>(515,074)</u> | <u>(36,023)</u> | _____ | <u>(551,097)</u> |
| Total Accumulated Depreciation | <u>(3,129,381)</u> | <u>(243,896)</u> | _____ | <u>(3,373,277)</u> |
| Net Depreciable Assets | <u>5,887,439</u> | <u>(175,935)</u> | _____ | <u>5,711,504</u> |
| Governmental Activities Capital Assets, (Net) | <u>\$ 5,981,030</u> | <u>(175,935)</u> | ===== | <u>5,805,095</u> |
| Business-Type Activities: | | | | |
| Equipment | \$ 78,869 | | | 78,869 |
| Less: Accumulated Depreciation for: | | | | |
| Equipment | <u>(49,214)</u> | <u>(3,956)</u> | _____ | <u>(53,170)</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 29,655</u> | <u>(3,956)</u> | ===== | <u>25,699</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|-------------|-------------------|
| Unallocated | <u>\$ 243,896</u> |
|-------------|-------------------|

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

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

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

The liability for vested compensated absences of the governmental fund types is recorded in the general long-term debt account group. The current portion of the compensated absence balance is not considered material to the applicable fund total liabilities, and therefore is not shown separately from the long-term liability balance of compensated absences.

L. Deferred Revenue

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned. See note 1(e) regarding the special revenue fund.

M. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

N. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Grants, entitlements, or shared revenues which are restricted for the acquisition or construction of capital assets are also recorded as contributed capital. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

O. Tuition Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

P. Tuition Payable

Tuition charges for the fiscal year 2012-2013 was based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

NOTE 2: Cash and Cash Equivalents and Investments

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

Investments are stated at cost or amortized 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.

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:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank of Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

NOTE 2: Cash and Cash Equivalents and Investments (Continued)**Investments (Continued)**

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

| | Cash and Cash Equivalents |
|------------------------------------|--------------------------------------|
| Interest Bearing Checking Accounts | \$ 1,550,026 |
| Cash Management Fund | <u>80,015</u> |
| Total | <u>\$ 1,630,041</u> |

The carrying amount of the Board's cash, cash equivalents and investments at June 30, 2013 was \$1,630,041 and the bank balance was \$1,869,732. Of the bank balance \$250,000 was covered by federal depository insurance and \$1,539,717 was covered by a collateral pool maintained by the banks as required by New Jersey statutes; \$80,015 was uninsured.

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

| | |
|-----------|------------|
| Insured: | |
| FDIC | \$ 250,000 |
| GUDPA | 1,539,717 |
| Uninsured | 80,015 |

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2013, the District had \$80,015 on deposit with the New Jersey Cash Management Fund.

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the general long-term debt account group:

NOTE 3: General Long-Term Debt (Continued)

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2013</u> | <u>Long-Term</u> <u>Portion</u> | <u>2013-14</u> <u>Payment</u> |
|------------------------------------|---------------------------------------|------------------|------------------|--|------------------------------------|----------------------------------|
| Compensated Absences Payable | \$ 165,493 | 3,105 | | 168,598 | 168,598 | |
| Bonds Payable | <u>3,435,000</u> | <u> </u> | <u>(270,000)</u> | <u>3,165,000</u> | <u>2,910,000</u> | <u>255,000</u> |
| | <u>\$ 3,600,493</u> | <u>3,105</u> | <u>(270,000)</u> | <u>3,333,598</u> | <u>3,078,598</u> | <u>255,000</u> |

A. Bonds Payable

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|-----------------|------------------|
| Year Ending June 30, | | | |
| 2014 | \$ 255,000 | 109,951 | 364,951 |
| 2015 | 265,000 | 101,250 | 366,250 |
| 2016 | 270,000 | 93,688 | 363,688 |
| 2017 | 280,000 | 85,437 | 365,437 |
| 2018 | 280,000 | 76,350 | 356,350 |
| 2019-2023 | 1,300,000 | 230,213 | 1,530,213 |
| 2024-2025 | <u>515,000</u> | <u>20,900</u> | <u>535,900</u> |
| | <u>\$ 3,165,000</u> | <u>717,789</u> | <u>3,882,789</u> |

Bonds issued 12/23/09 for \$490,000 at an interest rate of 4.25% maturing 3/1/20 with a balance of \$370,000 at June 30, 2013.

Bonds issued 8/21/03 for \$4,208,000 at various interest rates maturing 8/15/13 with a balance of \$200,000 at June 30, 2013.

Refunds bonds issued March 6, 2012 for \$2,620,000 at an interest rate of between 2% to 4% maturing August 15, 2024 with a balance of \$2,595,000 at June 30, 2013.

NOTE 4: Pension Plans

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

NOTE 4: Pension Plans (Continued)

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

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

Vesting and Benefit Provisions – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the District's normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

NOTE 4: Pension Plans (Continued)

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

Three-Year Trend Information for PERS

| <u>Year Funding</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------------|---|---|--|
| 6/30/13 | \$ 42,234 | 100% | 0 |
| 6/30/12 | 46,928 | 100% | 0 |
| 6/30/11 | 54,880 | 100% | 0 |

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

| <u>Year Funding</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------------|---|---|--|
| 6/30/13 | \$ 355,867 | 100% | 0 |
| 6/30/12 | 239,806 | 100% | 0 |
| 6/30/11 | 161,221 | 100% | 0 |

During the fiscal year ended June 30, 2013, the State of New Jersey contributed \$355,867 to the TPAF for normal and post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$196,581 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenue and expenditure in accordance with GASB 24.

NOTE 5: Post-Retirement Benefits

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

NOTE 5: Post-Retirement Benefits (Continued)

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

NOTE 6: Contingent Liabilities

It is the opinion of the school board officials that there is no litigation threatened or pending that would materially affect the financial position of the school district.

NOTE 7: Equity Balance

At June 30, 2013, the General Fund equity balance was as follows:

| | |
|--|---------------------|
| Restricted Fund Balance: | |
| Emergency Reserve | \$ 2,200 |
| Maintenance Reserve | 216,142 |
| Capital Reserve | 1,021 |
| Excess Surplus | 326,253 |
| Excess Surplus – Designated for Subsequent Year’s Expenditures | 312,670 |
| Assigned Fund Balance: | |
| Designated for Subsequent Year’s Expenditures | 38,021 |
| Unassigned Fund Balance | <u>280,880</u> |
| | <u>\$ 1,177,187</u> |

Reserved excess surplus represents a calculation under N.J.S.A. 18A:7F-7 which identifies an amount of surplus under the statute which must be restricted for use in the next succeeding budget.

2% Calculation of Excess Surplus

| | |
|--|---------------------|
| 2012-13 Total General Fund Expenditures Per the CAFR | \$ 5,214,568 |
| Decreased by: | |
| On-Behalf TPAF Pension & Social Security | <u>(552,448)</u> |
| Adjusted 2012-13 General Fund Expenditures | <u>\$ 4,662,120</u> |
| 2% of Adjusted 2012-13 General Fund Expenditures | <u>\$ 93,242</u> |
| Enter Greater of Above or \$250,000 | \$ 250,000 |
| Increased by Allowable Adjustments | <u>30,880</u> |
| Maximum Unassigned Fund Balance | <u>\$ 280,880</u> |

NOTE 7: Equity Balance (Continued)**Section 2**

| | |
|---|--------------|
| Total General Fund – Fund Balance @ 6-30-13 | \$ 1,177,187 |
|---|--------------|

Decreased by:

| | |
|---|------------------|
| Designated for Subsequent Years Expenditures – Excess Surplus | (312,670) |
| Designated for Subsequent Years Expenditures | (38,021) |
| Other Reserves | <u>(219,363)</u> |

| | |
|-------------------------------|-------------------|
| Total Unassigned Fund Balance | <u>\$ 607,133</u> |
|-------------------------------|-------------------|

| | |
|--|-------------------|
| Reserved Fund Balance – Excess Surplus | <u>\$ 481,053</u> |
|--|-------------------|

Section 3

| | |
|---|------------|
| Designated for Subsequent Years Expenditures - Excess Surplus | \$ 312,670 |
|---|------------|

| | |
|--|----------------|
| Reserved Fund Balance – Excess Surplus | <u>326,253</u> |
|--|----------------|

| | |
|--|-------------------|
| | <u>\$ 638,923</u> |
|--|-------------------|

Detail of Allowable Adjustments

| | |
|-------------------|-----------|
| Extraordinary Aid | \$ 26,704 |
|-------------------|-----------|

| | |
|---------------------------|--------------|
| Non-Public Transportation | <u>4,176</u> |
|---------------------------|--------------|

| | |
|---------------------------------------|------------------|
| Total Detail of Allowable Adjustments | <u>\$ 30,880</u> |
|---------------------------------------|------------------|

Detail of Other Restricted Fund Balance

| | |
|---------------------|------------|
| Maintenance Reserve | \$ 216,142 |
|---------------------|------------|

| | |
|-------------------|-------|
| Emergency Reserve | 2,200 |
|-------------------|-------|

| | |
|-----------------|--------------|
| Capital Reserve | <u>1,021</u> |
|-----------------|--------------|

| | |
|-----------------------------------|-------------------|
| Total Other Reserved Fund Balance | <u>\$ 219,363</u> |
|-----------------------------------|-------------------|

NOTE 8: Risk Management

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

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds.

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 the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s expendable trust fund for the current year:

NOTE 8: Risk Management (Continued)

| <u>Fiscal Year</u> | <u>District Contributions</u> | <u>Employee Contributions</u> | <u>Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-------------------------------|-------------------------------|-------------------|-----------------------|
| 2012-2013 | 0 | 3,259 | 4,423 | 23,825 |
| 2011-2012 | 0 | 4,604 | 14,642 | 24,989 |
| 2010-2011 | 0 | 39,875 | 43,458 | 35,027 |

NOTE 9: Interfund Receivables and Payables

| | <u>To</u> | <u>From</u> |
|-----------------|-----------|-------------|
| General Fund | \$ 9 | |
| Special Revenue | | 9 |

NOTE 10: Capital Reserve Account

A Capital Reserve account was established by the Borough of Atlantic Highlands Board of Education by inclusion of \$1,000 on September 1, 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.

Fund placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to N.J.A.C. 6:23A-5.1(d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

"A board of education may, by resolution of the board: transfer undesignated general fund balance or excess undesignated general fund balance to the capital reserve account at any time during the budget year; transfer funds from the capital reserve account to the appropriate line item account for the funding of capital projects as contained in the district's long-range facilities plan; and transfer funds from the capital reserve account to the debt service account for the purpose of offsetting principal and interest payments for bonded projects which are included in the district's long-range facilities plan." (N.J.S.A. 18A:7G-31c)

Withdrawals may not be used for current expense. Only funds in a capital reserve account in existence prior to July 18, 2000 can be withdrawn before receiving approval of the district's LRFP and such withdrawals must be for the original purpose deposited. (N.J.A.C. 6:23A-5.1(f)1).

"Any capital reserve account in existence as of July 18, 2000 shall be subject to EFCFA and these regulations." (N.J.A.C. 6:23A-5.1(j)).

Balance June 30, 2012 and June 30, 2013

\$ 1,021

NOTE 11: Current Expense Emergency Reserve Account

The reserve account is to be used to finance future unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable. The emergency reserve balance may not exceed \$250,000 or 1% of the district's general fund budget up to a maximum of \$1,000,000 whichever is greater. Withdrawals require the approval of the commissioner unless the withdrawal is necessary to meet an increase in total health costs greater than four percent.

NOTE 12: Fair Values of Financial Instruments

The following methods and assumptions were used by the Atlantic Highlands Board of Education in estimating its fair value disclosures for financial instruments.

Cash and Cash Equivalents: The carrying amounts reported in the combined balance sheet for cash and cash equivalents are the fair values of those assets.

NOTE 13: Fund Balance Appropriated

General Fund – Of the \$1,177,187 General Fund fund balance at June 30, 2013; \$2,200 is emergency reserve; \$216,142 is maintenance reserve; \$326,253 is excess surplus; \$312,670 is excess surplus designated for subsequent years expenditures; \$1,021 has been reserved in the Capital Reserve Account; \$38,021 has been appropriated and included as anticipated revenue for the year ending June 30, 2013; and \$280,880 is unreserved and undesignated.

NOTE 14: Economic Dependency

The District 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 District's programs and activities.

NOTE 15: Recent Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended June 30, 2013. The adoption of FASB ASC 105 did not impact the District's financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after June 30, 2013 through November 19, 2013.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-1
Sheet 1 of 11

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|--|----------------------------|-----------------------------|-------------------------|------------------|---|
| Revenues: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 4,185,461 | | 4,185,461 | 4,185,461 | - |
| Tuition | 219,000 | | 219,000 | 329,936 | 110,936 |
| Interest Earned on Investments - Capital Reserve | 10 | | 10 | | (10) |
| Interest Earned on Investments | 4,398 | | 4,398 | 50 | (4,348) |
| Miscellaneous - Unrestricted | 20,000 | | 20,000 | 42,471 | 22,471 |
| Total Local Sources | 4,428,869 | - | 4,428,869 | 4,557,918 | 129,049 |
| State Sources: | | | | | |
| Special Education Aid | 137,418 | | 137,418 | 137,418 | - |
| Security Aid | 4,882 | | 4,882 | 4,882 | - |
| Transportation Aid | 3,485 | | 3,485 | 3,485 | - |
| Non Public Transportation Extraordinary Aid | - | | - | 4,176 | 4,176 |
| TPAF Pension On-Behalf (Non-Budgeted) | | | | 26,704 | 26,704 |
| TPAF Social Security (Reimbursed - Non-Budgeted) | | | | 355,867 | 355,867 |
| Total State Sources | 145,785 | - | 145,785 | 729,113 | 583,328 |
| Total Revenues | 4,574,654 | - | 4,574,654 | 5,287,031 | 712,377 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|------------------|---|
| <u>Expenditures</u> | | | | | |
| Current Expense: | | | | | |
| Regular Programs - Instruction: | | | | | |
| Preschool- Salaries of Teachers | 113,627 | 3,533 | 117,160 | 117,160 | - |
| Kindergarten - Salaries of Teachers | 180,850 | 11,246 | 192,096 | 191,255 | 841 |
| Grades 1-5 - Salaries of Teachers | 1,020,239 | (2,411) | 1,017,828 | 1,013,658 | 4,170 |
| Grades 6-8 - Salaries of Teachers | 255,720 | 11,654 | 267,374 | 265,555 | 1,819 |
| Regular Programs - Undistributed Instruction: | | | | | |
| Other Salaries for Instruction | 4,000 | 628 | 4,628 | 4,628 | - |
| Purchased Technical services | 1,700 | | 1,700 | 814 | 886 |
| Other Purchased Services | 9,200 | (3,448) | 5,752 | 5,524 | 228 |
| General Supplies | 76,188 | (8,188) | 68,000 | 64,064 | 3,936 |
| Textbooks | 33,000 | 8,200 | 41,200 | 41,146 | 54 |
| Total Regular Programs - Instruction | <u>1,694,524</u> | <u>21,214</u> | <u>1,715,738</u> | <u>1,703,804</u> | <u>11,934</u> |
| Learning and/or Language Disabilities: | | | | | |
| Salaries of Teachers | 76,660 | (9,319) | 67,341 | 63,654 | 3,687 |
| Other Salaries for Instruction | 102,283 | (24,796) | 77,487 | 74,639 | 2,848 |
| General Supplies | 2,500 | | 2,500 | 1,921 | 579 |
| Total Learning and/or Language Disabilities | <u>181,443</u> | <u>(34,115)</u> | <u>147,328</u> | <u>140,214</u> | <u>7,114</u> |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|---------------|---|
| Resource Room/Resource Center: | | | | | |
| Salaries of Teachers | 212,145 | (230) | 211,915 | 210,807 | 1,108 |
| General Supplies | 1,900 | | 1,900 | 1,799 | 101 |
| Total Resource Room/Resource Center | 214,045 | (230) | 213,815 | 212,606 | 1,209 |
| Pre-School Disabilities - Part Time: | | | | | |
| Salaries of Teachers | 73,324 | 763 | 74,087 | 73,585 | 502 |
| Other Salaries for Instruction | 59,089 | 13,106 | 72,195 | 72,091 | 104 |
| Total Pre-School Handicapped | 132,413 | 13,869 | 146,282 | 145,676 | 606 |
| Home Instruction-Special Education: | | | | | |
| Other Salaries for Instruction | 13,800 | | 13,800 | | 13,800 |
| Total Home Instruction | 13,800 | - | 13,800 | - | 13,800 |
| Total Special Education - Instruction | 541,701 | (20,476) | 521,225 | 498,496 | 22,729 |
| Basic Skills/Remedial - Instruction: | | | | | |
| Salaries of Teachers | 95,411 | (10,724) | 84,687 | 84,648 | 39 |
| General Supplies | 1,500 | | 1,500 | | 1,500 |
| Total Basic Skills/Remedial - Instruction | 96,911 | (10,724) | 86,187 | 84,648 | 1,539 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|---------------|---|
| School Sponsored Co-Curricular Activities - Instruction: | | | | | |
| Salaries | 8,200 | 2,431 | 10,631 | 10,630 | 1 |
| Supplies and Materials | 3,500 | (2,431) | 1,069 | 652 | 417 |
| Other Objects | 3,500 | | 3,500 | 2,771 | 729 |
| Total School Sponsored Co-Curricular | 15,200 | - | 15,200 | 14,053 | 1,147 |
| Total Instruction | 2,348,336 | (9,986) | 2,338,350 | 2,301,001 | 37,349 |
| Undistributed Expenditures-Instruction: | | | | | |
| Tuition to Other LEAs in State - Special | 47,000 | 329 | 47,329 | 45,046 | 2,283 |
| Tuition to Private School for Handicapped Within State | 54,270 | (2,000) | 52,270 | 38,975 | 13,295 |
| Total Undistributed Expenditures-Instruction | 101,270 | (1,671) | 99,599 | 84,021 | 15,578 |
| Undistributed Expenditures-Attendance and Social Work Services: | | | | | |
| Purchased Professional and Technical Services | 8,900 | | 8,900 | 6,604 | 2,296 |
| Total Undistributed Expenditures-Attendance and Social Work | 8,900 | - | 8,900 | 6,604 | 2,296 |
| Undistributed Expenditures-Health: | | | | | |
| Salaries | 1,500 | 1,911 | 3,411 | 2,777 | 634 |
| Purchased Professional and Technical Services | 63,965 | (2,398) | 61,567 | 54,020 | 7,547 |
| Supplies and Materials | 2,700 | 623 | 3,323 | 3,323 | - |
| Total Undistributed Expenditures-Health: | 68,165 | 136 | 68,301 | 60,120 | 8,181 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-1
Sheet 5 of 11

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|---------|--------------------------------|
| Undistributed Expenditures-Other Support Services | | | | | |
| Students-Related Services: | | | | | |
| Salaries | 80,907 | 1,209 | 82,116 | 82,116 | - |
| Purchased Professional-Educational Services | 2,100 | (1,209) | 891 | 891 | 891 |
| Supplies and Materials | 1,000 | | 1,000 | 859 | 141 |
| Total Undistributed Expenditures-Other Sup. Services | 84,007 | - | 84,007 | 82,975 | 1,032 |
| Students-Related Services | | | | | |
| Other Support Services-Students-Extra Services: | | | | | |
| Purchased Professional-Educational Services | 17,225 | | 17,225 | 6,464 | 10,761 |
| Total Other Support Services-Students-Extra Services | 17,225 | - | 17,225 | 6,464 | 10,761 |
| Undistributed Expenditures-Other Supp. Serv. | | | | | |
| Students - Regular: | | | | | |
| Purchased Professional Educational Services | 15,600 | | 15,600 | 15,238 | 362 |
| Total Undistributed Expenditures-Other Supp. Serv. | 15,600 | - | 15,600 | 15,238 | 362 |
| Undistributed Expenditures-Other Sup. Serv. | | | | | |
| Students-Special Services: | | | | | |
| Salaries of Other Professional Staff | 62,618 | 30,001 | 92,619 | 92,619 | - |
| Salaries of Secretarial and Clerical Assistants | 19,136 | 189 | 19,325 | 19,325 | - |
| Purchased Professional-Educational Services | 76,167 | 8,452 | 84,619 | 84,618 | 1 |
| Supplies and Materials | 3,000 | 186 | 3,186 | 2,740 | 446 |
| Total Undistributed Expenditures-Other Sup. Serv. | 160,921 | 38,828 | 199,749 | 199,302 | 447 |
| Students-Special Services | | | | | |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|--------|--------------------------------|
| Undistributed Expenditures-Improvement of Inst. Services: | | | | | |
| Salaries-Supervisor of Instruction | 35,700 | | 35,700 | 35,000 | 700 |
| Salaries-Secretarial and Clerical | 19,137 | 188 | 19,325 | 19,325 | - |
| Supplies and Materials | 1,200 | (188) | 1,012 | 93 | 919 |
| Other Objects | 2,500 | | 2,500 | 1,525 | 975 |
| Total Undistributed Expenditures-Improvement of Inst. Serv: | 58,537 | | 58,537 | 55,943 | 2,594 |
| Undistributed Expenditures - Edu. Media Serv./Sch. Library: | | | | | |
| Supplies and Materials | 8,500 | (1,828) | 6,672 | 206 | 6,466 |
| Total Undistributed Expenditures - Edu. Media Serv./ School Library | 8,500 | (1,828) | 6,672 | 206 | 6,466 |
| Undistributed Expenditures - Instr. Staff Training Serv: | | | | | |
| Other Purchased Services | 15,000 | | 15,000 | 5,387 | 9,613 |
| Supplies and Materials | 6,500 | (297) | 6,203 | 1,745 | 4,458 |
| Total Undistributed Expenditures - Inst. Staff Training Serv. | 21,500 | (297) | 21,203 | 7,132 | 14,071 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|---------|--------------------------------|
| Undistributed Expenditures - Supp. Serv. - General Administration: | | | | | |
| Salaries | 80,964 | 712 | 81,676 | 81,258 | 418 |
| Legal Services | 38,000 | (4,642) | 33,358 | 18,574 | 14,784 |
| Audit Fees | 9,000 | (24) | 8,976 | 8,000 | 976 |
| Other Purchased Professional Services | 3,400 | 4,600 | 8,000 | 8,000 | - |
| Communications/Telephone | 7,600 | 221 | 7,821 | 7,820 | 1 |
| BOE Other Purchased Services | 3,100 | (729) | 2,371 | 2,330 | 41 |
| Other Purchased Services (400-500 Series) | 19,040 | (2,334) | 16,706 | 14,487 | 2,219 |
| General Supplies | 4,900 | 16 | 4,916 | 4,170 | 746 |
| BOE In house Training & Meeting Supplies | 2,100 | (931) | 1,169 | 1,169 | - |
| Miscellaneous Expenditures | 1,440 | (400) | 1,040 | - | 1,040 |
| BOE Membership Dues and Fees | 5,170 | (419) | 4,751 | 870 | 3,881 |
| Total Undistributed Expenditures - Support Services - General Administration | 174,714 | (3,930) | 170,784 | 146,678 | 24,106 |
| Undistributed Expenditures-Support Serv.-School Admin. | | | | | |
| Salaries of Principals/Assistant Principals | 99,857 | - | 99,857 | 99,857 | - |
| Salaries of Secretarial/Clerical Assistants | 24,130 | (3,972) | 20,158 | 17,358 | 2,800 |
| Supplies and Materials | 2,600 | 1,768 | 4,368 | 4,337 | 31 |
| Other Objects | 2,000 | (796) | 1,204 | 1,189 | 15 |
| Total Undistributed Expend.-Supp. Serv.-School Admin. | 128,587 | (3,000) | 125,587 | 122,741 | 2,846 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-1
Sheet 8 of 11

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|---------|--------------------------------|
| Undistributed Expenditures - Support Services - Central Services: | | | | | |
| Salaries | 98,904 | 102 | 99,006 | 97,924 | 1,082 |
| Other Purchased Services | 15,500 | (660) | 14,840 | 14,105 | 735 |
| Supplies and Materials | 4,000 | - | 4,000 | 3,613 | 387 |
| Other Objects | 3,160 | 4,160 | 7,320 | 6,803 | 517 |
| Total Undist. Expenditures-Support Services - Central Services | 121,564 | 3,602 | 125,166 | 122,445 | 2,721 |
| Undistributed Expenditures - Support Services - Administrative Info. | | | | | |
| Tech. Services: | | | | | |
| Purchased Technical Services | 49,900 | (2,026) | 47,874 | 47,158 | 716 |
| Undistributed Expenditures-Allow. Maint. School Facilities: | | | | | |
| Cleaning, Repair and Maintenance Services | 60,369 | 924 | 61,293 | 58,353 | 2,940 |
| Total Undistributed Expenditures-Allow. Maint School Facilities | 60,369 | 924 | 61,293 | 58,353 | 2,940 |
| Undistributed Expenditures-Other Oper. & Maint. Of Plant: | | | | | |
| Salaries | 141,262 | 1,008 | 142,270 | 141,831 | 439 |
| Purchased Professional and Technical Services | 5,000 | (1,586) | 3,414 | 2,150 | 1,264 |
| Cleaning, Repair and Maintenance Service | 20,350 | 1,853 | 22,203 | 22,202 | 1 |
| Other Purchased Property Services | 12,000 | - | 12,000 | 9,835 | 2,165 |
| Insurance | 24,055 | 4,129 | 28,184 | 28,182 | 2 |
| General Supplies | 20,600 | - | 20,600 | 18,163 | 2,437 |
| Energy (Heat) | 40,000 | - | 40,000 | 17,100 | 22,900 |
| Energy (Electricity) | 50,000 | - | 50,000 | 43,466 | 6,534 |
| Total Undistributed Expenditures-Other Oper. & Maint of Plant | 313,267 | 5,404 | 318,671 | 282,929 | 35,742 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|-----------------|-----------|--------------------------------|
| Undistributed Expenditures-Care & Upkeep of Grounds: | | | | | |
| Cleaning, Repair and Maintenance Service | 5,000 | (3,720) | 1,280 | 1,280 | - |
| General Supplies | 5,000 | (409) | 4,591 | 3,793 | 798 |
| Total Undistributed Expenditures-Care & Upkeep of Grounds | 10,000 | (4,129) | 5,871 | 5,073 | 798 |
| Undistributed Expenditures - Student Transportation Serv: | | | | | |
| Contr. Serv. (Other than Bet. Home & Sch.)-Vendors | 7,000 | - | 7,000 | 3,620 | 3,380 |
| Contr. Serv. (Bet. Home & Sch.)-Joint Agreement | 27,000 | 7,687 | 34,687 | 32,771 | 1,916 |
| Contr. Serv. (Reg. Students)-ESCs & CTSAAs | 10,000 | 11,446 | 21,446 | 17,624 | 3,822 |
| Total Undistributed Expenditures - Student Transportation Services | 44,000 | 19,133 | 63,133 | 54,015 | 9,118 |
| Undistributed Expenditures - Unallocated Benefits: | | | | | |
| Social Security Contributions | 51,250 | (10,571) | 40,679 | 40,677 | 2 |
| Other Retirement Contribution | 54,000 | (11,424) | 42,576 | 42,234 | 342 |
| Workmen's Compensation | 36,000 | (2,694) | 33,306 | 33,306 | - |
| Health Benefits | 768,808 | (44,797) | 724,011 | 723,238 | 773 |
| Tuition Reimbursements | 17,000 | - | 17,000 | 2,235 | 14,765 |
| Other Employee Benefits | 17,869 | 2,680 | 20,549 | 20,547 | 2 |
| Total Undistributed Expenditures - Unallocated Benefits | 944,927 | (66,806) | 878,121 | 862,237 | 15,884 |
| On-Behalf TPAF Pension Contributions (Non-Budgeted) | | - | | 355,867 | (355,867) |
| Reimbursed TPAF Social Security Contributions | | - | - | 196,581 | (196,581) |
| (Non-Budgeted) | | - | - | 552,448 | (552,448) |
| Total On-Behalf Contributions | | | | | |
| Total Undistributed Expenditures | 2,391,953 | (15,660) | 2,376,293 | 2,772,082 | (395,789) |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-----------------|-----------|--------------------------------|
| Total Current Expense | 4,740,289 | (25,646) | 4,714,643 | 5,073,083 | (358,440) |
| Capital Outlay: | | | | | |
| Interest to Capital Reserve | 10 | - | 10 | | 10 |
| Regular Programs - Instruction: | | | | | |
| Grades 1-5 | 24,000 | 13,662 | 37,662 | 37,662 | - |
| Grades 6-8 | 4,000 | (4,000) | - | - | - |
| General Administration | 3,000 | 549 | 3,549 | 3,549 | - |
| School Administration | | 7,376 | 7,376 | 7,376 | - |
| Total Regular Programs - Instruction | 31,010 | 17,587 | 48,597 | 48,587 | 10 |
| Facilities Acquisition and Construction Services: | | | | | |
| Construction Services | 30,000 | | 46,575 | 46,575 | - |
| Supplies and Materials | | 2,900 | 2,900 | | 2,900 |
| Infrastructure | 40,000 | (11,702) | 28,298 | 28,298 | - |
| Assessment for Debt Service on SDA Funding | 18,025 | | 18,025 | 18,025 | |
| Total Facilities Acquisition and Construction Services | 88,025 | (8,802) | 95,798 | 92,898 | 2,900 |
| Total Capital Outlay | 119,035 | 8,785 | 144,395 | 141,485 | 2,910 |
| Total Expenditures | 4,859,324 | (16,861) | 4,859,038 | 5,214,568 | (355,530) |
| Excess/(Deficiency) of Revenues Over/(Under) Expenditures | (284,670) | 16,861 | (284,384) | 72,463 | 356,847 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-1
Sheet 11 of 11

GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|---------------------|---|
| Fund Balance July 1 | 1,104,724 | - | 1,104,724 | 1,104,724 | - |
| Fund Balance June 30 | \$ 820,054 | 16,861 | 820,340 | 1,177,187 | 356,847 |
| <u>Recapitulation:</u> | | | | | |
| Restricted Fund Balance: | | | | | |
| Excess Surplus | | | | \$ 326,253 | |
| Excess Surplus - Designated for Subsequent Years Expenditures | | | | 312,670 | |
| Committed To: | | | | | |
| Emergency Reserve | | | | 2,200 | |
| Maintenance Reserve | | | | 216,142 | |
| Capital Reserve | | | | 1,021 | |
| Assigned Fund Balance: | | | | | |
| Designated For Subsequent Year's Expenditures | | | | 38,021 | |
| Unassigned Fund Balance | | | | 280,880 | |
| | | | | <u>1,177,187</u> | |
| Reconciliation to Governmental Funds Statement (GAAP): | | | | | |
| Final State Audit Payments not Recognized on GAAP Basis | | | | <u>(12,776)</u> | |
| Fund Balance per Governmental Funds (GAAP) | | | | \$ <u>1,164,411</u> | |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|----------------|---|
| Revenues: | | | | | |
| State Sources | \$ 95,621 | (22,184) | 73,437 | 47,417 | 26,020 |
| Federal Sources | 98,921 | 35,954 | 134,875 | 129,285 | 5,590 |
| Total Revenues | <u>\$ 194,542</u> | <u>13,770</u> | <u>208,312</u> | <u>176,702</u> | <u>31,610</u> |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | \$ 15,958 | (3,578) | 12,380 | 12,380 | |
| Other Salaries for Instruction | | 20,000 | 20,000 | 20,000 | |
| Purchased Professional Educational Services | 89,267 | (21,233) | 68,034 | 41,866 | 26,168 |
| Textbooks | 6,354 | (753) | 5,601 | 5,551 | 50 |
| General Supplies | 30 | 24,627 | 24,657 | 23,254 | 1,403 |
| Total Instruction | <u>111,609</u> | <u>19,063</u> | <u>130,672</u> | <u>103,051</u> | <u>27,621</u> |
| Support Services: | | | | | |
| Other Salaries for Instruction | 9,872 | (4,039) | 5,833 | 5,833 | |
| Personal Services - Employee Benefits | | 5,173 | 5,173 | 5,173 | |
| Purchased Professional Educational Services | 73,061 | (20,985) | 52,076 | 48,112 | 3,964 |
| Other Purchased Services | | 4,373 | 4,373 | 4,348 | 25 |
| Supplies and Materials | | 3,122 | 3,122 | 3,122 | |
| Total Support Services | <u>82,933</u> | <u>(12,356)</u> | <u>70,577</u> | <u>66,588</u> | <u>3,989</u> |
| Facilities Acquisition and Construction Services: | | | | | |
| Instructional Equipment | | 7,063 | 7,063 | 7,063 | |
| Total Expenditures | <u>\$ 194,542</u> | <u>13,770</u> | <u>208,312</u> | <u>176,702</u> | <u>31,610</u> |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET TO GAAP RECONCILIATION

NOTE TO RSI

JUNE 30, 2013

| | <u>General Fund</u> | <u>Special Revenue Fund</u> |
|---|-------------------------|-------------------------------------|
| <u>Sources/Inflows of Resources</u> | | |
| Actual amounts (budgetary) "revenues" from the budgetary comparison schedules | \$ 5,287,031 | 176,702 |
| Difference - budget to GAAP: | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | | |
| State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes. | 10,805 | |
| State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year. | <u>(12,776)</u> | |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | <u>\$ 5,285,060</u> | <u>176,702</u> |
| <u>Uses/Outflows of Resources</u> | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | \$ 5,214,568 | 176,702 |
| 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. | | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. | <u>\$ 5,214,568</u> | <u>176,702</u> |

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit E-1
Sheet 1 of 2

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Title I</u> | <u>Title IIA</u> | <u>I.D.E.A. - Part B</u> | | <u>Race To</u> |
|---|------------------|------------------|--------------------------|------------------|----------------|
| | | | <u>Basic</u> | <u>Preschool</u> | <u>The Top</u> |
| Revenues: | | | | | |
| State Sources | \$ - | | | | |
| Federal Sources | 15,919 | 11,348 | 93,195 | 8,139 | 684 |
| Total Revenues | <u>\$ 15,919</u> | <u>11,348</u> | <u>93,195</u> | <u>8,139</u> | <u>684</u> |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | \$ 12,380 | | | | |
| Other Salaries for Instruction | | | 20,000 | | |
| Purchased Professional Educational Services | | | | | |
| Textbooks | | | | | |
| General Supplies | 1,000 | | 15,873 | | 684 |
| Total Instruction | <u>13,380</u> | <u>-</u> | <u>35,873</u> | <u>5,697</u> | <u>684</u> |
| Support Services: | | | | | |
| Salaries of Program Director | | 5,833 | | | |
| Purchased Professional Educational Services | | | 45,670 | 2,442 | |
| Other Purchased Services | | 4,348 | | | |
| Personal Services - Employee Benefits | 2,476 | 1,167 | 1,530 | | |
| Supplies and Materials | | | 3,122 | | |
| Total Support Services | <u>2,476</u> | <u>11,348</u> | <u>50,322</u> | <u>2,442</u> | <u>-</u> |
| Facilities Acquisition and Construction Services: | | | | | |
| Instructional Equipment | 63 | | 7,000 | | |
| Total Expenditures | <u>\$ 15,919</u> | <u>11,348</u> | <u>93,195</u> | <u>8,139</u> | <u>684</u> |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit E-1
Sheet 2 of 2

SPECIAL REVENUE FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | 192 | 193 | | | | | | | |
|---|---|---|------------------------------------|--|-----------------------------------|--------------------------|-------------------------|----------------|--|
| | Non-Public Compensatory Education | Non-Public Examination & Classification | Non-Public Corrective Speech | Non-Public Supplementary Instruction | Non-Public Nursing Services | Non-Public Technology | Non-Public Textbooks | Totals 2013 | |
| Revenues: | | | | | | | | | |
| State Sources | 15,885 | 6,691 | 4,687 | 4,857 | 7,689 | 2,057 | 5,551 | 47,417 | |
| Federal Sources | | | | | | | | 129,285 | |
| Total Revenues | 15,885 | 6,691 | 4,687 | 4,857 | 7,689 | 2,057 | 5,551 | 176,702 | |
| Expenditures: | | | | | | | | | |
| Instruction: | | | | | | | | | |
| Salaries of Teachers | | - | | | | | | 12,380 | |
| Other Salaries for Instruction | | | | | | | | 20,000 | |
| Purchased Professional Educational Services | 15,885 | 6,691 | 4,687 | 4,857 | | | 5,551 | 32,120 | |
| Textbooks | | | | | | | 5,551 | 5,551 | |
| General Supplies | | | | | | | | 23,254 | |
| Total Instruction | 15,885 | 6,691 | 4,687 | 4,857 | - | - | 5,551 | 93,305 | |
| Support Services: | | | | | | | | | |
| Other Salaries for Instruction | | | | | | | | 5,833 | |
| Purchased Professional Educational Services | | | | | | | | 48,112 | |
| Other Purchased Services | | | | | 7,689 | | | 12,037 | |
| Personal Services - Employee Benefits | | | | | | | | 5,173 | |
| Supplies and Materials | | | | | | | | 3,122 | |
| Total Support Services | - | - | - | - | 7,689 | - | - | 74,277 | |
| Facilities Acquisition and Construction services: | | | | | | | | | |
| Instructional Equipment | | | | | | 2,057 | | 9,120 | |
| Total Expenditures | 15,885 | 6,691 | 4,687 | 4,857 | 7,689 | 2,057 | 5,551 | 176,702 | |

CAPITAL PROJECTS FUND – F

ATLANTIC HIGHLANDS SCHOOL DISTRICT

CAPITAL PROJECTS FUND

Exhibit F-1

SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2013

| | |
|--------------------------|--------------------------|
| Fund Balance - Beginning | <u>\$ 162,355</u> |
| Fund Balance - Ending | <u><u>\$ 162,355</u></u> |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit F-1a

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,AND PROJECT STATUS - BUDGETARY BASISSOLAR ENERGY PROJECTFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013

| | <u>Prior Periods</u> | <u>Current Year</u> | <u>Totals</u> | <u>Revised Authorized Cost</u> |
|--|--------------------------|-------------------------|----------------|--|
| <u>Revenues and Other Financing Sources</u> | | | | |
| Bond Proceeds | \$ 490,000 | | 490,000 | 490,000 |
| Total Revenues | <u>490,000</u> | <u>-</u> | <u>490,000</u> | <u>490,000</u> |
| <u>Expenditures and Other Financing Uses</u> | | | | |
| Purchased Professional and Technical Services | 28,538 | | 28,538 | 44,000 |
| Construction Purchased Services | 30,365 | | 30,365 | 170,000 |
| Construction Services | 268,742 | | 268,742 | 276,000 |
| Total Expenditures | <u>327,645</u> | <u>-</u> | <u>327,645</u> | <u>490,000</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 162,355</u> | <u>-</u> | <u>162,355</u> | <u>-</u> |
| <u>Additional Project Information</u> | | | | |
| Project Number | 0130-020-09-2000 | | | |
| Grant Date | 4/28/09 | | | |
| Original Authorized Cost | 490,000 | | | |
| Percentage Completion | 67% | | | |
| Original Target Completion Date | 9/1/2010 | | | |
| Revised Target Completion Date | 9/1/2011 | | | |

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

ATLANTIC HIGHLANDS SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

| | <u>Student Activity</u> | <u>Payroll Agency</u> | <u>Unemployment Compensation Expendable Trust Fund</u> | <u>Total 2013</u> |
|---|-----------------------------|---------------------------|--|-----------------------|
| <u>Assets</u> | | | | |
| Cash and Cash Equivalents | \$ 9,070 | 61,498 | 23,825 | 94,393 |
| Total Assets | \$ 9,070 | 61,498 | 23,825 | 94,393 |
| <u>Liabilities and Net Assets</u> | | | | |
| <u>Liabilities</u> | | | | |
| Due to Student Groups | \$ 9,070 | | | 9,070 |
| Payroll Deductions and Withholdings | | 61,498 | | 61,498 |
| Total Liabilities | 9,070 | 61,498 | - | 70,568 |
| <u>Net Position</u> | | | | |
| Reserved - Dedicated to Unemployment | | | 23,825 | 23,825 |
| Total Fund Balance | - | - | 23,825 | 23,825 |
| Total Liabilities and Net Position | \$ 9,070 | 61,498 | 23,825 | 94,393 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT
STATEMENT CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Exhibit H-2

| | <u>Unemployment Compensation Insurance</u> |
|---------------------------|--|
| Operating Income: | |
| Contributions | \$ 3,259 |
| | <u>3,259</u> |
| Operating Expenses: | |
| Payments to State of N.J. | 4,423 |
| | <u>4,423</u> |
| Operating Income (Loss) | (1,164) |
| Net Position, July 1 | <u>24,989</u> |
| Net Position, June 30 | <u><u>\$ 23,825</u></u> |

ATLANTIC HIGHLANDS SCHOOL DISTRICTSTUDENT ACTIVITY AGENCY FUND

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTSFOR 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> |
|--------------------------------------|---------------------------------------|--------------------------------|-------------------------------------|--|
| <u>Elementary School</u> | | | | |
| Atlantic Highlands Elementary School | \$ 5,571 | 12,783 | 9,284 | 9,070 |

ATLANTIC HIGHLANDS SCHOOL DISTRICTPAYROLL AGENCY

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTSFOR 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 | \$ 64,537 | 1,492,792 | 1,495,831 | 61,498 |
| <u>Liabilities</u> | | | | |
| Payroll Deductions, Withholdings and Amount Due Employees | \$ 64,537 | 1,492,792 | 1,495,831 | 61,498 |

LONG-TERM DEBT – I

ATLANTIC HIGHLANDS SCHOOL DISTRICT

Exhibit I-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative) Final to Actual</u> |
|---|----------------------------|-----------------------------|-------------------------|----------------|---|
| Revenues: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 370,061 | | 370,061 | 370,061 | |
| State Sources: | | | | | |
| Debt Service Aid | 21,297 | | 21,297 | 21,297 | |
| Total Revenues | <u>391,358</u> | <u>-</u> | <u>391,358</u> | <u>391,358</u> | <u>-</u> |
| Expenditures: | | | | | |
| Regular Debt Service: | | | | | |
| Interest | 146,358 | (25,000) | 121,358 | 102,552 | 18,806 |
| Redemption of Principal | 245,000 | 25,000 | 270,000 | 270,000 | |
| Total Expenditures | <u>391,358</u> | <u>-</u> | <u>391,358</u> | <u>372,552</u> | <u>18,806</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | 18,806 | 18,806 |
| Fund Balance July 1 | - | - | - | - | - |
| Fund Balance June 30 | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>18,806</u> | <u>18,806</u> |

STATISTICAL SECTION

(Unaudited)

ATLANTIC HIGHLANDS SCHOOL DISTRICT

J-1

NET POSITION BY COMPONENT

LAST NINE FISCAL YEARS

UNAUDITED

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|---|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Governmental Activities | | | | | | | | | |
| Invested in Capital Assets, net of related Debt | \$ 2,471,497 | 2,376,523 | 2,496,444 | 2,512,580 | 2,738,139 | 2,778,741 | 2,822,225 | 2,890,962 | 2,938,448 |
| Restricted | 181,160 | 979,058 | 682,372 | 652,564 | 557,118 | 601,485 | 563,237 | 266,912 | 304,373 |
| Unrestricted | 1,164,411 | 277,216 | 90,890 | 67,978 | 149,548 | 100,587 | 19,111 | 305,491 | (56,716) |
| Total Governmental Activities | \$ 3,817,068 | 3,632,797 | 3,269,706 | 3,233,122 | 3,444,805 | 3,480,813 | 3,404,573 | 3,463,365 | 3,186,105 |
| Business Type Activities | | | | | | | | | |
| Invested in Capital Assets, net of related Debt | \$ 25,699 | 29,655 | 33,612 | 37,565 | 41,521 | 45,477 | 49,433 | 49,433 | 66,231 |
| Unrestricted | 21,668 | 22,956 | 24,974 | 25,544 | 27,755 | 33,896 | 26,865 | 27,619 | 22,221 |
| Total Business Type Activities | \$ 47,367 | 52,611 | 58,586 | 63,109 | 69,276 | 79,373 | 76,298 | 77,052 | 88,452 |
| District-wide | | | | | | | | | |
| Invested in Capital Assets, net of related Debt | \$ 2,497,196 | 2,406,178 | 2,530,056 | 2,550,245 | 2,779,660 | 2,824,218 | 2,871,658 | 2,940,395 | 3,004,679 |
| Restricted | 181,160 | 979,058 | 682,372 | 652,564 | 557,118 | 601,845 | 563,237 | 266,912 | 304,373 |
| Unrestricted | 1,186,079 | 300,172 | 115,864 | 93,522 | 177,303 | 134,483 | 45,976 | 333,110 | (34,495) |
| Total District Assets | \$ 3,864,435 | 3,685,408 | 3,328,292 | 3,296,331 | 3,514,081 | 3,560,546 | 3,480,871 | 3,540,417 | 3,274,557 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST NINE FISCAL YEARS

UNAUDITED

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|--------------|-----------|-----------|-------------|-------------|-------------|-------------|-------------|-------------|
| Expenses: | | | | | | | | | |
| Governmental Activities | \$ 5,672,862 | 5,398,500 | 5,237,165 | 5,393,181 | 5,274,453 | 5,265,568 | 5,014,407 | 4,333,923 | 4,248,012 |
| Business Type Activities | 93,748 | 99,135 | 94,455 | 94,596 | 106,619 | 89,754 | 92,257 | 84,699 | 28,600 |
| Total District Expenses | 5,766,610 | 5,497,635 | 5,331,620 | 5,487,777 | 5,381,072 | 5,355,322 | 5,106,664 | 4,418,622 | 4,276,612 |
| Program Revenues: | | | | | | | | | |
| Governmental Activities | 506,638 | 505,743 | 222,862 | 264,445 | 220,310 | 254,242 | 206,858 | 177,532 | 201,605 |
| Business Type Activities | 87,650 | 93,160 | 89,932 | 88,429 | 96,522 | 92,556 | 87,548 | 85,132 | 71,671 |
| Total District Program Revenues | 594,288 | 598,903 | 312,794 | 352,874 | 316,832 | 346,798 | 294,406 | 262,664 | 273,276 |
| Net (Expense): | | | | | | | | | |
| Governmental Activities | 5,166,224 | 4,892,757 | 5,014,303 | (5,130,736) | (5,054,143) | (5,011,326) | (4,807,549) | (4,156,391) | (4,046,407) |
| Business Type Activities | 6,098 | 5,975 | (4,523) | (6,167) | (10,097) | 2,802 | (4,709) | 433 | 43,071 |
| Total District-wide Net Expense | 5,172,322 | 4,898,732 | 5,009,780 | (5,136,903) | (5,064,240) | (5,008,524) | (4,812,258) | (4,155,958) | (4,003,336) |
| General Revenues and Other Changes in Net Position: | | | | | | | | | |
| Governmental Activities | 5,346,482 | 5,283,469 | 5,151,439 | 5,481,556 | 5,043,170 | 5,083,465 | 4,806,517 | 4,507,068 | 4,137,108 |
| Business Type Activities | 854 | | | | | 273 | | 920 | |
| Total District-wide | 5,347,336 | 5,283,469 | 5,151,439 | 5,481,556 | 5,043,170 | 5,083,738 | 4,806,517 | 4,507,988 | 4,137,108 |
| Change in Net Position: | | | | | | | | | |
| Governmental Activities | 180,258 | 390,712 | 137,136 | 350,820 | (10,973) | 72,139 | (1,032) | 350,677 | 90,701 |
| Business Type Activities | (5,244) | (5,975) | (4,523) | (6,167) | (10,097) | 3,075 | (4,709) | 1,353 | 43,071 |
| Total District | 175,014 | 384,737 | 132,613 | 344,653 | (21,070) | 75,214 | (5,741) | 352,030 | 133,772 |

ATLANTIC HIGHLANDS SCHOOL DISTRICT

J-3

FUND BALANCES, GOVERNMENT FUNDS

LAST NINE FISCAL YEARS

UNAUDITED

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|----------------------------------|---------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| General Fund: | | | | | | | | | |
| Reserved | \$ 896,307 | 816,703 | 529,486 | 495,293 | 549,014 | 601,321 | 556,033 | 599,404 | 278,770 |
| Unreserved | 268,104 | 277,216 | 115,864 | 67,978 | 177,303 | 257,797 | 167,011 | 88,941 | 90,590 |
| Total General Fund | <u>\$ 1,164,411</u> | <u>1,093,919</u> | <u>645,350</u> | <u>563,271</u> | <u>726,317</u> | <u>859,118</u> | <u>723,044</u> | <u>688,345</u> | <u>369,360</u> |
| All Other Governmental Funds: | | | | | | | | | |
| Unreserved, Reported in: | | | | | | | | | |
| Special Revenue Fund | \$ - | - | - | | - | (790) | (900) | 8,162 | 26,503 |
| Capital Projects Fund | 162,355 | 162,355 | 152,886 | 157,271 | | 8,104 | 8,104 | (888) | (900) |
| Debt Service Fund | 18,805 | | | | 8,104 | | | | |
| Total All Other Government Funds | <u>\$ 181,160</u> | <u>162,355</u> | <u>152,886</u> | <u>157,271</u> | <u>8,104</u> | <u>7,314</u> | <u>7,204</u> | <u>7,274</u> | <u>25,603</u> |

ATLANTIC HIGHLANDS SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

UNAUDITED

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenues | | | | | | | | | | |
| Tax Levy | \$ 4,555,522 | 4,554,584 | 4,507,622 | 4,362,541 | 4,299,030 | 4,142,903 | 3,931,695 | 3,757,178 | 3,527,739 | 3,024,465 |
| Other Local Revenue | 372,457 | 364,647 | 222,583 | 120,865 | 140,820 | 184,083 | 107,852 | 158,503 | 64,769 | 78,917 |
| State Sources | 795,856 | 669,994 | 500,272 | 607,947 | 699,949 | 953,585 | 891,454 | 660,379 | 626,186 | 628,667 |
| Federal Sources | 129,285 | 141,852 | 147,029 | 161,571 | 121,437 | 149,986 | 97,198 | 108,540 | 131,572 | 118,887 |
| Total Revenues | 5,853,120 | 5,731,077 | 5,377,506 | 5,252,924 | 5,261,236 | 5,330,557 | 5,028,199 | 4,684,600 | 4,330,266 | 3,850,936 |
| Expenditures | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | 1,703,804 | 1,651,573 | 1,556,336 | 1,461,367 | 1,432,423 | 1,330,826 | 1,282,004 | 1,228,168 | 1,207,015 | 1,060,956 |
| Special | 498,496 | 460,578 | 517,800 | 519,292 | 593,422 | 499,701 | 393,866 | 378,479 | 424,069 | 377,792 |
| Other | 84,648 | 80,486 | 81,327 | 138,481 | 133,132 | 126,307 | 113,867 | 72,581 | 48,820 | 34,911 |
| School-sponsored/other instructional | 14,053 | 14,417 | 12,477 | 12,652 | 13,601 | 14,593 | 15,294 | 16,273 | 13,398 | 12,227 |
| Total instruction | 2,301,001 | 2,207,054 | 2,167,940 | 2,131,792 | 2,172,578 | 1,971,427 | 1,805,031 | 1,695,501 | 1,693,302 | 1,483,886 |
| Community Service | | | | | | | | | | |
| Undistributed: | | | | | | | | | | |
| Instruction/Tuition | 84,021 | 43,157 | 27,380 | 19,019 | 7,989 | 52,916 | 119,903 | | 317,190 | 290,869 |
| Attendance & Health Services | | | | | | 92,567 | 86,510 | | | |
| Student & Instructional Related Services | 433,984 | 421,406 | 439,364 | 486,513 | 522,883 | 395,210 | 346,044 | 384,604 | 142,365 | 268,459 |
| Support services - instructional staff | | | | | | 7,787 | 9,738 | 8,791 | 62,854 | 73,898 |
| General Administration | 316,281 | 241,597 | 253,190 | 329,886 | 352,529 | 203,501 | 188,263 | 179,690 | 167,882 | 168,123 |
| School Administration | 122,741 | 228,412 | 201,249 | 275,960 | 194,773 | 259,028 | 246,992 | 234,243 | 220,252 | 107,411 |
| Operations and Maintenance | 346,355 | 334,883 | 350,659 | 368,135 | 447,625 | 407,575 | 356,728 | 356,200 | 337,640 | 258,509 |
| Student Transportation | 54,015 | 37,038 | 35,097 | 43,914 | 32,034 | 62,842 | 113,853 | 33,790 | 63,034 | 57,599 |
| Unallocated Benefits | 1,414,685 | 1,295,070 | 810,078 | 785,102 | 621,518 | 630,630 | 600,498 | 588,381 | 431,277 | 434,938 |
| TPAF Pension & Social Security | | | 349,926 | 331,994 | 314,086 | 539,188 | 476,180 | 310,493 | 262,453 | 266,676 |
| Miscellaneous Undistributed | | | | | | | | | 79,261 | 121,734 |
| Total Undistributed | 2,772,082 | 2,601,563 | 2,466,943 | 2,640,523 | 2,493,437 | 2,651,244 | 2,544,709 | 2,096,192 | 2,084,208 | 2,048,216 |
| Capital Outlay: | | | | | | | | | | |
| Equipment | 141,485 | 177,126 | 75,020 | 62,007 | 21,790 | | 25,488 | 36,773 | 608,13 | 8,759 |
| Other | | | | | | | 26,800 | 5,888 | 3,500 | |
| Total Capital Outlay | 141,485 | 177,126 | 75,020 | 62,007 | 21,790 | - | 52,288 | 42,661 | 64,313 | 8,759 |
| Total General Fund Expenditures | 5,214,568 | 4,985,743 | 4,709,903 | 4,834,322 | 4,687,805 | 4,622,671 | 4,402,028 | 3,834,354 | 3,841,823 | 3,542,861 |
| Special Revenue: | | | | | | | | | | |
| State | 47,417 | 77,933 | 75,833 | 100,874 | 98,325 | 104,256 | 112,024 | 68,992 | 81,190 | 93,611 |
| Federal | 129,285 | 132,828 | 147,029 | 161,571 | 121,437 | 149,876 | 97,211 | 120,176 | 131,572 | 118,887 |
| Total Special Revenue expenditures | 176,702 | 210,761 | 222,862 | 262,445 | 219,762 | 254,132 | 209,235 | 189,168 | 212,762 | 212,498 |
| Capital Projects Fund Expenditures | | 463 | 4,385 | 332,729 | | | | | | |
| Debt Service Expenditures | 372,552 | 391,070 | 383,779 | 326,220 | 328,120 | 324,720 | 320,920 | 321,820 | 269,580 | |
| Total Governmental Fund Expenditures | 5,763,822 | 5,588,037 | 5,320,929 | 5,755,716 | 5,235,687 | 5,201,523 | 4,932,183 | 4,345,342 | 4,324,165 | 3,755,359 |
| Excess(Deficiency) of Revenues Over(Under) Expenditures | 89,298 | 143,040 | 56,577 | (502,792) | 25,549 | 129,034 | 96,016 | 339,258 | 26,101 | 95,577 |
| Other Financing Sources (Uses) | | 67,159 | (3,205) | 491,077 | 2,486 | 7,150 | | | | |
| Net Change in Fund Balance | \$ 89,298 | 210,199 | 53,372 | (11,715) | 28,035 | 136,184 | 96,016 | 339,258 | 26,101 | 95,577 |

Source: District records

ATLANTIC HIGHLANDS SCHOOL DISTRICT**GENERAL FUND OTHER LOCAL REVENUE BY SOURCE**

J-5

LAST TEN FISCAL YEARS**UNAUDITED**

| | <u>Tuition</u> | <u>Interest on Investments</u> | <u>Rentals</u> | <u>Miscellaneous</u> | <u>Total</u> |
|-------------|----------------|------------------------------------|----------------|----------------------|--------------|
| 2004 | \$ 23,371 | 51,487 | 2,000 | 2,056 | 78,914 |
| 2005 | 15,000 | 10,214 | 2,000 | - | 27,214 |
| 2006 | 52,715 | 29,602 | 2,000 | 42,277 | 126,594 |
| 2007 | 47,250 | 48,854 | 2,180 | 8,793 | 107,077 |
| 2008 | 56,207 | 32,075 | 1,550 | 1,074 | 90,906 |
| 2009 | 86,144 | 8,755 | 2,500 | 751 | 98,150 |
| 2010 | 113,563 | 2,124 | 2,500 | 5,178 | 123,365 |
| 2011 | 214,560 | 10 | 2,500 | 8,013 | 225,083 |
| 2012 | 304,584 | 50 | 2,500 | 41,671 | 348,805 |
| 2013 | 329,936 | | 2,500 | 40,021 | 372,457 |

Source: District records

ATLANTIC HIGHLANDS SCHOOL DISTRICTASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTYLAST TEN YEARS

J-6

UNAUDITED

| <u>Year Ended December 31,</u> | <u>Net Assessed Valuations</u> | <u>Estimated Full Cash Valuations</u> | <u>Percentage of Net Assessed to Estimated Full Cash Valuations</u> |
|------------------------------------|------------------------------------|---|---|
| 2003 | 299,439,100 | 464,231,200 | 56.02% |
| 2004 | 614,246,200 | 541,663,234 | 46.74% |
| 2005 * | 610,889,600 | 644,321,835 | 94.81% |
| 2006 | 618,802,400 | 749,192,966 | 82.60% |
| 2007 | 632,709,049 | 829,428,944 | 76.41% |
| 2008 | 635,126,242 | 884,257,709 | 71.83% |
| 2009 | 635,120,544 | 896,216,620 | 70.87% |
| 2010 | 634,407,870 | 836,694,434 | 75.82% |
| 2011 | 632,771,827 | 803,621,828 | 78.74% |
| 2012 | 633,735,269 | 790,193,602 | 80.20% |

Source: Abstract of Ratables, County Board of Taxation.

* - Revaluation in 2005

ATLANTIC HIGHLANDS SCHOOL DISTRICTPROPERTY TAX RATES - DIRECT AND OVERLAPPINGPER \$100 OF ASSESSED VALUATION

J-7

LAST TEN FISCAL YEARSUNAUDITED

| <u>Assessment Year</u> | <u>Atlantic Highlands School District</u> | <u>Henry Hudson Regional High School</u> | <u>Atlantic Highlands Borough</u> | <u>Monmouth County</u> | <u>Total</u> |
|----------------------------|---|--|---|----------------------------|--------------|
| 2003 | \$ 1.005 | 1.079 | 1.043 | 0.650 | 3.777 |
| 2004 | 0.572 | 0.557 | 0.560 | 0.333 | 2.022 |
| 2005 | 0.613 | 0.583 | 0.577 | 0.355 | 2.128 |
| 2006 | 0.634 | 0.583 | 0.577 | 0.363 | 2.157 |
| 2007 | 0.654 | 0.546 | 0.592 | 0.358 | 2.150 |
| 2008 | 0.687 | 0.582 | 0.622 | 0.369 | 2.260 |
| 2009 | 0.711 | 0.591 | 0.647 | 0.361 | 2.310 |
| 2010 | 0.710 | 0.591 | 0.657 | 0.362 | 2.320 |
| 2011 | 0.720 | 0.613 | 0.683 | 0.362 | 2.378 |
| 2012 | 0.719 | 0.597 | 0.697 | 0.370 | 2.383 |

Source: Tax Collector

ATLANTIC HIGHLANDS SCHOOL DISTRICTSCHEDULE OF PRINCIPAL TAXPAYERS

J-8

FOR THE YEAR ENDED DECEMBER 31, 2012UNAUDITED

| <u>Taxpayer</u> | <u>Assessed Valuation 2012</u> | <u>As a Percentage of District Net Assessed Valuation</u> | <u>Assessed Valuation 1998</u> | <u>As a Percentage of District Net Assessed Valuation</u> |
|-----------------------------|--|---|--|---|
| ELK Harbor View | 6,461,500 | 1.02% | 3,114,300 | 1.05% |
| Casriel, Carl | 4,683,400 | 0.74% | 1,954,500 | 0.66% |
| McConnell Realty Co. | 2,865,400 | 0.45% | 1,422,800 | 0.48% |
| Atlantic Pier Co | 2,472,000 | 0.39% | 1,328,700 | 0.45% |
| Krikorian, Dirouhi & Sarkis | 2,120,200 | 0.33% | 1,758,700 | 0.59% |
| Laurmin Association | 1,958,700 | 0.31% | 1,481,000 | 0.50% |
| Sandy Hook Bay Parking, LLC | 1,722,200 | 0.27% | 868,000 | 0.29% |
| Sodon Realty LLC | 1,654,100 | 0.26% | 1,285,200 | 0.43% |
| Hurley, Kevin & Doris | 1,471,700 | 0.23% | NA | NA |
| Kaeli, Frederick & Jean | 1,443,500 | 0.23% | 500,000 | 0.17% |
| Total | <u>\$ 26,852,700</u> | <u>4.24%</u> | <u>13,713,200</u> | <u>4.63%</u> |

Source: Municipal Tax Assessor.

ATLANTIC HIGHLANDS SCHOOL DISTRICTMUNICIPAL PROPERTY TAX LEVIES AND COLLECTIONS

J-9

LAST TEN YEARSUNAUDITED

| <u>Year Ended December 31,</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections</u> | <u>Percent of Tax Levy Collected</u> |
|------------------------------------|---------------------------|------------------------------------|--|
| 2003 | \$ 3,244,982 | 3,244,982 | 100.00% |
| 2004 | 3,434,022 | 3,434,022 | 100.00% |
| 2005 | 3,757,178 | 3,757,178 | 100.00% |
| 2006 | 3,931,695 | 3,931,695 | 100.00% |
| 2007 | 4,134,800 | 4,134,800 | 100.00% |
| 2008 | 4,299,030 | 4,299,030 | 100.00% |
| 2009 | 4,362,542 | 4,362,542 | 100.00% |
| 2010 | 4,507,622 | 4,507,622 | 100.00% |
| 2011 | 4,359,498 | 4,359,498 | 100.00% |
| 2012 | 4,741,404 | 4,741,404 | 100.00% |

Source: Municipal Tax Collector

ATLANTIC HIGHLANDS SCHOOL DISTRICT

J-10

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN YEARS

UNAUDITED

| <u>Fiscal Year Ended June 30,</u> | <u>General Obligation Bonds</u> | <u>Other Debt</u> | <u>Total Debt Per District</u> | <u>Percentage of Personal Income</u> | <u>Per Capita</u> |
|---------------------------------------|---|-----------------------|--|--|-------------------|
| 2004 | \$ - | - | - | | \$ - |
| 2005 | 4,208,000 | - | 4,208,000 | 1.1% | \$ 893.61 |
| 2006 | 4,063,000 | | 4,063,000 | 1.1% | \$ 862.82 |
| 2007 | 3,913,000 | | 3,913,000 | 1.2% | \$ 830.96 |
| 2008 | 3,753,000 | | 3,753,000 | 1.2% | \$ 796.98 |
| 2009 | 3,583,000 | | 3,583,000 | 1.3% | \$ 760.88 |
| 2010 | 3,898,000 | | 3,898,000 | 1.2% | \$ 826.37 |
| 2011 | 3,683,000 | | 3,683,000 | 1.2% | \$ 839.91 |
| 2012 | 3,435,000 | | 3,435,000 | 1.2% | \$ 783.35 |
| 2013 | 3,165,000 | | 3,165,000 | 1.3% | \$ 721.78 |

Source: District records.

ATLANTIC HIGHLANDS SCHOOL DISTRICT**RATIO OF NET GENERAL BONDED DEBT****TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

J-11

LAST TEN YEARS**UNAUDITED**

| <u>Fiscal Year Ended June 30,</u> | <u>School District Population</u> | <u>Net Assessed Valuation Taxable</u> | <u>Net Bonded Debt</u> | <u>Ratio of Bonded Debt to Assessed Value</u> | <u>Net Bonded Debt Per Capita</u> |
|--|--|--|---------------------------------------|--|--|
| 2004 | 4,709 | 614,246,200 | 4,208,000 | 0.685% | 893.61 |
| 2005 | 4,709 | 610,889,600 | 4,208,000 | 0.689% | 893.61 |
| 2006 | 4,709 | 618,802,400 | 4,063,000 | 0.657% | 862.82 |
| 2007 | 4,709 | 632,709,049 | 3,913,000 | 0.618% | 830.96 |
| 2008 | 4,709 | 635,126,242 | 3,753,000 | 0.591% | 796.98 |
| 2009 | 4,709 | 635,120,544 | 3,583,000 | 0.564% | 760.88 |
| 2010 | 4,717 | 634,407,870 | 3,898,000 | 0.614% | 826.37 |
| 2011 | 4,385 | 632,446,700 | 3,683,000 | 0.582% | 839.91 |
| 2012 | 4,385 | 632,771,827 | 3,493,000 | 0.552% | 796.58 |
| 2013 | 4,385 | 633,735,269 | 3,165,000 | 0.499% | 721.78 |

Source: Abstract of Ratables, County Board of Taxation.
School District records.

ATLANTIC HIGHLANDS SCHOOL DISTRICT**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

J-12

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**UNAUDITED**

| | | |
|---|------------------|----------------------------|
| Net Direct Debt of School District as of December 31, 2012 | | \$ 3,248,000 |
| Net Overlapping debt of School District: | | |
| Atlantic Highlands Boro (71.50%) | 2,923,485 | |
| County of Monmouth (1.04%) | <u>3,141,888</u> | |
| | | <u>6,065,373</u> |
| Total Direct and Overlapping Bonded Debt as of December 31, 2012 | | <u><u>\$ 9,313,373</u></u> |

Source: Atlantic Highlands Chief Financial Officer and County Treasurer's Office.

ATLANTIC HIGHLANDS SCHOOL DISTRICT

J-13

COMPUTATION OF LEGAL DEBT MARGIN

LAST NINE FISCAL YEARS

UNAUDITED

| | <u>Year</u> | <u>Equalized Valuation Basis</u> | | | | | | | | |
|--|----------------------|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|----------------------|
| | 2012 | \$ 790,193,602 | | | | | | | | |
| | 2011 | \$ 803,621,828 | | | | | | | | |
| | 2010 | 896,216,620 | | | | | | | | |
| | | <u>\$ 2,490,032,050</u> | | | | | | | | |
| | | | | | | | | | | |
| Average Equalized Valuation of Taxable Property | | \$ 830,010,683 | | | | | | | | |
| | | | | | | | | | | |
| School Borrowing Margin (2.5% of \$) | | \$ 20,750,267 | | | | | | | | |
| | | | | | | | | | | |
| Net Bonded School Debt as of June 30, 2012 | | \$ 3,165,000 | | | | | | | | |
| | | | | | | | | | | |
| School Borrowing Margin Available | | <u>\$ 17,585,267</u> | | | | | | | | |
| | | | | | | | | | | |
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
| Debt Limit | \$ 20,750,267 | \$ 20,207,189 | \$ 21,088,464 | 21,699,858 | 21,749,194 | 20,523,997 | 16,981,533 | 13,663,716 | 11,743,655 | 10,320,904 |
| Net Debt | <u>3,165,000</u> | <u>3,493,000</u> | <u>3,683,000</u> | <u>3,898,000</u> | <u>3,583,000</u> | <u>3,753,000</u> | <u>3,913,000</u> | <u>4,208,000</u> | <u>4,208,000</u> | <u>-</u> |
| Legal Debt Margin | <u>\$ 17,585,267</u> | <u>\$ 16,714,189</u> | <u>\$ 17,405,464</u> | <u>\$ 17,801,858</u> | <u>\$ 18,166,194</u> | <u>\$ 16,770,997</u> | <u>\$ 13,068,533</u> | <u>\$ 9,455,716</u> | <u>\$ 7,535,655</u> | <u>\$ 10,320,904</u> |

Source: State of New Jersey, Department of Taxation.

DEMOGRAPHIC STATISTICS

J-14

LAST TEN YEARSUNAUDITED

| <u>Year Ended December 31,</u> | <u>Atlantic Highlands Unemployment Rate</u> | <u>Atlantic Highlands Personal Income (a)</u> | <u>Monmouth County Per Capita Income</u> | <u>Population</u> |
|------------------------------------|---|---|--|-------------------|
| 2003 | 2.6% | unavailable | unavailable | 4,709 |
| 2004 | unavailable | unavailable | unavailable | 4,709 |
| 2005 | unavailable | unavailable | unavailable | 4,709 |
| 2006 | unavailable | unavailable | unavailable | 4,709 |
| 2007 | unavailable | unavailable | unavailable | 4,709 |
| 2008 | unavailable | unavailable | unavailable | 4,709 |
| 2009 | unavailable | unavailable | unavailable | 4,385 |
| 2010 | unavailable | unavailable | unavailable | 4,709 |
| 2011 | unavailable | 41,785 | unavailable | 4,385 |
| 2012 | unavailable | unavailable | unavailable | 4,385 |

Source: Bureau of Labor Statistics, United States Department of Commerce and
State Data Center

(a) Personal Income has been estimated based upon the municipal population and per capita income presented

ATLANTIC HIGHLANDS BOARD OF EDUCATION

J-16

FULL-TIME EQUIVALENT DISTRICT

EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

| <u>Function/Program</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction | | | | | | | | | | |
| Regular | 19.2 | 21.7 | 23.0 | 24.5 | 22.6 | 28.7 | 23.8 | 23.8 | 23.8 | 23.2 |
| Special education | 6.0 | 6.0 | 5.0 | 5.9 | 8.0 | 9.9 | 10.4 | 9.4 | 9.4 | 10.0 |
| Other special education | | | | | | | | | | |
| Vocational | | | | | | | | | | |
| Other instruction | 7.7 | 7.7 | 6.5 | 8.0 | 5.0 | 4.4 | 3.0 | 3.0 | 3.0 | 3.0 |
| Nonpublic school programs | | | | | | | | | | |
| Adult/continuing education programs | | | | | | | | | | |
| Support Services: | | | | | | | | | | |
| Tuition | | | | | | | | | | |
| Student & instruction related services | 5.5 | 6.4 | 6.6 | 6.6 | 5.9 | 0 | 2.6 | 2.1 | 2.1 | 1.5 |
| General administrative services | 1.4 | 1.4 | 1.5 | 1.5 | 1.5 | 1.5 | 1.2 | 1.2 | 1.2 | 2.0 |
| School administrative services | 1.7 | 1.2 | 1.8 | 1.8 | 1.6 | 1.6 | 1.1 | 1.1 | 1.1 | 2.0 |
| Business administrative services | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 2 | 1.5 | 1.5 | 1.5 |
| Plant operations and maintenance | 4.2 | 5.2 | 6.3 | 6.3 | 6.3 | 6.3 | 3.3 | 3.3 | 3.3 | 3.3 |
| Pupil transportation | | | | | | | | | | |
| Special Schools | | | | | | | | | | |
| Food Service | | | | | | | | | | |
| Child Care | | | | | | | | | | |
| Total | <u>47.5</u> | <u>51.3</u> | <u>52.4</u> | <u>56.3</u> | <u>52.6</u> | <u>54.1</u> | <u>47.4</u> | <u>45.4</u> | <u>45.4</u> | <u>46.5</u> |

Source: District Personnel Records

ATLANTIC HIGHLANDS BOARD OF EDUCATION

J-17

OPERATING STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

| Fiscal Year Ended June 30, | Enrollment | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | Pupil Teacher Ratio | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | % Change in Average Daily Enrollment | Student Attendance Percentage |
|----------------------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|---------------------|---|---|--------------------------------------|-------------------------------|
| 2004 | 316 | 3,699,390 | 12,935 | 16.84% | 25.2 | 11.3:1 | 316 | 301 | #REF! | 95.25% |
| 2005 | 276 | 3,727,819 | 13,507 | 4.42% | 27.7 | 10.0:1 | 284 | 271 | -10.13% | 98.19% |
| 2006 | 295 | 4,151,392 | 14,073 | 4.19% | 27.0 | 10.6:1 | 296 | 282 | 4.23% | 95.59% |
| 2007 | 293 | 4,001,954 | 15,957 | 13.39% | 30.4 | 9.6:1 | 291 | 277 | -1.66% | 94.54% |
| 2008 | 294 | 4,083,483 | 15,644 | -1.96% | 30.6 | 8.9:1 | 294 | 280 | 1.13% | 95.24% |
| 2009 | 296 | 4,373,719 | 14,776 | -5.55% | 31.1 | 9.5:1 | 295 | 278 | 0.20% | 93.92% |
| 2010 | 294 | 4,502,328 | 15,314 | 3.64% | 32.1 | 10.9:1 | 295 | 276 | 0.00% | 93.88% |
| 2011 | 312 | 4,359,977 | 13,974 | -5.43% | 30.4 | 10.2:1 | 311 | 291.3 | 5.42% | 93.37% |
| 2012 | 326 | 4,378,170 | 13,430 | -12.30% | 29.2 | 11.2:1 | 295.2 | 282.8 | 0.07% | 86.75% |
| 2013 | 326 | 4,520,635 | 13,867 | -0.77% | 29.2 | 11.2:1 | 302.35 | 287.84 | -2.78% | 88.29% |

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1

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

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

ATLANTIC HIGHLANDS BOARD OF EDUCATION

BUILDING INFORMATION

J-18

LAST TEN FISCAL YEARS

ENDING JUNE 30

UNAUDITED

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Elementary School and Offices</u> | | | | | | | | | | |
| Atlantic Highlands | | | | | | | | | | |
| Square Feet | 52,843 | 63,843 | 63,843 | 63,842 | 63,842 | 63,842 | 63,842 | 63,842 | 63,842 | 63,842 |
| Capacity (students) | 282 | 370 | 370 | 370 | 370 | 370 | 370 | 370 | 370 | 370 |
| Enrollment | 286 | 276 | 295 | 293 | 293 | 296 | 295 | 312 | 326 | 326 |

Source: District records, ASSA

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

ATLANTIC HIGHLANDS SCHOOL DISTRICTSCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES

J-19

BY SCHOOL FACILITYLAST NINE FISCAL YEARSUNAUDITED

| <u>Fiscal Year Ended June 30,</u> | <u>Atlantic Highlands Elementary</u> |
|---------------------------------------|--|
| 2005 | \$ 26,138 |
| 2006 | 31,642 |
| 2007 | 41,363 |
| 2008 | 38,612 |
| 2009 | 42,717 |
| 2010 | 50,576 |
| 2011 | 42,302 |
| 2012 | 46,304 |
| 2013 | 58,352 |

Source: District records.

INSURANCE SCHEDULE

J-20

JUNE 30, 2013

UNAUDITED

| | <u>Coverage</u> | <u>Deductible</u> |
|--------------------------------------|-----------------|-------------------|
| School Package Policy - | | |
| Property-Blanket Building & Contents | \$ 14,075,750 | 2,500 |
| Comprehensive General Liability | 2,000,000 | |
| Comprehensive Auto Liability | 1,000,000 | |
| Comprehensive Crime Coverage | | |
| Other Flood - Contents | | * |
| Computers and Scheduled Equipment - | | |
| Data Processing Equipment | 137,115 | 250 |
| Boiler and Machinery - | | |
| Property Damage | 100,000 | 1,000 |
| Umbrella Liability - | | |
| Umbrella Policy | 10,000,000 | |
| School Board Legal Liability - | | |
| Directors and Officers Policy | 1,000,000 | 5,000 |
| Bonds | | |
| Treasurer | Eliminated | |
| Board Secretary | 175,000 | |

Source: District records.

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

INDEPENDENT AUDITOR'S 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

Honorable President and Members
 of the Board of Education
 Atlantic Highlands School District
 County of Monmouth
 Atlantic Highlands, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey's basic financial statements, and have issued our report thereon dated November 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey'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 of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Atlantic Highlands Board of Education, County of Monmouth, State of New Jersey's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

**Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey**

November 19, 2013

ATLANTIC HIGHLANDS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Schedule A
K-3

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant or State Project Number | Program or Award Amount | Grant Period | | Balance June 30, 2012 | Carryover (Walkover) Amount | Cash Received | Budgetary Expenditures | Balance at June 30, 2013 | | |
|---|---------------------|-------------------------------|-------------------------|--------------|------------|-----------------------|-----------------------------|---------------|------------------------|--------------------------|------------------|----------------|
| | | | | From | To | | | | | (Accounts Receivable) | Deferred Revenue | Due to Grantor |
| <u>U.S. Department of Agriculture</u> | | | | | | | | | | | | |
| <u>Passed-Through State Department of Education</u> | | | | | | | | | | | | |
| Food Distribution Program | 10.550 | N/A | \$ 6,239 | 7-01-12 | to 6-30-13 | \$ - | - | 6,239 | (6,239) | | | |
| National School Lunch Program | 10.555 | N/A | 18,599 | 7-01-12 | to 6-30-13 | | | 17,268 | (18,599) | (1,331) | | |
| National School Lunch Program - PB | 10.555 | N/A | 1,067 | 7-01-12 | to 6-30-13 | | | 980 | (1,067) | (87) | | |
| National School Lunch Program | 10.555 | N/A | 19,646 | 7-01-11 | to 6-30-12 | (927) | | 927 | | | | |
| Total U.S. Department of Agriculture | | | | | | (927) | - | 25,414 | (25,905) | (1,418) | - | |
| <u>U.S. Department of Education</u> | | | | | | | | | | | | |
| <u>Passed-Through State Department of Education</u> | | | | | | | | | | | | |
| Title I | 84.010A | NCLB13 | 17,176 | 9-01-12 | to 8-31-13 | | | 15,856 | (15,856) | | | |
| Title I | 84.010A | NCLB12 | 19,948 | 9-01-11 | to 8-31-12 | (2,548) | | 2,611 | (63) | | | |
| Title I/A | 84.367A | NCLB13 | 11,358 | 9-01-12 | to 8-31-13 | | | 11,333 | (11,333) | | | |
| Title I/A | 84.367A | NCLB12 | 12,340 | 9-01-11 | to 8-31-12 | (70) | | | | (70) | | |
| Title III | 84.318 | NCLB12 | 15 | 9-01-11 | to 8-31-12 | | | 15 | (15) | | | |
| Race To The Top | 84.413A | RTTT13 | 1,886 | 9-01-12 | to 8-31-13 | | | | (684) | | | |
| I.D.E.A. Basic | 84.027 | IDEA13 | 81,483 | 9-01-12 | to 8-31-13 | | | 74,228 | (79,464) | (5,236) | | |
| I.D.E.A. Basic | 84.027 | IDEA11 | 86,130 | 9-01-10 | to 8-31-11 | (694) | | 694 | (200) | (200) | | |
| I.D.E.A. Basic | 84.027 | IDEA12 | 89,121 | 9-01-11 | to 8-31-12 | (8,881) | | 21,522 | (13,531) | (890) | | |
| I.D.E.A. Preschool | 84.173 | IDEA12 | 6,638 | 9-01-11 | to 8-31-12 | | | 2,004 | (2,836) | (832) | | |
| I.D.E.A. Preschool | 84.173 | IDEA13 | 6,495 | 9-01-12 | to 8-31-13 | (12,193) | | 5,303 | (5,303) | | | |
| Total U.S. Department of Education | | | | | | (12,193) | - | 133,566 | (129,285) | (7,912) | - | |
| Total Federal Financial Assistance | | | | | | \$ (13,120) | - | 158,980 | (155,190) | (9,330) | - | |

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

ATLANTIC HIGHLANDS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| State Grantor/Program Title State Department of Education | Grant or State Project Number | Program or Award Amount | Grant Period From To | Balance at June 30, 2012 | | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Year Balances | Balance at June 30, 2013 | | MEMO Cumulative Total Expenditures |
|--|----------------------------------|-------------------------------|-------------------------|---|-------------------|------------------------------------|------------------|---------------------------|--|--------------------------|---------------------|---|
| | | | | Deferred Revenue (Accounts Receivable) | Due To Grantor | | | | | (Accounts Receivable) | Deferred Revenue | |
| General Fund: | | | | | | | | | | | | |
| Special Education Aid | 13-495-034-5120-089 | \$ 137,418 | 7-01-12 to 6-30-13 | \$ - | | | 137,418 | (137,418) | | | | 137,418 |
| Security Aid | 13-495-034-5120-084 | 4,882 | 7-01-12 to 6-30-13 | | | | 4,882 | (4,882) | | | | 4,882 |
| Transportation Aid | 13-495-034-5120-014 | 3,485 | 7-01-12 to 6-30-13 | | | | 3,485 | (3,485) | | | | 3,485 |
| Non-Public Transportation | 12-495-034-5129-014 | 4,176 | 7-01-11 to 6-30-12 | (4,176) | | | 4,176 | | | | | 4,176 |
| Non-Public Transportation | 13-495-034-5120-014 | 4,176 | 7-01-12 to 6-30-13 | | | | 4,176 | | | (4,176) | | 4,176 |
| Extraordinary Aid | 12-495-034-5120-044 | 33,845 | 7-01-11 to 6-30-12 | (33,845) | | | 33,845 | | | | | 33,845 |
| Extraordinary Aid | 13-495-034-5120-044 | 26,704 | 7-01-12 to 6-30-13 | | | | 26,704 | | | (26,704) | | 26,704 |
| Reimbursed TPAF Social | | | | | | | | | | | | |
| Security Contributions | 12-495-034-5095-002 | 181,617 | 7-01-11 to 6-30-12 | (9,663) | | | 9,663 | | | | | 181,617 |
| Reimbursed TPAF Social | | | | | | | | | | | | |
| Security Contributions | 13-495-034-5095-002 | 196,581 | 7-01-12 to 6-30-13 | (47,684) | | | 187,197 | (196,581) | | (9,384) | | 196,581 |
| Total General Fund | | | | | | | 380,666 | (373,246) | | (40,264) | | 373,246 |
| Special Revenue: | | | | | | | | | | | | |
| N.J. Nonpublic Aid: | | | | | | | | | | | | |
| Textbook Aid | 12-100-034-5120-064 | 6,354 | 7-01-11 to 6-30-12 | 93 | | | 5,601 | (5,551) | (93) | | 50 | 6,354 |
| Textbook Aid | 13-100-034-5120-064 | 5,601 | 7-01-12 to 6-30-13 | | | | 5,601 | | | | | 5,601 |
| Nursing Services | 12-100-034-5120-070 | 9,077 | 7-01-11 to 6-30-12 | 624 | | | 7,774 | (7,689) | (624) | | 85 | 9,077 |
| Nursing Services | 13-100-034-5120-070 | 7,774 | 7-01-12 to 6-30-13 | | | | 2,067 | (2,057) | | | 10 | 7,774 |
| Technology Aid | 13-100-034-5120-343 | 2,067 | 7-01-12 to 6-30-13 | | | | 2,067 | | | | | 2,067 |
| Supplemental Instruction | 12-100-034-5120-066 | 12,627 | 7-01-11 to 6-30-12 | 4,911 | | | 10,408 | (4,837) | (4,911) | | 5,551 | 12,627 |
| Supplemental Instruction | 13-100-034-5120-066 | 10,408 | 7-01-12 to 6-30-13 | | | | 4,687 | (4,687) | | | | 10,408 |
| Corrective Speech | 13-100-034-5120-066 | 4,687 | 7-01-12 to 6-30-13 | | | | 4,687 | | | | | 4,687 |
| Corrective Speech | 12-100-034-5120-066 | 7,109 | 7-01-11 to 6-30-12 | 790 | | | 4,150 | (2,235) | (790) | | 1,915 | 7,109 |
| Examination and Classification | 12-100-034-5120-066 | 22,059 | 7-01-11 to 6-30-12 | 11,270 | | | 7,798 | (4,456) | (11,270) | | 3,342 | 22,059 |
| Examination and Classification - A | 13-100-034-5120-066 | 4,150 | 7-01-12 to 6-30-13 | | | | 30,999 | (15,885) | | | 14,214 | 4,150 |
| Examination and Classification - I | 13-100-034-5120-066 | 7,798 | 7-01-12 to 6-30-13 | | | | 853 | | | | 853 | 7,798 |
| Compensatory Education | 13-100-034-5120-067 | 30,999 | 7-01-12 to 6-30-13 | | | | 73,437 | (47,417) | | | 26,020 | 30,999 |
| English as a Second Language | 13-100-034-5120-067 | 853 | 7-01-12 to 6-30-13 | | | | | | | | | 853 |
| Total Special Revenue | | | | 17,688 | | | 73,437 | (47,417) | (17,688) | | 26,020 | 17,688 |
| Enterprise Fund: | | | | | | | | | | | | |
| National School Lunch Program (State Share) | 13-100-010-3350-023 | 854 | 7-01-12 to 6-30-13 | | | | 791 | (854) | | (63) | | 854 |
| National School Lunch Program (State Share) | 12-100-010-3350-023 | 1,005 | 7-01-11 to 6-30-12 | (49) | | | 49 | | | | | 1,005 |
| Total National School Lunch Program | | | | (49) | | | 840 | (854) | | (63) | | 1,005 |
| Total State Financial Assistance | | | | \$ (30,045) | | | 454,943 | (421,517) | (17,688) | (40,327) | 26,020 | \$ 373,246 |

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

BOARD OF EDUCATION

K-5

ATLANTIC HIGHLANDS SCHOOL DISTRICT**NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE****JUNE 30, 2013****NOTE 1: General**

The accompanying schedules of financial assistance present the activity of all federal and state financial assistance programs of the Board of Education, Atlantic Highlands School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of federal financial assistance.

NOTE 2: Basis of Accounting

The accompanying schedules of financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. Programs recorded in the food service fund include the National School Lunch Program and the U.S.D.A Commodities Program. These bases of accounting are described in the Note 1(C) to the Board's general-purpose financial statements.

NOTE 3: Relationship to General Purpose Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to P.L. 2003, c.97.(A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

NOTE 3: Relationship to General Purpose Financial Statements (Continued)

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Food Service</u> | <u>Total</u> |
|---|---------------------|-------------------------------------|-------------------------|----------------|
| <u>State Assistance</u> | | | | |
| Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of State Financial Assistance | \$ 373,246 | 47,417 | 854 | 421,517 |
| Difference – Budget to “GAAP” | | | | |
| Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized | | | | |
| On Behalf Payments Recognized for GAAP Statements but Not Included in the Schedule of Expenditures of State Financial Assistance | 355,867 | | | 355,867 |
| The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33) | <u>(1,971)</u> | _____ | _____ | <u>(1,971)</u> |
| Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances | <u>\$ 727,142</u> | <u>47,417</u> | <u>854</u> | <u>775,413</u> |

NOTE 3: Relationship to General Purpose Financial Statements (Continued)

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Food Service</u> | <u>Total</u> |
|--|---------------------|-------------------------------------|-------------------------|----------------|
| <u>Federal Assistance</u> | | | | |
| Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of Federal Awards | \$ | 129,285 | 25,905 | 155,190 |
| Difference – Budget to “GAAP” Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the Related Revenue is Recognized | — | — | — | — |
| Total Federal Revenue as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances | <u>\$ 0</u> | <u>129,285</u> | <u>25,905</u> | <u>155,190</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

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