

**BOROUGH OF DEMAREST
SCHOOL DISTRICT**

**Demarest Borough Board of Education
Demarest, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012**

**Comprehensive Annual
Financial Report**

of the

BOROUGH OF DEMAREST SCHOOL DISTRICT

Demarest, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

**Borough of Demarest Board of Education
Finance Department**

BOROUGH OF DEMAREST SCHOOL DISTRICT
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INTRODUCTORY SECTION

DEMAREST BOARD OF EDUCATION

568 Piermont Road, Demarest, NJ 07627 - T (201)768-6060 F (201) 767-9122

October 29, 2012

Honorable President and Board Members
Demarest Board of Education
568 Piermont Road
Demarest, NJ 07627

Dear President and Board Members:

The comprehensive annual financial report of the Demarest School District for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the representation, including all disclosures, rests with the management of the board. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects, and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2011/2012 fiscal year with an enrollment of 655 students, which is 15 students below the previous year's enrollment. The following details the changes in the student enrollments of the District over the last ten years:

AVERAGE DAILY ENROLLMENT

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011/2012	655	(.020)%
2010/2011	670	.012 %
2009/2010	662.2	.009 %
2008/2009	656.1	(.046)%
2007/2008	688	(.027)%
2006/2007	707.2	(.020)%
2005/2006	721.8	(.002)%
2004/2005	723.1	.003 %
2003/2004	721	.004 %
2002/2003	718	.004 %
2001/2002	715	(.002)%

2) ECONOMIC CONDITION AND OUTLOOK: The entire state is in a recession which will affect our ability to receive additional revenue. S-1701 made it increasingly difficult to contend with the sharp increases in fixed costs such as health coverage, utilities and insurance, all of which we have no control over. The results will be cuts in academic programs, services and maintenance. The state implementation of the 2011 Pension and Health Benefits Reforms (P.L. 2011 C.78) will generate revenue to offset loss of various state aides.

3) MAJOR INITIATIVES: We continue to seek various ways to share services with other districts and the Borough of Demarest to reduce expenditures. The Board will continue to seek additional revenue to help alleviate the tax burden to the community.

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, assurances that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits, require estimates and judgments by management; 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 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 these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital project 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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2012.

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

7) DEBT ADMINISTRATION: At June 30, 2012 the District's outstanding debt issue was \$6,740,000 of bonds payable and a Bond Anticipation Note in the amount of \$1,262,583.

8) 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 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

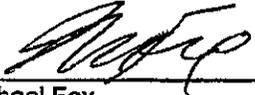
9) RISK MANAGEMENT: The board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The cost of insurance coverage is increasing substantially due to the current economic conditions.

10) OTHER INFORMATION:

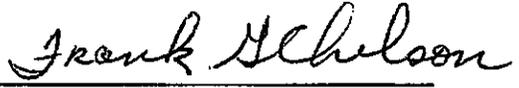
A) Independent Audit – State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP was selected by the board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Demarest 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 accounting staff.

Respectfully submitted,



Michael Fox
Superintendent



Frank G. Chilson
Business Administrator
Board Secretary

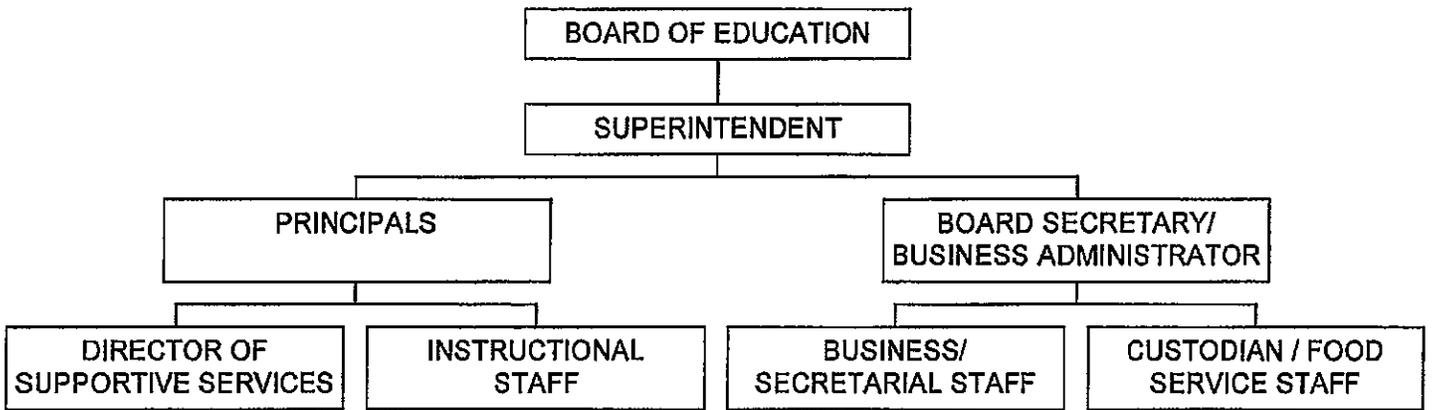
MF/FGC/dd

DEMAREST PUBLIC SCHOOL DISTRICT

ORGANIZATIONAL CHART

2011/2012

(Unit Control)



Administrative Offices

568 Piermont Road, Demarest, NJ 07627 - T 201.768.6060 F 201.767.9122

DEMAREST BOARD OF EDUCATION

ROSTER OF OFFICIALS

2011/2012

MEMBERS OF THE BOARD OF EDUCATION

Diane Holzberg	President	2014
Jane Majeski	Vice President	2012
Frank Galtieri, D.D.S	Member	2013
Pamela Geisenheimer	Member	2014
Carlos Molina	Member	2013
Kristin Geller	Member	2012
Kristie Woods	Member	2012

OTHER OFFICIALS

Michael Fox	Superintendent
Frank G. Chilson	Business Administrator/Board Secretary
Phil Nisonoff	Treasurer
Stephen Fogarty, Esq.	Board Attorney
Matthew Giacobbe, Esq.	Board Attorney

DEMAREST BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

2011/2012

ARCHITECT

LAN Associates, Inc.
445 Godwin Avenue
Midland Park, NJ 07432
T 201.447.6400

ATTORNEYS

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Fogarty & Hara
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T 201.791.3340

AUDIT FIRM

Nisivoccia, LLP
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T 973.328.1825

BOND COUNCIL

Wilentz, Goldman & Spitzer, P.A.
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Woodbridge, NJ 07095
T 732.636.8000

And

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OFFICIAL DEPOSITORIES

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T 201.750.2639

Administrative Offices

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FINANCIAL SECTION



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Demarest School District in the County of Bergen as of and for the fiscal year ended June 30, 2012 which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Demarest School District in the County of Bergen as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

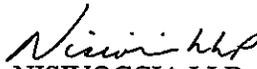
In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 on our consideration of the Board of Education of the Borough of Demarest School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

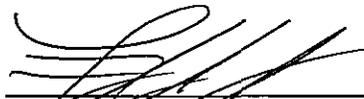
The Honorable President and Members
of the Board of Education
Borough of Demarest School District
Page 2

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Demarest School District's basic financial statements. The accompanying supplementary information schedules such as the combining and individual nonmajor fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information such as the combining and individual nonmajor fund financial statements and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such 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.

October 29, 2012
Mount Arlington, New Jersey


NISIVOC CIA LLP



Francis J. Jones, Jr.
Certified Public Accountant
Licensed Public School Accountant #1154

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

This section of Borough of Demarest School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's total net assets increased by \$681,588 or 11.53%.
- Overall revenue was \$14,017,964.
- Overall expenditures were \$13,336,376.

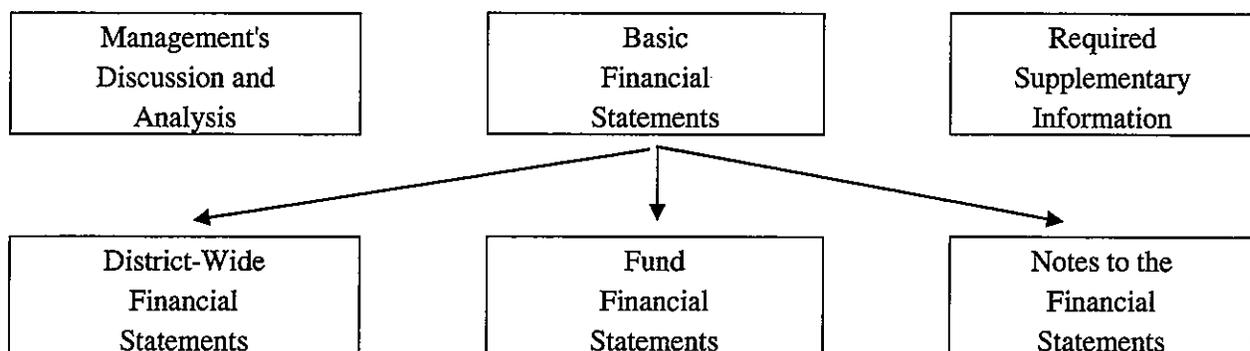
Overview of the Financial Statements

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

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

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

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



BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

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

Financial Analysis of the District as a Whole

Net Assets. The District's *combined* net assets were \$6,592,122 on June 30, 2012, which is \$681,588, or 11.53%, more than the year before. (See Figure A-3).

Figure A-3
Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2011/2012	(Restated) 2010/2011	2011/2012	(Restated) 2010/2011	2011/2012	(Restated) 2010/2011	
Current and Other Assets	\$ 4,548,341	\$ 4,580,688	\$ 1,439	\$ 816	\$ 4,549,780	\$ 4,581,504	-0.69%
Capital Assets	10,517,461	10,877,209	6,370	7,208	10,523,831	10,884,417	-3.31%
Total Assets	<u>15,065,802</u>	<u>15,457,897</u>	<u>7,809</u>	<u>8,024</u>	<u>15,073,611</u>	<u>15,465,921</u>	-2.54%
Long-Term Debt	7,065,776	7,386,678	9,000	9,000	7,074,776	7,395,678	-4.34%
Other Liabilities	1,406,713	2,159,112		597	1,406,713	2,159,709	-34.87%
Total Liabilities	<u>8,472,489</u>	<u>9,545,790</u>	<u>9,000</u>	<u>9,597</u>	<u>8,481,489</u>	<u>9,555,387</u>	-11.24%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	3,585,947	3,604,251	6,370	7,208	3,592,317	3,611,459	-0.53%
Restricted	2,820,145	1,761,859			2,820,145	1,761,859	60.07%
Unrestricted (Deficit)	<u>187,221</u>	<u>545,997</u>	<u>(7,561)</u>	<u>(8,781)</u>	<u>179,660</u>	<u>537,216</u>	-66.56%
Total Net Assets	<u>\$ 6,593,313</u>	<u>\$ 5,912,107</u>	<u>\$ (1,191)</u>	<u>\$ (1,573)</u>	<u>\$ 6,592,122</u>	<u>\$ 5,910,534</u>	11.53%

Changes in Net Assets. The District's combined net assets increased \$681,588. Net assets from governmental activities increased \$681,206 while net assets from business-type activities increased \$382. Net assets invested in capital assets decreased \$19,142 due to reductions in long-term debt of \$422,224, net of accumulated depreciation offset by new capital leases of \$80,780 and current year depreciation of \$360,586. Restricted net assets increased \$1,058,286 due to a \$1,037,422 increase in Excess Surplus, increases in the capital and emergency reserves of \$1 and \$20 respectively, and an increase in encumbrances of \$23,185, offset by the decreases in the capital projects fund of \$2,341 and the decrease in debt service fund of \$1. Unrestricted net assets decreased by \$357,556 due to normal operations.

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	
Revenue:							
Program Revenue:							
Charges for Services	\$ 56,380	\$ 53,239	\$ 201,117	\$ 184,353	\$ 257,497	\$ 237,592	8.38%
Operating Grants/Contributions	1,458,692	1,120,423			1,458,692	1,120,423	30.19%
General Revenue:							
Property Taxes	12,152,670	11,977,651			12,152,670	11,977,651	1.46%
Unrestricted Federal & State Aid		80,653				80,653	-100.00%
Other	148,991	193,385	114	1,402	149,105	194,787	-23.45%
Total Revenue	<u>13,816,733</u>	<u>13,425,351</u>	<u>201,231</u>	<u>185,755</u>	<u>14,017,964</u>	<u>13,611,106</u>	2.99%
Expenses:							
Instruction	6,710,092	6,767,429			6,710,092	6,767,429	-0.85%
Pupil and Instruction Services	2,995,337	3,148,366			2,995,337	3,148,366	-4.86%
Administrative and Business	1,305,396	1,243,198			1,305,396	1,243,198	5.00%
Maintenance and Operations	1,228,244	1,131,700			1,228,244	1,131,700	8.53%
Transportation	126,037	170,611			126,037	170,611	-26.13%
Other	770,421	541,596	200,849	196,651	971,270	738,247	31.56%
Total Expenses	<u>13,135,527</u>	<u>13,002,900</u>	<u>200,849</u>	<u>196,651</u>	<u>13,336,376</u>	<u>13,199,551</u>	1.04%
Increase (Decrease) in Net Assets	<u>\$ 681,206</u>	<u>\$ 422,451</u>	<u>\$ 382</u>	<u>\$ (10,896)</u>	<u>\$ 681,588</u>	<u>\$ 411,555</u>	65.61%

Revenue Sources. The District's total revenue for the 2011/2012 school year was \$14,017,964. (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$12,152,670 of the total, or 86.69 percent. (See Figure A-5). Another \$1,458,692 or 10.41 percent came from state and federal aid for specific programs, \$257,497 from charges for service and the remainder from miscellaneous sources. The Borough of Demarest School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

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

	Amount	Percentage
Sources of Income:		
Property Taxes	\$ 12,152,670	86.69%
Operating Grants/Contributions	1,458,692	10.41%
Charges for Services	257,497	1.84%
Other	149,105	1.06%
Total Revenue	<u>\$ 14,017,964</u>	<u>100.00%</u>

The total cost of all programs and services was \$13,345,376. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (73.67%). (See Figure A-6.) The District's administration and business activities accounted for 9.78% of total costs. Maintenance and Operations costs constituted 9.20% of total costs and the remainder is for other purposes.

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

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

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 6,710,092	50.32%
Pupil and Instruction Services	2,995,337	22.46%
Administrative and Business	1,305,396	9.79%
Maintenance and Operations	1,228,244	9.21%
Transportation	126,037	0.95%
Other	971,270	7.28%
	<u>\$ 13,336,376</u>	<u>100.01%</u>

Governmental Activities

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

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

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

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

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2011/2012</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2010/2011</u>
Instruction	\$ 6,710,092	\$ 6,767,429	\$ 5,416,127	\$ 5,781,479
Pupil and Instruction Services	2,995,337	3,148,366	2,846,022	3,018,709
Administration and Business	1,305,396	1,243,198	1,236,841	1,188,628
Maintenance and Operations	1,228,244	1,131,700	1,228,244	1,131,700
Transportation	126,037	170,611	122,800	167,126
Other	770,421	541,596	770,421	541,596
	<u>\$ 13,135,527</u>	<u>\$ 13,002,900</u>	<u>\$ 11,620,455</u>	<u>\$ 11,829,238</u>

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Governmental Activities

- The cost of all governmental activities this year was \$13,135,527.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$1,458,692.
- Most of the District's costs, however, were financed by District taxpayers (\$12,152,670).
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net assets from the District's business-type activity increased by \$382, (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses by \$382, accounting for all of the increase in the net assets of the business-type activities.

Financial Analysis of the District's Funds

The District's financial position improved despite significant changes in the student clientele and difficult economic times. Expenditures during the recent year increased significantly as a result of an increased number of pupils with disabilities entering the school District. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services.

A continued increase in the enrollment of disabled students has also forced the District to expand its classroom teaching staff, special education aides and special transportation. The cost of these additional teachers, and special education aides, however, has largely been offset by salary reductions realized from the retirement of a significant number of veteran staff. Fringe benefit costs for all staff have increased dramatically in the past several years. The Board has changed to a different Health Benefits carrier in order to reduce costs in this area.

Legislation (S-1701) which reduced the District's surplus funds to 2% of the budget has had a direct impact on the District's planning for upcoming years. The District now has less funds available in the event of an emergency or unanticipated special education tuition. Consideration must be given to suspending the practice of utilizing unassigned fund balance to reduce the tax levy in future budgets. Increases in operating costs could exceed expected growth in the Borough's ratables and could potentially increase local taxes in the future. In order to maintain a stable financial position, the District must continue its practice of sound fiscal management.

General Fund Budgetary Highlights

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

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

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Capital Asset and Debt Administration

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

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	
Land	\$ 1,303,570	\$ 1,303,570			\$ 1,303,570	\$ 1,303,570	0.00%
Construction in Progress	186,836	186,836			186,836	186,836	0.00%
Buildings and Building Improvements	8,790,260	9,097,169			8,790,260	9,097,169	-3.374%
Machinery & Equipment	236,795	289,634	\$ 6,370	\$ 7,208	243,165	296,842	-18.08%
Total Capital Assets, (Net of Depreciation)	\$10,517,461	\$10,877,209	\$ 6,370	\$ 7,208	\$10,523,831	\$10,884,417	-3.31%

The decrease in capital assets is due to \$360,586 in current year depreciation.

Long-term Debt

At year-end, the District had \$6,740,000 in general obligation bonds outstanding. The decrease from the previous year represents bond principal payments of \$320,000. Capital leases payable decreased \$21,444 as a result of the acquisition of new technological equipment totaling \$80,780 offset by lease payments of \$102,224. The District's compensated absences payable increased overall by \$20,542 in governmental activities. (See Figure A-9.) (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

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

	Total School District		Percent Change
	2011/2012	2010/2011	
General Obligation Bonds	\$ 6,740,000	\$ 7,060,000	-4.53%
Obligations Under Capital Leases	191,514	212,958	-10.07%
Compensated Absences Payable	143,262	122,720	16.74%
	\$ 7,074,776	\$ 7,395,678	-4.34%

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Factors Bearing on the District's Future

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

- Statutory limitation on Tax Levy increases of 2%
- Very limited State Aid expected
- Limitation on District Fund Balance

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Frank G. Chilson, Board Secretary/Business Administrator at 568 Piermont Road, Demarest, NJ 07627.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,849,462	\$ 209	\$ 2,849,671
Receivables from Federal Government	22,879		22,879
Receivables from State Government	1,453,738		1,453,738
Inventory		1,230	1,230
Restricted Assets:			
Capital Reserve Account - Cash	204,212		204,212
Capital Assets, Net:			
Sites (Land)	1,303,570		1,303,570
Construction in Progress	186,836		186,836
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	<u>9,027,055</u>	<u>6,370</u>	<u>9,033,425</u>
Total Assets	<u>15,065,802</u>	<u>7,809</u>	<u>15,073,611</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	100,828		100,828
Accounts Payable - Vendors	33,142		33,142
Deferred Revenue	10,160		10,160
Bond Anticipation Notes Payable	1,262,583		1,262,583
Noncurrent Liabilities:			
Due Within One Year	129,050		129,050
Due Beyond One Year	<u>6,936,726</u>	<u>9,000</u>	<u>6,945,726</u>
Total Liabilities	<u>8,472,489</u>	<u>9,000</u>	<u>8,481,489</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,585,947	6,370	3,592,317
Restricted for:			
Capital Projects	1,136		1,136
Other Purposes	2,790,686		2,790,686
Unrestricted / (Deficit)	<u>215,544</u>	<u>(7,561)</u>	<u>207,983</u>
Total Net Assets	<u>\$ 6,593,313</u>	<u>\$ (1,191)</u>	<u>\$ 6,592,122</u>

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 5,140,931		\$ 487,425	\$ (4,653,506)		\$ (4,653,506)
Special Education	1,206,584	\$ 56,380	715,446	(434,758)		(434,758)
Other Special Instruction	262,136		34,714	(227,422)		(227,422)
School Sponsored Instruction	100,441			(100,441)		(100,441)
Support Services:						
Tuition	863,238			(863,238)		(863,238)
Student & Instruction Related Services	2,132,099		149,315	(1,982,784)		(1,982,784)
General Administrative Services	367,086		31,074	(336,012)		(336,012)
School Administrative Services	547,773		37,481	(510,292)		(510,292)
Central Services	379,817			(379,817)		(379,817)
Administration Information Technology	10,720			(10,720)		(10,720)
Plant Operations and Maintenance	1,228,244			(1,228,244)		(1,228,244)
Pupil Transportation	126,037		3,237	(122,800)		(122,800)
Interest on Long-Term Debt	287,000			(287,000)		(287,000)
Capital Outlay	483,421			(483,421)		(483,421)
Total Governmental Activities	13,135,527	56,380	1,458,692	(11,620,455)		(11,620,455)

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Food Service	\$ 200,849	\$ 201,117			\$ 268	\$ 268
Total Business-Type Activities	200,849	201,117			268	268
Total Primary Government	\$ 13,336,376	\$ 257,497	\$ 1,458,692	\$ (11,620,455)	268	(11,620,187)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				11,534,796		11,534,796
Taxes Levied for Debt Service				617,874		617,874
Investment Earnings				21	114	135
Miscellaneous Income				152,219		152,219
Transfers				(3,249)		(3,249)
Total General Revenues and Transfers				12,301,661	114	12,301,775
Change in Net Assets				681,206	382	681,588
Net Assets/(Deficit) - Beginning				5,912,107	(1,573)	5,910,534
Net Assets/(Deficit) - Ending				\$ 6,593,313	\$ (1,191)	\$ 6,592,122

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

FUND FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Cash Equivalents	\$ 2,849,462			\$ 2,849,462
Interfund Receivable	19,208			19,208
Receivables from Federal Government		\$ 22,879		22,879
Receivables from State Government	191,155		\$ 1,262,583	1,453,738
Restricted Cash and Cash Equivalents	204,212			204,212
TOTAL ASSETS	<u>\$ 3,264,037</u>	<u>\$ 22,879</u>	<u>\$ 1,262,583</u>	<u>\$ 4,549,499</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable		\$ 1,158		\$ 1,158
Bond Anticipation Notes Payable			\$ 1,262,583	1,262,583
Accounts Payable - Vendors	\$ 21,581	11,561		33,142
Deferred Revenue		10,160		10,160
Total Liabilities	<u>21,581</u>	<u>22,879</u>	<u>1,262,583</u>	<u>1,307,043</u>
Fund Balances:				
Restricted for:				
Excess Surplus - Current Year	1,742,265			1,742,265
Excess Surplus - Prior Year - Subsequent Year's Expenditures	845,345			845,345
Capital Reserve Account	1,136			1,136
Emergency Reserve Account	203,076			203,076

BOROUGH OF DEMAREST SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Assigned to:				
Year-End Encumbrances	\$ 28,323			\$ 28,323
Subsequent Year's Expenditures				
Unassigned:				
General Fund	<u>422,311</u>			<u>422,311</u>
Total Fund Balances	<u>3,242,456</u>			<u>3,242,456</u>
TOTAL LIABILITIES & FUND BALANCES	<u><u>\$ 3,264,037</u></u>	<u><u>\$ 22,879</u></u>	<u><u>\$ 1,262,583</u></u>	<u><u>\$ 4,549,499</u></u>

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

Total Fund Balances - Governmental Funds (Above)	\$ 3,242,456
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$16,647,353 and the accumulated depreciation is \$6,129,892. (See Note 7)	10,517,461
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 8)	(7,065,776)
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.	<u>(100,828)</u>
Net Assets of Governmental Activities	<u><u>\$ 6,593,313</u></u>

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 11,534,796			\$ 617,874	\$ 12,152,670
Tuition	56,380				56,380
Capital Reserve Interest	1				1
Emergency Reserve Interest	20				20
Miscellaneous	152,219				152,219
Total - Local Sources	11,743,416			617,874	12,361,290
State Sources	1,246,646	\$ 300			1,246,946
Federal Sources	17,452	194,294			211,746
Total Revenues	13,007,514	194,594		617,874	13,819,982
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	3,661,305	300			3,661,605
Special Education Instruction	732,597	194,294			926,891
Other Special Instruction	168,498				168,498
School Sponsored Instruction	100,441				100,441
Support Services and Undistributed Costs:					
Tuition	863,238				863,238
Student & Instruction Related Services	1,522,623				1,522,623
General Administration Services	302,920				302,920
School Administration Services	387,423				387,423
Central Services	290,435				290,435

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

EXPENDITURES	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Current:					
Support Services and Undistributed Costs:					
Plant Operations and Maintenance	\$ 1,042,887				\$ 1,042,887
Pupil Transportation	114,637				114,637
Allocated and Unallocated Benefits	2,624,662				2,624,662
Capital Outlay	561,860		\$ 2,341		564,201
Debt Service:					
Principal				\$ 320,000	320,000
Interest and Other Charges				297,875	297,875
Total Expenditures	<u>12,373,526</u>	<u>\$ 194,594</u>	<u>2,341</u>	<u>617,875</u>	<u>13,188,336</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>633,988</u>		<u>\$ (2,341)</u>	<u>(1)</u>	<u>631,646</u>
OTHER FINANCING SOURCES/USES:					
Capital Leases (Non-Budgeted)	80,780				80,780
Transfers Out	(3,249)				(3,249)
Total Other Financing Sources/Uses	<u>77,531</u>				<u>77,531</u>
Net Change in Fund Balances	711,519		(2,341)	(1)	709,177
Fund Balance—July 1	2,530,937		2,341	1	2,533,279
Fund Balance—June 30	<u>\$ 3,242,456</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,242,456</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 709,177
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital Outlays are reported in the Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which Depreciation exceeded Capital Outlays during the period.		
	Depreciation Expense	(359,748)
In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		(20,542)
Repayment of bond principal and leases is an expenditure in the Governmental Funds, but the repayment reduces Long-term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.		
	Bonds	320,000
In the Statement of Activities, Interest on Long-term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		
		10,875
Capital Leases entered into by the district are other financing sources in the Governmental Funds, but the Acquisition increases Long-Term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.		
		(80,780)
Repayment of Capital Leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets and is not reported in the Statement of Activities.		
		102,224
Change in Net Assets of Governmental Activities (Exhibit A-2)		\$ 681,206

Exhibit B-4

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Business-Type Activities: Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 209
Inventory	1,230
	1,439
Total Current Assets	1,439
Non-Current Assets:	
Capital Assets	66,655
Less: Accumulated Depreciation	(60,285)
	6,370
Total Non-Current Assets	6,370
Total Assets	7,809
LIABILITIES:	
Long-term Liabilities:	
Compensated Absences Payable	9,000
	9,000
Total Liabilities	9,000
NET ASSETS:	
Investment in Capital Assets, Net of Related Debt	6,370
Unrestricted / (Deficit)	(7,561)
	\$ (1,191)

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

Exhibit B-5

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 197,331
Special Events	537
	197,868
Total Operating Revenue	197,868
Operating Expenses:	
Cost of Sales	88,853
Salaries	85,254
Payroll Taxes	7,295
Employee Benefits	17,568
Supplies and Materials	1,041
Depreciation Expense	838
	200,849
Total Operating Expenses	200,849
Operating (Loss)	(2,981)
Non-Operating Revenue:	
Local Sources:	
Board Contribution	3,249
Interest Revenue	114
	3,363
Total Non-Operating Revenue	3,363
Change in Net Assets	382
Net Assets/(Deficit) - Beginning of Year	(1,573)
Net Assets/(Deficit) - End of Year	\$ (1,191)

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

Exhibit B-6

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-Type Activities: Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 197,868
Payments to Employees	(110,117)
Payments to Food Service Vendor	(89,866)
Payments to Suppliers	(1,041)
Net Cash (Used for) Operating Activities	<u>(3,156)</u>
Cash Flows from Investing Activities:	
Interest Revenue	114
Net Cash Provided by Investing Activities	<u>114</u>
Cash Flows from Noncapital Financing Activities:	
Board Contribution	3,249
Net Cash Provided by Noncapital Financing Activities	<u>3,249</u>
Net Increase in Cash and Cash Equivalents	207
Cash and Cash Equivalents, July 1	<u>2</u>
Cash and Cash Equivalents, June 30	<u>\$ 209</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (2,981)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	838
Changes in Assets and Liabilities:	
(Increase) in Inventory	(416)
(Decrease) in Accounts Payable	(597)
Net Cash (Used for) Operating Activities	<u>\$ (3,156)</u>

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

Exhibit B-7

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	<u>Agency</u>	<u>Flex Spending Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 87,190	\$ 8,239
Total Assets	<u>87,190</u>	<u>8,239</u>
LIABILITIES:		
Interfund Payable - General Fund	2,795	
Interfund Payable - Unemployment Compensation Trust Fund	4,701	
Payroll Deductions and Withholdings	50,818	
Due to Student Groups	<u>28,876</u>	
Total Liabilities	<u>87,190</u>	
NET ASSETS:		
Held in Trust for: Flex Spending Claims		<u>8,239</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ 8,239</u>

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Flex Spending Trust</u>
Additions:	
Contributions:	
Plan Contributions	\$ 18,050
Total Contributions	<u>18,050</u>
Investment Earnings:	
Interest	<u>14</u>
Net Investment Earnings	<u>14</u>
Total Additions	<u>18,064</u>
Deductions:	
Flex Spending Claims	9,815
Other Miscellaneous Expenditures	<u>10</u>
Total Deductions	<u>9,825</u>
Change in Net Assets	8,239
Net Assets - Beginning of the Year	<u>- 0 -</u>
Net Assets - End of the Year	<u>\$ 8,239</u>

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

District-Wide Financial Statements:

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting:

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

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

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

C. Measurement Focus and Basis of Accounting: (Cont'd)

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

Reports for the District's Food Service Fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and are voted upon at the school election on the fourth Wednesday in April, 2011. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 13,024,525	\$ 194,594
Differences - Budget to GAAP:		
Current year State Aid payments recognized for budgetary purposes, not recognized for GAAP Statements.	(17,011)	
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 13,007,514</u>	<u>\$ 194,594</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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

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

Uses/Outflows of Resources:	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 12,292,746	\$ 194,594
Total Expenditures as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,292,746</u>	<u>\$ 194,594</u>

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as deferred revenue at fiscal year-end.

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

K. Capital Assets:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2012.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with District personnel policies. Upon termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after varying years of service based upon employees' individual contracts.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

N. Compensated Absences: (Cont'd)

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

O. Deferred Revenue:

Deferred revenue in the Special Revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated:

General Fund: Of the \$3,242,456 General Fund fund balance at June 30, 2012, \$28,323 is assigned for encumbrances; \$1,136 is restricted in the capital reserve account; \$203,076 is restricted in the emergency reserve account; \$1,742,265 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2014; \$845,345 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2013; and \$422,311 is unassigned.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2003, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$17,011, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

Q. Net Assets:

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

R. Deficit Net Assets:

The District has a deficit in net assets in the Statement of Net Assets, Business-type Activities as of June 30, 2012 in the amount of \$1,191 primarily due to the compensated absences payable of \$9,000. This deficit does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the prior fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions (as detailed in Note 1B). This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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

Fund balance restrictions have been established for excess surplus, a capital reserve and an emergency reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2012.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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

official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources of \$28,323 for year-end encumbrances in the General Fund at June 30, 2012.

T. Operating Revenue and Expenses:

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

U. Revenue - Exchange and Non-exchange Transactions:

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

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

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

V. Management Estimates:

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

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

Investments: (Cont'd)

- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2012, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Capital Reserve Account	Emergency Reserve Account	Total
Checking and Savings Accounts	\$ 2,945,100	\$ 1,136	\$ 203,076	\$ 3,149,312

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2012, was \$3,149,312 and the bank balance was \$3,210,293.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution during for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

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

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$	1,135
Budgeted Increase - Interest Earnings		1
Ending Balance, June 30, 2012	\$	1,136

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects at June 30, 2012 exceeds the balance in the capital reserve account as of June 30, 2012.

NOTE 5. EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by the Demarest Borough School District by inclusion of \$201,156 for the accumulation of funds which are restricted for use as unanticipated general fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year-end of any unanticipated revenue or unexpended line item appropriation or both. The department has defined year-end for the purpose of depositing surplus into reserve accounts as an amount approved by the District Board of Education between June 1st and June 30th. Withdrawals from the reserve require the approval of the State Commissioner of Education unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 5. EMERGENCY RESERVE ACCOUNT(Cont'd)

The activity of the emergency reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 203,056
Interest Earnings	<u>20</u>
Ending Balance, June 30, 2012	<u>\$ 203,076</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2012, the District transferred \$6,089 to the capital outlay accounts for Construction Services. The District acquired the approval of the County Superintendent for the transfer.

NOTE 7. CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 226,534
Student & Instruction Related Services	103,499
General Administrative Services	2,734
School Administrative Services	6,763
Plant Operations and Maintenance	16,692
Pupil Transportation	<u>3,526</u>
	<u>\$ 359,748</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 7. CAPITAL ASSETS (Cont'd)

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

	(Restated) Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,303,570			\$ 1,303,570
Construction in Progress	186,836			186,836
Total Capital Assets not Being Depreciated	1,490,406			1,490,406
Capital Assets Being Depreciated				
Buildings and Building Improvements	13,530,363			13,530,363
Machinery and Equipment	1,626,584			1,626,584
Total Capital Assets Being Depreciated	15,156,947			15,156,947
Governmental Activities Capital Assets	16,647,353			16,647,353
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(4,433,194)	(306,909)		(4,740,103)
Machinery and Equipment	(1,336,950)	(52,839)		(1,389,789)
Total Accumulated Depreciation	(5,770,144)	(359,748)		(6,129,892)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 10,877,209	\$ (359,748)	\$ -0-	\$ 10,517,461
Business -Type Activities:				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 66,655			\$ 66,655
Less: Accumulated Depreciation	(59,447)	\$ (838)		(60,285)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 7,208	\$ (838)	\$ -0-	\$ 6,370

(Details of the District's capital assets restatement are more fully described in Note 17).

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the District-wide financial statements:

	Balance June 30, 2011	Accrued	Retired	Balance June 30, 2012
Serial Bonds Payable	\$ 7,060,000		\$ 320,000	\$ 6,740,000
Capital Leases Payable	212,958	\$ 80,780	102,224	191,514
Compensated Absences Payable	122,720	29,542	9,000	143,262
	<u>\$ 7,395,678</u>	<u>\$ 110,322</u>	<u>\$ 431,224</u>	<u>\$ 7,074,776</u>

A. Bonds Payable:

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

The District had bonds outstanding at June 30, 2012 as follows:

<u>Serial Bonds</u>			
<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>
02/21/07	02/15/26	3.70-4.00%	<u>\$ 6,740,000</u>

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

<u>Fiscal Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 345,000	\$ 282,675	\$ 627,675
2014	370,000	268,875	638,875
2015	390,000	254,075	644,075
2016	415,000	238,475	653,475
2017	440,000	218,763	658,763
2018-2022	2,440,000	662,041	3,102,041
2023-2026	2,340,000	238,000	2,578,000
	<u>\$ 6,740,000</u>	<u>\$ 2,162,904</u>	<u>\$ 8,902,904</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

A. Bonds Payable: (Cont'd)

On February 21, 2007, the District issued refunding school bonds of \$7,135,000 with interest rates ranging from 3.70% to 4.00% to advance refund \$6,904,000 school bonds with an interest rate of 4.75%. The bonds mature on February 15, 2008 through 2026 and February 15, 2018 is the first optional redemption date at 100% of par. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds were called on February 15, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the School's government-wide financial statements.

As a result of the advance refunding, the School reduced its total debt service requirement by \$384,251, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$270,333.

B. Bonds Authorized But Not Issued:

As of June 30, 2012, the District has no bonds authorized but not issued.

C. Capital Leases Payable:

The District purchased various computer technology, copiers, and a bus under capital leases. All capital leases are for terms of three years for the computers and copiers, and five years for the bus and will be retired through the General Fund. The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2012.

	Amount
2013	\$ 112,422
2014	25,588
2015	26,458
2016	27,375
2017	4,570
	196,413
Less: Amount Representing Interest	(4,899)
Present Value of Net Minimum Lease Payments	\$ 191,514

The current portion of capital leases payable is \$109,618 and the long term portion is \$81,896.

D. Compensated Absences Payable:

No portion of the compensated absences balance represents a current liability; therefore, the entire balance of \$134,262 is reported as a long-term liability in the governmental fund types. The General Fund will be used to liquidate Compensated Absences Payable.

No portion of the compensated absences balance represents a current liability; therefore, the entire balance of \$9,000 is reported as a long-term liability in the food service fund. The Food Service Fund will be used to liquidate Compensated Absences Payable.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 9. TEMPORARY (BOND ANTICIPATION) NOTES PAYABLE

The District issued grant anticipation notes as temporary financing for the capital referendum project for roof repairs and replacement to Demarest Middle School. These notes were issued in anticipation of collection of the Schools Development Authority grant award for the project. The District had \$1,262,583 in temporary notes payable outstanding at June 30, 2012 at an interest rate of 1.25% which matured on July 7, 2012. Upon maturity the temporary note was reissued in the amount of \$1,262,583, maturing on June 27, 2013 at an interest rate of 1.25%.

NOTE 10. PENSION PLANS

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

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS and TPAF went from 5.5% to 6.5% of employees' annual compensation as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District Contributions to PERS amounted to \$166,956, \$178,001 and \$116,727 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

District Contributions to TPAF for normal pension benefits on-behalf amounted to \$154,429, \$-0- and \$-0- for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 11. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Laws 2007 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, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, of Public Laws 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126 of Public Laws 1992, which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$310,444, \$313,311, and \$300,913 for 2012, 2011, and 2010, respectively.

NOTE 12. RISK MANAGEMENT

The District maintains insurance coverage for property, liability, student accident and surety bonds. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are covered through Horizon Blue Cross/Blue Shield of New Jersey.

Property and Liability Insurance

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 12. RISK MANAGEMENT (Cont' d)

Financial information for the Group as of June 30, 2012 was not available as of the date of the audit report. Selected, summarized financial information for the Group as of June 30, 2011 is as follows:

	Northeast Bergen County School Board Insurance Group
Total Assets	\$ 20,698,901
Net Assets	\$ 12,451,154
Total Revenue	\$ 12,595,301
Total Expenses	\$ 9,871,887
Change in Net Assets	\$ 2,723,414
Net Assets Distribution to Participating Members	\$ 1,000,000

Financial statements for the Group are available at the Group's Executive Director's Office.

Burton Agency
44 Bergen Street
P.O. Box 270
Westwood, NJ 07675
(201) 664-0310

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District's claims are paid by the State.

NOTE 13. DEFERRED COMPENSATION

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

Great American Life Insurance Company (G.A.L.I.C.)
AXA/Equitable Life Assurance
Metropolitan Life Insurance Company
Prudential Insurance Company

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 14. ECONOMIC DEPENDENCY

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

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balance remained on the balance sheet at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 19,208	
Special Revenue Fund		\$ 1,158
Fiduciary Funds - Due From Payroll Agency		18,050
	<u>\$ 19,208</u>	<u>\$ 19,208</u>

The interfund receivable in the General Fund and the interfund payable in the Special Revenue Fund represent the deficit cash balance in the Special Revenue Fund. The interfund receivable in the General Fund and the interfund payable in the Payroll Agency represents excess funds that were transferred to the Payroll Agency which are due back to the General Fund over the next year.

NOTE 16. TAX CALENDAR

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 17. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to correct the value of Capital Assets and Net Assets – Invested in Capital Assets, Net of Related Debt reported in its Governmental and Business-type activities as of June 30, 2011. The financial statements for June 30, 2011 have been restated as follows:

	Balance 6/30/11 as Previously Reported	Retroactive Adjustments	Balance 6/30/11 as Restated
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
Assets:			
Capital Assets Not Being Depreciated:			
Sites (Land)	\$ 1,303,570		\$ 1,303,570
Construction in Progress	186,836		186,836
Total Capital Assets Not Being Depreciated	<u>1,490,406</u>		<u>1,490,406</u>
Capital Assets Being Depreciated:			
Buildings & Building Improvements	22,680,743	\$ (9,150,380)	13,530,363
Machinery & Equipment	1,626,584		1,626,584
Total Capital Assets Being Depreciated	<u>24,307,327</u>	<u>(9,150,380)</u>	<u>15,156,947</u>
Governmental Activities Capital Assets	<u>25,797,733</u>	<u>(9,150,380)</u>	<u>16,647,353</u>
Less Accumulated Depreciation for:			
Buildings & Building Improvements	(4,858,027)	424,833	(4,433,194)
Machinery & Equipment	(1,386,950)	50,000	(1,336,950)
Total Accumulated Depreciation	<u>(6,244,977)</u>	<u>474,833</u>	<u>(5,770,144)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>19,552,756</u>	<u>(8,675,547)</u>	<u>10,877,209</u>
Net Assets:			
Invested in Capital Assets, Net of Depreciation	12,279,798	(8,675,547)	3,604,251
Total Net Assets	14,587,654	(8,675,547)	5,912,107

This correction had no impact on the District's operations or statement of activities for the fiscal year ended June 30, 2011.

NOTE 18. CONTINGENT LIABILITIESGrant Programs

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

Litigation

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

Encumbrances

At June 30, 2012, there were encumbrances in the General Fund of \$28,323.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 11,534,796		\$ 11,534,796	\$ 11,534,796	
Tuition:					
From Other Individuals	20,000		20,000	56,380	\$ 36,380
Interest Earned on Capital Reserve Funds		\$ 1	1	1	
Interest Earned on Emergency Reserve Funds		20	20	20	
Miscellaneous	120,000		120,000	152,219	32,219
Total - Local Sources	<u>11,674,796</u>	<u>21</u>	<u>11,674,817</u>	<u>11,743,416</u>	<u>68,599</u>
State Sources:					
Categorical Special Education Aid	123,613		123,613	247,226	123,613
Extraordinary Special Education Costs Aid				186,085	186,085
Nonpublic School Transportation Costs				3,237	3,237
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				154,429	154,429
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				310,444	310,444
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				362,236	362,236
Total State Sources	<u>123,613</u>		<u>123,613</u>	<u>1,263,657</u>	<u>1,140,044</u>
Federal Sources:					
Medicaid Reimbursement	1,394		1,394		(1,394)
Education Jobs Fund	16,922	530	17,452	17,452	
Total Federal Sources	<u>18,316</u>	<u>530</u>	<u>18,846</u>	<u>17,452</u>	<u>(1,394)</u>
TOTAL REVENUES	<u>11,816,725</u>	<u>551</u>	<u>11,817,276</u>	<u>13,024,525</u>	<u>1,207,249</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 239,926		\$ 239,926	\$ 237,219	\$ 2,707
Grades 1-5 - Salaries of Teachers	1,579,772	\$ (141,000)	1,438,772	1,377,372	61,400
Grades 6-8 - Salaries of Teachers	1,664,845	(14,548)	1,650,297	1,598,091	52,206
Regular Programs - Home Instruction:					
Salaries of Teachers	6,000		6,000	2,228	3,772
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	23,705		23,705	21,918	1,787
Purchased Professional - Educational Services	2,250		2,250	2,250	2,250
Purchased Technical Services	86,365	(8,000)	78,365	74,335	4,030
Other Purchased Services (400-500 series)	96,700	(5,000)	91,700	88,154	3,546
General Supplies	205,703	89,000	294,703	253,625	41,078
Textbooks	5,379		5,379	4,485	894
Other Objects	5,620		5,620	3,878	1,742
Total Regular Programs - Instruction	3,916,265	(79,548)	3,836,717	3,661,305	175,412
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	807,707	(26,000)	781,707	722,605	59,102
Other Purchased Services (400-500 series)	125		125	125	125
General Supplies	11,878		11,878	9,992	1,886
Textbooks	672		672	672	672
Total Resource Room/Resource Center	820,382	(26,000)	794,382	732,597	61,785
Total Special Education Instruction	820,382	(26,000)	794,382	732,597	61,785
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	70,441	18,000	88,441	54,800	33,641
General Supplies	3,084	(100)	2,984	821	2,163
Other Object			100	24	76
Total Basic Skills/Remedial - Instruction	73,525	17,900	91,525	55,645	35,880

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 71,004		\$ 71,004	\$ 51,925	\$ 19,079
Other Purchased Services (400-500 Series)	225		225	92	133
General Supplies	9,674		9,674	8,948	726
Other Objects	100		100	95	5
Total Bilingual Education - Instruction	81,003		81,003	61,060	19,943
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	92,624		92,624	91,655	969
Purchased Services (300-500 series)	9,500		9,500	5,347	4,153
Supplies and Materials	4,438		4,438	2,591	1,847
Other Objects	1,500		1,500	848	652
Total School-Sponsored Cocurricular Activities - Instruction	108,062		108,062	100,441	7,621
Community Services Programs / Operations:					
Salaries	40,552	\$ 310	40,862	40,853	9
Purchased Services (300-500 series)	13,500		13,500	10,940	2,560
Total Community Services Programs / Operations	54,052	310	54,362	51,793	2,569
Total Instruction	5,053,289	(87,338)	4,966,051	4,662,841	303,210
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	666,699	81,430	748,129	570,390	177,739
Tuition to Private Schools for the Disabled - Within the State	394,647		394,647	230,861	163,786
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	84,680		84,680	61,987	22,693
Total Undistributed Expenditures - Instruction	1,146,026	81,430	1,227,456	863,238	364,218

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Attendance and Social Work:					
Salaries	\$ 42,341		\$ 42,341	\$ 37,756	\$ 4,585
Total Attendance and Social Work	42,341		42,341	37,756	4,585
Health Services:					
Salaries	143,227		143,227	139,548	3,679
Purchased Professional and Technical Services	90	\$ 10	100	95	5
Other Purchased Services (400-500 series)	300		300	156	144
Supplies and Materials	3,809	(10)	3,799	3,242	557
Total Health Services	147,426		147,426	143,041	4,385
Speech, OT, PT & Related Services:					
Salaries	174,248		174,248	173,713	535
Purchased Professional - Educational Services	121,385		121,385	96,000	25,385
Supplies and Materials	4,509		4,509	4,011	498
Other Objects	850		850	400	450
Total Speech, OT, PT & Related Services	300,992		300,992	274,124	26,868
Other Support Services - Students - Extraordinary Services:					
Salaries	374,066	3,728	377,794	372,150	5,644
Purchased Professional - Educational Services	10,000		10,000		10,000
Supplies and Materials	3,000		3,000		3,000
Total Other Support Services - Students - Extraordinary Services	387,066	3,728	390,794	372,150	18,644

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Guidance:					
Salaries of Other Professional Staff	\$ 175,989		\$ 175,989	\$ 172,201	3,788
Salaries of Secretarial and Clerical Assistants	28,652	\$ 550	29,202	29,081	121
Purchased Professional - Educational Services	11,350		11,350	8,905	\$ 2,445
Other Purchased Services (400-500 series)	3,775		3,775	2,599	1,176
Supplies and Materials	3,389		3,389	3,240	149
Total Guidance	223,155	550	223,705	216,026	7,679
Child Study Teams:					
Salaries of Other Professional Staff	246,572		246,572	214,680	31,892
Salaries of Secretarial and Clerical Assistants	55,890	455	56,345	56,343	2
Other Salaries	7,600		7,600	1,212	6,388
Purchased Professional - Educational Services	36,000		36,000	31,420	4,580
Miscellaneous Purchased Services	3,700		3,700	1,430	2,270
Supplies and Materials	3,600		3,600	1,540	2,060
Total Child Study Teams	353,362	455	353,817	306,625	47,192
Improvement of Instructional Services:					
Purchased Professional - Educational Services	33,639		33,639	31,163	2,476
Total Improvement of Instructional Services	33,639		33,639	31,163	2,476
Educational Media Services/School Library:					
Salaries	104,590		104,590	96,283	8,307
Purchased Professional and Technical Services	6,375		6,375	6,340	35
Other Purchased Services (400-500 series)	125		125	53	72
Supplies and Materials	19,916		19,916	18,468	1,448
Other Objects	50		50	50	
Total Educational Media Services/School Library	131,056		131,056	121,194	9,862

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Salaries	\$ 2,000		\$ 2,000	\$ 450	\$ 1,550
Purchased Professional - Educational Services	26,015		26,015	19,733	6,282
Other Purchased Services (400-500 series)	2,000		2,000	361	1,639
Supplies and Materials	2,250		2,250		2,250
Total Instructional Staff Training Services	32,265		32,265	20,544	11,721
Support Services - General Administration:					
Salaries	223,838	\$ (3,000)	220,838	214,156	6,682
Legal Services	30,000	10,000	40,000	21,068	18,932
Audit Fees	12,000		12,000	12,000	
Architectural / Engineering Services	12,000	4,000	16,000	4,243	11,757
Other Purchased Professional Services	3,200		3,200	2,208	992
Communications/Telephone	28,000	2,000	30,000	28,033	1,967
BOE Other Purchased Services	5,960	(360)	5,600	4,357	1,243
Miscellaneous Purchased Services (400-500 series)	16,700	360	17,060	3,310	13,750
General Supplies	4,300	4,000	8,300	4,138	4,162
BOE In-House Training / Meeting Supplies	500		500		500
Miscellaneous Expenditures	4,000		4,000		4,000
BOE Membership Dues and Fees	10,000		10,000	9,407	593
Total Support Services - General Administration	350,498	17,000	367,498	302,920	64,578

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 249,414	\$ 9,000	\$ 258,414	\$ 258,303	\$ 111
Salaries of Secretarial and Clerical Assistants	114,030	4,000	118,030	116,324	1,706
Purchased Professional and Technical Services	250		250	150	100
Other Purchased Services (400-500 series)	4,700		4,700	3,285	1,415
Supplies and Materials	9,876		9,876	9,361	515
Total Support Services - School Administration	378,270	13,000	391,270	387,423	3,847
Central Services:					
Salaries	221,958	255	222,213	221,979	234
Purchased Technical Services	600		600		600
Miscellaneous Purchased Services (400-500 series)	22,300		22,300	20,542	1,758
Supplies and Materials	2,200	5,000	7,200	1,614	5,586
Interest on Bond Anticipation Notes (BANs)	34,243	12,060	46,303	46,300	3
Total Central Services	281,301	17,315	298,616	290,435	8,181
Required Maintenance of School Facilities:					
Salaries	61,295	(41,799)	19,496	19,457	39
Cleaning, Repair and Maintenance Services	98,267	48,000	146,267	114,108	32,159
General Supplies	12,500	19,940	32,440	22,514	9,926
Other Objects	33,000	52,000	85,000	79,155	5,845
Total Required Maintenance of School Facilities	205,062	78,141	283,203	235,234	47,969
Custodial Services:					
Salaries	428,172	6,899	435,071	397,264	37,807
Purchased Professional and Technical Services	12,000	(2,000)	10,000		10,000
Other Purchased Property Services	20,000		20,000	11,625	8,375
Insurance	92,400		92,400	84,519	7,881

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Custodial Services:					
Miscellaneous Purchased Services	\$ 500		\$ 500	\$ 87	\$ 413
General Supplies	53,997	\$ 42,400	96,397	71,493	24,904
Energy (Electricity)	157,000		157,000	146,246	10,754
Energy (Natural Gas)	131,000	(18,000)	113,000	64,397	48,603
Energy (Gasoline)	4,000	2,200	6,200	6,164	36
Other Objects	44,800		44,800	25,858	18,942
Total Custodial Services	943,869	31,499	975,368	807,653	167,715
Student Transportation Services:					
Salaries for Pupil Transportation:					
Salaries of Non-Instructional Aides	18,259		18,259	\$ 15,340	2,919
Between Home and School - Special	17,222	2,400	19,622	19,559	63
Other Purchased Professional and Technical Services	1,000		1,000	170	830
Cleaning, Repair and Maintenance Services	5,000		5,000	2,458	2,542
Lease Purchase Payments - School Buses	10,000		10,000	9,691	309
Contracted Services:					
Between Home and School - Vendors	234,000	(43,921)	190,079	56,353	133,726
Aid in Lieu of Payments - Nonpublic Students	24,000		24,000	10,608	13,392
Miscellaneous Purchased Services - Transportation	3,000		3,000		3,000
Other Objects	1,000		1,000	458	542
Total Student Transportation Services	313,481	(41,521)	271,960	114,637	157,323
Unallocated Employee Benefits:					
Social Security Contributions	163,600	1,200	164,800	131,762	33,038
Other Retirement Contributions - PERS	198,681	3,000	201,681	166,956	34,725
Unemployment Compensation	34,200	250	34,450	24,924	9,526
Workmen's Compensation	91,133		91,133	89,017	2,116

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Employee Benefits:					
Health Benefits	\$ 1,552,040	\$ (13,000)	\$ 1,539,040	\$ 1,341,988	\$ 197,052
Tuition Reimbursement	8,000	1	8,001	8,000	1
Other Employee Benefits	48,000		48,000	34,906	13,094
Total Unallocated Employee Benefits	2,095,654	(8,549)	2,087,105	1,797,553	289,552
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				154,429	(154,429)
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				310,444	(310,444)
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				362,236	(362,236)
Total On-Behalf Contributions				827,109	(827,109)
Total Personal Services - Employee Benefits	2,095,654	(8,549)	2,087,105	2,624,662	(537,557)
Total Undistributed Expenses	7,365,463	193,048	7,558,511	7,148,825	409,686
TOTAL GENERAL CURRENT EXPENSE	12,418,752	105,710	12,524,562	11,811,666	712,896
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5		23,311	23,311	23,311	
Grades 6-8		30,600	30,600	30,600	
Custodial Services		16,000	16,000	15,950	50
Assets Acquired Under Capital Leases (Non-budgeted)				80,780	(80,780)
Total Equipment		69,911	69,911	150,641	(80,730)

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Facilities Acquisition and Construction Services:					
Other Purchased Professional and Technical Services	\$ 34,000	\$ (2,600)	\$ 31,400	\$ 21,385	\$ 10,015
Construction Services	381,145	8,753	389,898	389,834	64
Other Objects	64	(64)			
Total Facilities Acquisition and Construction Services	<u>415,209</u>	<u>6,089</u>	<u>421,298</u>	<u>411,219</u>	<u>10,079</u>
TOTAL CAPITAL OUTLAY	<u>415,209</u>	<u>76,000</u>	<u>491,209</u>	<u>561,860</u>	<u>(70,651)</u>
TOTAL EXPENDITURES	<u>12,833,961</u>	<u>181,710</u>	<u>13,015,771</u>	<u>12,373,526</u>	<u>642,245</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,017,236)</u>	<u>(181,159)</u>	<u>(1,198,495)</u>	<u>650,999</u>	<u>1,849,494</u>
Other Financing Uses:					
Operating Transfer In/(Out):					
Capital Leases (Non-Budgeted)				80,780	80,780
Transfer to Food Service Fund	(28,850)	(550)	(29,400)	(3,249)	26,151
Total Other Financing Uses	<u>(28,850)</u>	<u>(550)</u>	<u>(29,400)</u>	<u>77,531</u>	<u>106,931</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	<u>(1,046,086)</u>	<u>(181,709)</u>	<u>(1,227,895)</u>	<u>728,530</u>	<u>1,956,425</u>
Fund Balance, July 1	<u>2,530,937</u>		<u>2,530,937</u>	<u>2,530,937</u>	
Fund Balance, June 30	<u>\$ 1,484,851</u>	<u>\$ (181,709)</u>	<u>\$ 1,303,042</u>	<u>\$ 3,259,467</u>	<u>\$ 1,956,425</u>
<u>Recapitulation of Fund Balance at June 30, 2012:</u>					
Restricted:					
Excess Surplus				\$ 1,742,265	
Excess Surplus - Subsequent Year's Expenditures				845,345	
Capital Reserve				1,136	
Emergency Reserve				203,076	
Assigned:					
Year-End Encumbrances				28,323	
Unassigned				<u>439,322</u>	
Total Fund Balance (Budgetary/GAAP)				<u>3,259,467</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(17,011)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 3,242,456</u>	

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources		\$ 1,098	\$ 1,098	\$ 300	\$ (798)
Federal Sources	\$ 137,216	57,078	194,294	194,294	
Total Revenues	<u>137,216</u>	<u>58,176</u>	<u>195,392</u>	<u>194,594</u>	<u>(798)</u>
EXPENDITURES:					
Instruction:					
Tuition	137,216	7,609	144,825	144,825	
General Supplies		23,029	23,029	23,029	
Total Instruction	<u>137,216</u>	<u>30,638</u>	<u>167,854</u>	<u>167,854</u>	
Support Services:					
Purchased Professional and Technical Services		27,538	27,538	26,740	798
Total Support Services		<u>27,538</u>	<u>27,538</u>	<u>26,740</u>	<u>798</u>
Total Expenditures	<u>137,216</u>	<u>58,176</u>	<u>195,392</u>	<u>194,594</u>	<u>798</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 13,024,525	\$ 194,594
Difference - Budget to GAAP: Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(17,011)</u>	<u> </u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 13,007,514</u>	<u>\$ 194,594</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 12,373,526</u>	<u>\$ 194,594</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,373,526</u>	<u>\$ 194,594</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2012 was submitted to the County office and was voted upon at the school election on the fourth Wednesday in April 2011. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

BOROUGH OF DEMAREST SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>IDEA Part B</u>		<u>No Child Left Behind Title III</u>	<u>Character Education Aid</u>	<u>Totals</u>
	<u>Basic</u>	<u>Preschool</u>			
REVENUE:					
State Sources				\$ 300	\$ 300
Federal Sources	\$ 169,767	\$ 10,498	\$ 14,029		194,294
Total Revenue	<u>169,767</u>	<u>10,498</u>	<u>14,029</u>	<u>300</u>	<u>194,594</u>
EXPENDITURES:					
Instruction:					
Tuition	134,327	10,498			144,825
General Supplies	9,000		14,029		23,029
Total Instruction	<u>143,327</u>	<u>10,498</u>	<u>14,029</u>		<u>167,854</u>
Support Services:					
Purchased Professional and Technical Services	26,440			300	26,740
Total Support Services	<u>26,440</u>			<u>300</u>	<u>26,740</u>
Total Expenditures	<u>\$ 169,767</u>	<u>\$ 10,498</u>	<u>\$ 14,029</u>	<u>\$ 300</u>	<u>\$ 194,594</u>

CAPITAL PROJECTS FUND

Exhibit F-1

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2012

Expenditures and Other Financing Uses:	
Operating Transfers Out:	
Transfer to General Fund	\$ 20
Transfer to Capital Reserve- Unexpended Balance of Project	<u>2,321</u>
Total Expenditures and Other Financing Uses	<u>2,341</u>
Deficiency of Revenue and Other Financing Sources Under Expenditures and Other Financing Uses	(2,341)
Fund Balance - Beginning	<u>2,341</u>
Fund Balance - Ending	<u><u>\$ -0-</u></u>

Exhibit F-1a

BOROUGH OF DEMAREST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPAIRS AND REPLACEMENT
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
Investment Income	\$ 20	\$ (20)		
Transfer from Capital Outlay	186,836	(2,321)	\$ 184,515	\$ 184,515
Total Revenue and Other Financing Sources	<u>186,856</u>	<u>(2,341)</u>	<u>184,515</u>	<u>184,515</u>
Expenditures:				
Construction Services	184,515		184,515	184,515
Total Expenditures	<u>184,515</u>		<u>184,515</u>	<u>184,515</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 2,341</u>	<u>\$ (2,341)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 186,836			
Revised Authorized Cost	\$ 184,515			
Change Order Percentage	1.24%			
Percentage Completion	100.00%			
Original Target Completion Date	6/30/2009			
Revised Target Completion Date	6/30/2012			

BOROUGH OF DEMAREST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Referendum Date	Original Issuance Date	Purpose	Date of		Interest Rate	Balance July 1, 2011	Issued	Retired or Matured	Balance June 30, 2012
			Issue	Date					
9/25/2001	5/22/2003	School Renovations	7/5/2011	7/6/2012	1.25%	\$ 2,025,000		\$ 2,025,000	
			7/28/2012	7/27/2013	1.25%		\$ 1,262,583		1,262,583
						\$ 2,025,000	\$ 1,262,583	\$ 2,025,000	\$ 1,262,583

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 209	
Inventory	1,230	

Total Current Assets		1,439
----------------------	--	-------

Non-Current Assets:

Capital Assets	66,655	
Less: Accumulated Depreciation	(60,285)	

Total Non-Current Assets		6,370
--------------------------	--	-------

Total Assets		7,809
--------------	--	-------

Long-term Liabilities:

Compensated Absences Payable		9,000
------------------------------	--	-------

Total Liabilities		9,000
-------------------	--	-------

NET ASSETS:

Investment in Capital Assets, Net of Related Debt	6,370	
Unrestricted / (Deficit)	(7,561)	

Total Net Assets (Deficit)		\$ (1,191)
----------------------------	--	------------

Exhibit G-2

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 197,331
Other Deposits	537
	<hr/>
Total Operating Revenue	197,868
	<hr/>
Operating Expenses:	
Cost of Sales	88,853
Salaries	85,254
Payroll Taxes	7,295
Employee Benefits	17,568
Supplies and Materials	1,041
Depreciation Expense	838
	<hr/>
Total Operating Expenses	200,849
	<hr/>
Operating Income/(Loss)	(2,981)
	<hr/>
Non-Operating Revenue:	
Local Sources:	
Board Contribution	3,249
Interest Revenue	114
	<hr/>
Total Non-Operating Revenue	3,363
	<hr/>
Change in Net Assets	382
	<hr/>
Net Assets/(Deficit) - Beginning of Year	(1,573)
	<hr/>
Net Assets (Deficit) - End of Year	\$ (1,191)
	<hr/> <hr/>

Exhibit G-3

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 197,868
Payments to Employees	(110,117)
Payments to Food Service Vendor	(89,866)
Payments to Suppliers	(1,041)
	<u>(3,156)</u>
Net Cash (Used for) Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	114
	<u>114</u>
Net Cash Provided by Investing Activities	
Cash Flows from Noncapital Financing Activities:	
Board Contribution	3,249
	<u>3,249</u>
Net Increase in Cash and Cash Equivalents	207
Cash and Cash Equivalents, July 1	<u>2</u>
Cash and Cash Equivalents, June 30	<u>\$ 209</u>
Reconciliation of Operating (Loss) to Net Cash	
(Used for) Operating Activities:	
Operating (Loss)	\$ (2,981)
Adjustment to Reconcile Operating (Loss) to Cash	
(Used for) Operating Activities:	
Depreciation	838
Changes in Assets and Liabilities:	
(Increase) in Inventory	(416)
(Decrease) in Accounts Payable	(597)
	<u>(597)</u>
Net Cash (Used for) Operating Activities	<u>\$ (3,156)</u>

FIDUCIARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Agency</u>		<u>Flexible Spending Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>		<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	\$ 28,876	\$ 58,314	\$ 87,190	\$ 8,239
Total Assets	<u>28,876</u>	<u>58,314</u>	<u>87,190</u>	<u>8,239</u>
LIABILITIES:				
Interfund Payable - General Fund		18,050	18,050	
Interfund Payable - Unemployment Compensation Trust Fund		4,701	4,701	
Payroll Deductions and Withholdings		35,563	35,563	
Due to Student Groups	<u>28,876</u>		<u>28,876</u>	
Total Liabilities	<u>28,876</u>	<u>58,314</u>	<u>87,190</u>	
NET ASSETS:				
Held in Trust for: Flex Spending Claims				<u>8,239</u>
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 8,239</u>

Exhibit H-2

PEQUANNOCK TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Plan Contributions	<u>\$ 18,050</u>
Total Contributions	<u>18,050</u>
Investment Earnings:	
Interest	<u>14</u>
Net Investment Earnings	<u>14</u>
Total Additions	<u>18,064</u>
DEDUCTIONS:	
Flex Spending Claims	9,815
Other Miscellaneous Expenditures	<u>10</u>
Total Deductions	<u>9,825</u>
Change in Net Assets	8,239
Net Assets - Beginning of the Year	<u>-0-</u>
Net Assets - End of the Year	<u>\$ 8,239</u>

Exhibit H-3

BOROUGH OF DEMAREST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	<u>\$ 51,722</u>	<u>\$ 132,449</u>	<u>\$ 155,295</u>	<u>\$ 28,876</u>
Total Assets	<u>\$ 51,722</u>	<u>\$ 132,449</u>	<u>\$ 155,295</u>	<u>\$ 28,876</u>
LIABILITIES:				
Due to Student Groups	<u>\$ 51,722</u>	<u>\$ 132,449</u>	<u>\$ 155,295</u>	<u>\$ 28,876</u>
Total Liabilities	<u>\$ 51,722</u>	<u>\$ 132,449</u>	<u>\$ 155,295</u>	<u>\$ 28,876</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Student Activities	\$ 27,461	\$ 132,439	\$ 131,024	\$ 28,876
Playground	<u>24,261</u>	<u>10</u>	<u>24,271</u>	<u> </u>
Total All Schools	<u>\$ 51,722</u>	<u>\$ 132,449</u>	<u>\$ 155,295</u>	<u>\$ 28,876</u>

Exhibit H-5

BOROUGH OF DEMAREST SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$ 58,760	\$ 7,572,873	\$ 7,573,319	\$ 58,314
Total Assets	<u>\$ 58,760</u>	<u>\$ 7,572,873</u>	<u>\$ 7,573,319</u>	<u>\$ 58,314</u>
LIABILITIES:				
Interfund Payable - General Fund		\$ 18,050		\$ 18,050
Interfund Payable - Unemployment Compensation Trust Fund		41,178	\$ 36,477	4,701
Payroll Deductions and Withholdings	\$ 58,760	7,513,645	7,536,842	35,563
Total Liabilities	<u>\$ 58,760</u>	<u>\$ 7,572,873</u>	<u>\$ 7,573,319</u>	<u>\$ 58,314</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2011	Retired/ Matured	Balance June 30, 2012
			Date	Amount				
Refunding School Bonds	2/21/2007	\$ 7,135,000	2/15/13	\$ 345,000	4.00%			
			2/15/14	370,000	4.00%			
			2/15/15	390,000	4.00%			
			2/15/16	415,000	4.75%			
			2/15/17	440,000	5.00%			
			2/15/18	440,000	5.00%			
			2/15/19	465,000	4.25%			
			2/15/20	490,000	4.00%			
			2/15/21	510,000	4.00%			
			2/15/22	535,000	4.00%			
			2/15/23	555,000	4.00%			
			2/15/24	575,000	4.00%			
			2/15/25	595,000	4.00%			
			2/15/26	615,000	4.00%			
					\$ 7,060,000	\$ 320,000	\$ 6,740,000	
					<u>\$ 7,060,000</u>	<u>\$ 320,000</u>	<u>\$ 6,740,000</u>	

BOROUGH OF DEMAREST SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Purpose	Original Issue	June 30, 2012		Interest Rate	Balance July 1, 2011	Issued	Matured	Balance June 30, 2012
		Date	Amount					
Computer Technology	\$ 248,571	8/1/12	\$ 85,284	2.75%	\$ 168,257		\$ 82,973	\$ 85,284
School Bus	44,701	10/1/12	8,694	2.75%	44,701		8,462	36,239
		10/1/13	8,934	2.75%				
		10/1/14	9,179	2.75%				
		10/1/15	9,432	2.75%				
Copiers	80,780	6/20/13	15,072	2.75%		\$ 80,780	10,789	69,991
		6/20/14	15,897	2.75%				
		6/20/15	16,767	2.75%				
		6/20/16	17,684	2.75%				
		9/20/17	4,571	2.75%				
					<u>\$ 212,958</u>	<u>\$ 80,780</u>	<u>\$ 102,224</u>	<u>\$ 191,514</u>
								6,931,514

Exhibit I-3

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 617,874		\$ 617,874	\$ 617,874	
Total Revenues	<u>617,874</u>		<u>617,874</u>	<u>617,874</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	297,875		297,875	297,875	
Redemption of Principal	320,000		320,000	320,000	
Total Regular Debt Service	<u>617,875</u>		<u>617,875</u>	<u>617,875</u>	
Total Expenditures	<u>617,875</u>		<u>617,875</u>	<u>617,875</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	<u>(1)</u>		<u>(1)</u>	<u>(1)</u>	
Fund Balance, July 1	<u>1</u>		<u>1</u>	<u>1</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION
(UNAUDITED)

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

Contents

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	(Restated) 2011	2012
Governmental Activities:								
Invested in capital assets, net of related debt	\$ 12,038,284	\$ 11,908,881	\$ 11,821,517	\$ 11,819,859	\$ 12,031,050	\$ 12,084,878	\$ 3,604,251	\$ 3,585,947
Restricted	315,647	519,808	973,037	1,419,364	1,898,700	1,778,193	1,761,859	2,820,145
Unrestricted	184,108	255,316	350,116	257,378	164,461	302,132	545,997	187,221
Total governmental activities net assets	<u>12,538,039</u>	<u>12,684,004</u>	<u>13,144,670</u>	<u>13,496,601</u>	<u>14,094,211</u>	<u>14,165,203</u>	<u>5,912,107</u>	<u>6,593,313</u>
Business-type activities								
Invested in capital assets, net of related debt				14,705	11,479	8,131	7,208	6,370
Unrestricted / (Deficit)	2,060	11,498	17,441	3,331	1,480	1,192	(8,781)	(7,561)
Total business-type activities net assets/(deficit)	<u>2,060</u>	<u>11,498</u>	<u>17,441</u>	<u>18,036</u>	<u>12,959</u>	<u>9,323</u>	<u>(1,573)</u>	<u>(1,191)</u>
District-wide								
Invested in capital assets, net of related debt	12,038,284	11,908,881	11,821,517	11,834,564	12,042,529	12,093,009	3,611,459	3,592,317
Restricted	315,647	519,808	973,037	1,419,364	1,898,700	1,778,193	1,761,859	2,820,145
Unrestricted	186,168	266,813	367,557	260,709	165,941	303,324	537,216	179,660
Total district net assets	<u>\$ 12,540,099</u>	<u>\$ 12,695,502</u>	<u>\$ 13,162,111</u>	<u>\$ 13,514,637</u>	<u>\$ 14,107,170</u>	<u>\$ 14,174,526</u>	<u>\$ 5,910,534</u>	<u>\$ 6,592,122</u>

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

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenses								
Governmental Activities								
Instruction:								
Regular Instruction	\$ 4,426,627	\$ 4,359,484	\$ 4,692,133	\$ 5,026,792	\$ 5,064,205	\$ 5,106,670	\$ 5,112,029	\$ 5,140,931
Special Education Instruction	887,801	927,373	925,199	911,912	1,085,286	1,064,971	1,316,740	1,206,584
Other Special Instruction						308,093	243,156	262,136
School Sponsored Instruction	328,492	344,871	498,163	346,763	389,934	183,446	95,504	100,441
Support Services:								
Tuition	709,470	972,370	1,077,021	1,231,982	1,406,754	1,434,724	1,051,907	863,238
Student and Instruction Related Services	1,512,050	1,678,734	1,489,310	1,709,018	1,492,569	1,901,714	2,096,459	2,132,099
General and Business Administrative Services	661,499	722,588	729,776	428,158	318,309	420,369	367,817	367,086
School Administrative Services	472,193	499,638	531,396	572,760	449,951	485,698	486,133	547,773
Central Services				370,924	434,562	336,961	389,248	390,537
Plant Operations and Maintenance	1,020,718	1,109,231	1,249,971	1,282,142	1,217,462	1,187,798	1,131,700	1,228,244
Pupil Transportation	243,490	317,667	327,225	253,100	269,183	264,350	170,611	126,037
Capital Outlay					(210,764)	5,975	234,352	483,421
Interest on Long-term Debt	413,872	405,575	396,228	327,724	334,464	321,492	307,244	287,000
Unallocated Depreciation					2,720	2,720		
Total Governmental Activities Expenses	10,676,212	11,337,533	11,916,422	12,461,276	12,254,635	13,024,981	13,002,900	13,135,527
Business-type Activities:								
Food Service	182,890	174,224	177,855	188,296	203,998	194,622	205,651	209,849
Total Business-type Activities Expense	182,890	174,224	177,855	188,296	203,998	194,622	205,651	209,849
Total District-wide Expenses	10,859,102	11,511,757	12,094,277	12,649,573	12,458,633	13,219,603	13,208,551	13,345,376

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues								
Governmental Activities:								
Charges for Services:								
Instruction (Tuition)				\$ 63,679			\$ 53,239	\$ 56,380
Operating Grants and Contributions	\$ 1,636,929	\$ 1,362,862	\$ 513,743	1,419,462	\$ 1,267,203	\$ 1,326,216	1,120,423	1,458,692
Total Governmental Activities Program Revenues	<u>1,636,929</u>	<u>1,362,862</u>	<u>513,743</u>	<u>1,483,141</u>	<u>1,267,203</u>	<u>1,326,216</u>	<u>1,173,662</u>	<u>1,515,072</u>
Business-type Activities:								
Charges for Services								
Food Service	180,715	183,662	183,799	186,783	184,076	189,554	184,353	201,117
Total Business-type Activities Program Revenues	<u>180,715</u>	<u>183,662</u>	<u>183,799</u>	<u>186,783</u>	<u>184,076</u>	<u>189,554</u>	<u>184,353</u>	<u>201,117</u>
Total District-wide Program Revenues	<u>1,817,644</u>	<u>1,546,524</u>	<u>697,542</u>	<u>1,669,924</u>	<u>1,451,279</u>	<u>1,515,770</u>	<u>1,358,015</u>	<u>1,716,189</u>
Net (Expense)/Revenue								
Governmental Activities	(9,039,283)	(9,974,670)	(11,402,679)	(10,978,135)	(10,987,432)	(11,698,765)	(11,829,238)	(11,620,455)
Business-type Activities	(2,175)	9,437	5,944	(1,514)	(19,922)	(5,068)	(21,298)	(8,732)
Total District-wide Net Expense	<u>(9,041,458)</u>	<u>(9,965,233)</u>	<u>(11,396,735)</u>	<u>(10,979,649)</u>	<u>(11,007,354)</u>	<u>(11,703,833)</u>	<u>(11,850,536)</u>	<u>(11,629,187)</u>
General Revenues and Other Changes in Net Assets:								
Governmental Activities:								
Taxes:								
Property Taxes, Levied for general Purposes	8,596,422	9,245,476	9,893,854	10,218,940	10,627,698	10,908,449	11,344,786	11,534,796
Property taxes, Levied for Debt Service Principal	161,105	203,375	649,950	638,388	604,143	600,085	632,865	617,874
Federal and State Aid Not Restricted	62,294	460,504	1,317,978	382,913	254,710	49,243	80,653	
Tuition (Other Than Special Schools)		31,951	56,662					

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities (Cont'd):								
Investment Earnings	\$ 17,317	\$ 33,036	\$ 80,319	\$ 500	\$ 300	\$ 26,343	\$ 530	\$ 21
Miscellaneous Income	77,846	146,295	95,582	208,829	114,412	185,325	194,058	152,219
Cancellation of Accounts Payable						1,541		
Increase in Long Term Debt due to Refinancing			(231,000)					
Transfers	(1,903)			(1,052)	(16,221)	(1,229)	(1,203)	(3,249)
Total Governmental Activities	<u>8,913,082</u>	<u>10,120,636</u>	<u>11,863,345</u>	<u>11,448,517</u>	<u>11,585,042</u>	<u>11,769,757</u>	<u>12,251,689</u>	<u>12,301,661</u>
Business-type Activities:								
Investment Earnings				1,056	348	203	199	114
Special Item - Reappraisal of Capital Assets					(1,724)			
Transfers	1,903			1,052	16,221	1,229	1,203	
Total Business-type Activities	<u>2,266</u>			<u>2,108</u>	<u>14,845</u>	<u>1,432</u>	<u>1,402</u>	<u>114</u>
Total District-wide General Revenues	<u>8,915,347</u>	<u>10,120,636</u>	<u>11,863,345</u>	<u>11,450,625</u>	<u>11,599,887</u>	<u>11,771,189</u>	<u>12,253,091</u>	<u>12,301,775</u>
Change in Net Assets								
Governmental Activities	(126,202)	145,965	460,666	470,382	597,610	70,992	422,451	681,206
Business-type Activities	91	9,437	5,944	595	(5,077)	(3,636)	(19,896)	(8,618)
Total District-wide Change in Net Assets	<u>\$ (126,110)</u>	<u>\$ 155,402</u>	<u>\$ 466,610</u>	<u>\$ 470,977</u>	<u>\$ 592,533</u>	<u>\$ 67,356</u>	<u>\$ 402,555</u>	<u>\$ 672,588</u>

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

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
General Fund :								
Reserved	\$ 273,510	\$ 482,953	\$ 1,005,358	\$ 1,378,203	\$ 1,792,178	\$ 1,776,645		
Unreserved	382,363	404,096	487,196	516,344	537,377	525,141		
Restricted							\$ 1,754,379	\$ 2,791,822
Assigned							341,243	28,323
Unassigned							435,315	422,311
Total General Fund	\$ 655,873	\$ 887,049	\$ 1,492,554	\$ 1,894,548	\$ 2,329,555	\$ 2,301,786	\$ 2,530,937	\$ 3,242,456
All Other Governmental Funds								
Reserved		\$ 142,934		\$ 5,000				
Unreserved, Reported in:								
Capital Projects Fund	\$ 195,492	43,902	\$ 113,938	89,373	\$ 1,547	\$ 1,547		
Debt Service Fund				21,583	21,584	1		
Restricted							\$ 1	
Committed							2,341	
Total All Other Governmental Funds	\$ 195,492	\$ 186,836	\$ 113,938	\$ 115,956	\$ 23,131	\$ 1,548	\$ 2,342	\$ -0-
Total Fund Balances	\$ 851,365	\$ 1,073,884	\$ 1,606,492	\$ 2,010,504	\$ 2,352,686	\$ 2,303,334	\$ 2,533,279	\$ 3,242,456

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

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Revenues								
Tax Levy	\$ 9,171,399	\$ 9,854,426	\$ 10,543,804	\$ 10,857,328	\$ 11,231,841	\$ 11,508,534	\$ 11,977,651	\$ 12,152,670
Tuition Charges		31,951	56,662	63,679			53,239	56,380
Interest Earnings	17,317	33,036	80,319	500	300	26,343	530	21
Miscellaneous	77,846	146,295	95,582	208,829	114,411	185,325	194,058	152,219
State Sources	1,137,650	1,264,023	1,598,228	1,626,783	1,370,979	1,223,766	918,580	1,246,946
Federal Sources	147,702	153,768	233,493	175,592	150,934	151,693	282,496	211,746
Total Revenues	10,551,914	11,483,498	12,608,088	12,932,711	12,868,465	13,095,661	13,426,554	13,819,982
Expenditures								
Instruction								
Regular Instruction	3,103,868	3,094,987	3,268,940	3,546,841	3,579,847	3,689,781	3,755,849	3,661,605
Special Education Instruction	658,998	675,319	646,925	634,634	756,074	776,460	1,025,240	926,891
Other Special Instruction					190,056	214,638	146,974	168,498
School Sponsored Instruction	250,448	257,237	400,698	254,628	144,464	146,595	95,504	100,441
Support Services:								
Tuition	709,470	972,370	1,077,021	1,231,982	1,406,754	1,434,724	1,051,907	863,238
Student and Instruction Related Services	1,214,282	1,320,884	1,094,631	1,267,228	1,270,908	1,496,488	1,536,530	1,522,623
General and Business Administrative Services	524,695	566,725	556,746	349,505	324,758	331,976	342,840	302,920
School Administrative Services	354,892	372,739	390,236	412,374	371,971	369,820	351,578	387,423
Central Services				293,447	309,878	285,882	279,239	290,435
Plant Operations and Maintenance	859,586	925,232	1,047,209	1,072,485	1,055,670	1,055,513	968,713	1,042,887
Pupil Transportation	236,141	311,458	320,711	247,952	264,035	260,824	164,007	114,637
Allocated and Unallocated Benefits	1,898,900	2,130,423	2,374,717	2,427,600	2,049,535	2,336,781	2,530,528	2,624,662
Capital Outlay	123,135	24,656	247,697	172,165	181,969	372,746	358,333	483,421
Debt Service:								
Principal	175,000	200,000	250,000	270,000	265,000	295,000	320,000	320,000
Interest and Other Charges	416,825	408,950	399,950	346,805	339,142	326,668	312,865	297,875
Total Expenditures	10,526,241	11,260,979	12,075,481	12,527,647	12,510,061	13,393,896	13,240,107	13,107,556

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Excess of Revenues								
Over Expenditures	\$ 25,673	\$ 222,519	\$ 532,608	\$ 405,064	\$ 358,404	\$ (298,235)	\$ 186,447	\$ 712,426
Other Financing Sources (Uses)								
Capital Leases (Non-Budgeted)						248,571	44,701	
Accounts Payable Cancelled						1,541		
Transfers In	4,023	4,890	144,809		773			
Transfers Out	(5,926)	(4,890)	(144,809)	(1,052)	(16,994)	(1,229)	(1,203)	(3,249)
Total Other Financing Sources (Uses)	(1,903)			(1,052)	(16,221)	248,883	43,498	(3,249)
Net Change in Fund Balances	\$ 23,770	\$ 222,519	\$ 532,608	\$ 404,012	\$ 342,183	\$ (49,352)	\$ 229,945	\$ 709,177
Debt Service as a Percentage of Noncapital Expenditures	5.69%	5.42%	5.50%	4.99%	4.90%	4.77%	4.91%	4.89%

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

Source: Borough of Demarest School District Financial Reports.

Exhibit J-5

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Totals</u>	<u>Tuition</u>	<u>Interest</u>	<u>Rentals</u>	<u>Miscellaneous</u>
2003	\$ 86,553		\$ 7,910		\$ 78,643
2004	61,780	\$ 22,689	3,111		35,980
2005	95,163		17,317		77,846
2006	211,009	31,951	33,036		146,022
2007	224,073	56,662	71,829		95,582
2008	273,008	63,679	500		208,829
2009	114,263		300		113,963
2010	211,668		26,343	\$ 143,020	42,305
2011	247,033	53,239	25,420	110,000	58,374
2012	208,620	56,380	21	110,000	42,219

Source: Borough of Demarest School District Financial Records.

BOROUGH OF DEMAREST SCHOOL DISTRICT
ASSESSES VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Commercial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2002	\$ 3,962,100	\$ 549,455,300	\$ 19,816,100		\$ 573,233,500	\$ 303,812	\$ 573,537,312	\$ 829,282,024	\$ 1.299
2003*	11,982,000	1,048,004,000	49,416,900		1,109,402,900	303,812	1,109,706,712	869,424,080	0.754
2004	10,851,100	1,042,183,400	42,443,700	\$ 1,350,000	1,096,828,200	415,687	1,097,243,887	972,921,934	0.816
2005	23,938,600	1,050,060,500	37,275,600	1,350,000	1,112,624,700	397,963	1,113,022,663	1,092,747,520	0.853
2006	26,174,900	1,060,899,600	37,029,400	1,350,000	1,125,453,900	611,154	1,126,065,054	1,355,968,554	0.903
2007	25,416,600	1,078,919,200	37,029,400	1,350,000	1,142,715,200	589,577	1,143,304,777	1,378,125,458	0.936
2008	21,534,400	1,113,563,000	37,029,400	1,350,000	1,173,476,800	637,147	1,174,113,947	1,420,610,278	0.939
2009	15,953,300	1,141,824,700	37,029,400	1,350,000	1,196,157,400	852,876	1,197,010,276	1,459,346,350	0.952
2010	24,674,000	1,155,919,300	36,920,200	1,350,000	1,218,863,500	761,402	1,219,624,902	1,475,586,410	0.960
2011	19,407,900	1,175,319,700	36,920,200	1,350,000	1,232,997,800	589,741	1,233,587,541	1,411,968,299	0.978

* - Revaluation became effective.

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

Reassessment occurs when ordered by the County Board of Taxation.

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

b Tax rates are per \$100

Source: Municipal Tax Assessor

Exhibit J-7

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

Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	County	
2002	\$ 1.299	\$ 0.000	\$ 1.299	\$ 0.661	\$ 0.689	\$ 0.321	\$ 2.970
2003*	0.700	0.054	0.754	0.372	0.426	0.168	1.720
2004	0.764	0.052	0.816	0.411	0.457	0.186	1.870
2005	0.800	0.053	0.853	0.433	0.478	0.196	1.960
2006	0.846	0.057	0.903	0.433	0.466	0.198	2.000
2007	0.882	0.054	0.936	0.427	0.480	0.217	2.060
2008	0.889	0.050	0.939	0.425	0.513	0.225	2.102
2009	0.902	0.050	0.952	0.435	0.545	0.244	2.176
2010	0.909	0.051	0.960	0.462	0.561	0.237	2.220
2011	0.928	0.050	0.978	0.478	0.579	0.237	2.272

* - Revaluation became effective.

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

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

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

Source: Municipal Tax Collector and School Business Administrator.

Exhibit J-8

BOROUGH OF DEMAREST SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	<u>2012</u>		<u>2003</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Alpine Country Club	\$ 32,323,800	2.62%		
Individual Taxpayer #1	4,514,900	0.37%		
Individual Taxpayer #2	3,768,400	0.31%		
Individual Taxpayer #3	3,598,200	0.29%		
Individual Taxpayer #4	3,330,600	0.27%		Information Not Available
Individual Taxpayer #5	3,107,800	0.25%		
Individual Taxpayer #6	3,000,000	0.24%		
9 Brenner Place LLC	2,925,800	0.24%		
Individual Taxpayer #7	2,710,500	0.22%		
Individual Taxpayer #8	2,563,400	0.21%		
Total	<u>\$ 61,843,400</u>	<u>5.01%</u>		

Source: Municipal Tax Assessor

Exhibit J-9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 19,112,524	\$ 18,798,559	98.35%	- 0 -
2004	20,656,613	20,412,380	98.81%	- 0 -
2005	8,757,527	8,757,527	100.00%	- 0 -
2006	9,448,851	9,448,851	100.00%	- 0 -
2007	10,543,804	10,543,804	100.00%	- 0 -
2008	10,857,328	10,857,328	100.00%	- 0 -
2009	11,231,841	11,231,841	100.00%	- 0 -
2010	11,508,534	11,508,534	100.00%	- 0 -
2011	11,977,651	11,977,651	100.00%	- 0 -
2012	12,152,670	12,152,670	100.00%	- 0 -

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

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

Exhibit J-10

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST NINE FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2004	\$ 8,754,000			\$ 8,754,000	3.52%	\$ 1,802
2005	8,604,000			8,604,000	3.24%	1,767
2006	8,429,000		\$ 2,025,000	10,454,000	3.74%	2,124
2007	8,229,000		2,025,000	10,254,000	3.27%	2,052
2008	7,940,000	\$ 108,638	2,025,000	10,073,638	2.95%	1,989
2009	7,675,000	55,879	2,025,000	9,755,879	2.80%	1,911
2010	7,380,000	248,571	2,025,000	9,653,571	2.96%	1,874
2011	7,060,000	212,958	2,025,000	9,297,958	2.91%	1,903
2012	6,740,000	191,514	1,262,583	8,194,097	2.55%	1,668

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

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

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

Source: Borough of Demarest School District Financial Reports

Exhibit J-11

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST NINE FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>			
	<u>General Obligation Bonds</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2004	\$ 8,754,000	\$ 8,754,000	0.79%	\$ 1,802
2005	8,604,000	8,604,000	0.78%	1,767
2006	8,429,000	8,429,000	0.76%	1,712
2007	8,229,000	8,229,000	0.73%	1,646
2008	7,940,000	7,940,000	0.69%	1,568
2009	7,675,000	7,675,000	0.65%	1,504
2010	7,380,000	7,380,000	0.62%	1,432
2011	7,060,000	7,060,000	0.58%	1,445
2012	6,740,000	6,740,000	0.55%	1,372

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

a See Exhibit J- 6 for property tax data. These ratios is calculated using valuation data for the previous calendar year.

a See Exhibit J-14 for population data. These ratios is calculated using population estimate for the previous calendar year.

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

Source: Borough of Demarest School District Financial Reports

Exhibit J-12

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2011
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Demarest	\$ 7,943,053	100.00%	\$ 7,943,053
Northern Valley Regional High School	18,550,000	14.15%	2,625,177
Bergen County General Obligation Debt	698,412,830	0.81%	<u>5,691,707</u>
Subtotal, Overlapping Debt			16,259,937
Demarest Borough School District Direct Debt			<u>8,194,097</u>
Total Direct and Overlapping Debt			<u>\$ 24,454,034</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized valuation basis	
2009	\$ 1,446,556,295
2010	1,394,421,119
2011	1,347,096,908
	<u>\$ 4,188,074,322</u>
Average equalized valuation of taxable property	\$ 1,396,024,774
Debt limit @ (3 % of average equalization value) ^a	\$ 41,880,743
Total Net Debt Applicable to Limit	<u>6,740,000</u>
Legal debt margin	<u>\$ 35,140,743</u>

	Fiscal Year				
	2003	2004	2005	2006	2007
Debt limit	\$ 23,395,412	\$ 52,804,610	\$ 29,112,946	\$ 32,455,762	\$ 36,185,544
Total net debt applicable to limit	<u>8,754,390</u>	<u>19,860,726</u>	<u>8,429,000</u>	<u>8,229,000</u>	<u>8,210,000</u>
Legal debt margin	<u>\$ 14,641,022</u>	<u>\$ 32,943,884</u>	<u>\$ 14,641,022</u>	<u>\$ 24,226,762</u>	<u>\$ 27,975,544</u>
Total net debt applicable to the limit as a percentage of debt limit	37.42%	37.61%	37.42%	25.35%	22.69%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 39,243,153	\$ 41,679,182	\$ 42,585,059	\$ 42,710,003	\$ 41,880,743
Total net debt applicable to limit	<u>7,940,000</u>	<u>7,675,000</u>	<u>7,380,000</u>	<u>7,060,000</u>	<u>6,740,000</u>
Legal debt margin	<u>\$ 31,303,153</u>	<u>\$ 34,004,182</u>	<u>\$ 35,205,059</u>	<u>\$ 35,650,003</u>	<u>\$ 35,140,743</u>
Total net debt applicable to the limit as a percentage of debt limit	20.23%	18.41%	17.33%	16.53%	16.09%

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

a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

Exhibit J-14

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

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2003	4,859	\$ 248,450,388	\$ 51,132	3.10%
2004	4,870	265,229,940	54,462	2.50%
2005	4,923	279,163,638	56,706	3.80%
2006	4,998	313,444,572	62,714	3.70%
2007	5,065	341,350,610	67,394	3.60%
2008	5,104	348,230,608	68,227	4.70%
2009	5,152	325,596,096	63,198	8.40%
2010	4,887	320,030,082	65,486	8.60%
2011	4,912	321,667,232	65,486 *	8.40%
2012	4,912 **	321,667,232	65,486 *	N/A

* - Latest Bergen County per capita personal income available (2010) was used for calculation purposes.

** - Latest Demarest Borough population available (2011) was used for calculation purposes.

N/A- Not Available

Sources:

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

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

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

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

Exhibit J-15

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

NOT AVAILABLE

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

<u>Function/Program</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>
Instruction								
Regular	49	48	48	49	51	51	57	57
Special education	21	20	21	21	21	21	13	13
Support Services:								
Student and instruction related services	12	12	14	15	16	16	24	24
School administrative services	2	2	2	2	2	2	2	2
General and business administrative services	11	11	11	11	11	11	12	12
Plant operations and maintenance	14	14	14	14	14	13	11	11
Food Service	1	1	1	1	1	1	1	1
Total	<u>110</u>	<u>108</u>	<u>111</u>	<u>113</u>	<u>116</u>	<u>115</u>	<u>120</u>	<u>120</u>

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

Source: District Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2003	724.1	\$ 8,457,073	\$ 11,679	9.92%	63.5	1:11	N/A	724.1	696.5	1.0%	96.19%
2004	721.0	9,302,346	12,902	10.47%	N/A	1:14.7	1:9.9	721.0	697.7	-0.4%	96.77%
2005	723.1	9,811,281	13,568	5.16%	67	1:10.79	1:10.9	723.1	699.3	0.3%	96.71%
2006	723.0	10,627,373	14,699	8.33%	68	N/A	N/A	721.8	698.0	-0.2%	96.70%
2007	707.0	11,177,834	15,810	7.56%	69	1:13.4	1:10.1	707.0	680.0	-2.1%	96.18%
2008	665.0	11,738,676	17,652	11.65%	70	1:13.0	1:9.2	665.0	641.0	-5.9%	96.39%
2009	656.1	11,723,950	17,869	1.23%	72	1:9.6	1:9.7	656.1	630.7	-1.3%	96.13%
2010	662.2	12,399,482	18,725	4.79%	72	1:9.5	1:9.8	662.2	642.1	0.9%	96.96%
2011	670.0	12,248,909	18,282	-2.36%	70	1:9.6	1:9.5	664.9	633.0	0.4%	95.20%
2012	655.0	12,006,260	18,330	0.26%	70	1:9.4	1:9.4	653.7	625.0	-1.7%	95.61%

N/A - Not Available

Note: Enrollment based on annual October district count.

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST SEVEN FISCAL YEARS
UNAUDITED

	2006	2007	2008	2009	2010	2011	2012
<u>District Building</u>							
<u>Elementary</u>							
County Road							
Square Feet (GSF)	20,977	20,977	20,977	20,977	20,977	20,977	20,977
Capacity (students)	168	168	168	168	168	168	168
Enrollment	122.3	132	136	127	127	120	125
Luther Lee Emerson							
Square Feet (GSF)	39,981	39,981	39,981	39,981	39,981	39,981	39,981
Capacity (students)	320	320	320	320	320	320	320
Enrollment	237	230	216	200	202	225	225
<u>Middle School</u>							
Demarest							
Square Feet (GSF)	55,085	55,085	55,085	55,085	55,085	55,085	55,085
Capacity (students)	441	441	441	441	441	441	441
Enrollment	362.5	345	313	329	329	325	305

Number of Schools at June 30, 2012

 Elementary = 2

 Middle School = 1

Source: District Facilities Office

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

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

Exhibit J-19

BOROUGH OF DEMAREST SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

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

<u>*School Facility</u>	<u>Projects</u> <u>(w/DOE Project #)</u>	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>					
			<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
County Road School	N/A	22,645	\$ 26,411	\$ 61,156	\$ 24,421	\$ 21,484	\$ 72,478
Luther Lee Emerson	SP#201893	25,300	30,012	68,318	27,280	42,616	130,434
Demarest Middle	SP#201892	53,235	63,625	143,758	57,419	54,468	89,233
District Total		101,180	\$ 120,048	\$ 273,232	\$ 109,120	\$ 118,568	\$ 292,145

<u>*School Facility</u>	<u>Projects</u> <u>(w/DOE Project #)</u>	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>					
			<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
County Road School	N/A	22,645	\$ 68,673	\$ 36,361	\$ 46,158	\$ 33,390	\$ 38,244
Luther Lee Emerson	SP#201893	25,300	68,666	67,066	76,179	49,880	65,380
Demarest Middle	SP#201892	53,235	63,127	52,480	45,098	68,399	131,610
District Total		101,180	\$ 200,466	\$ 155,907	\$ 167,435	\$ 151,669	\$ 235,234

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

Exhibit J-20

1 of 2

BOROUGH OF DEMAREST SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2012
UNAUDITED

	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Property Section	Selective Insurance Co.		
Property- Blanket Bldgs & Grounds			
School Limit Per Statement of Values		\$ 31,001,246	\$ 5,000
Flood:			
Outside Zones A, V, or B		5,000,000	50,000
Zone A or V		1,000,000	500,000
Earthquake		5,000,000	50,000
Business Income and Extra Expense (Combined)		250,000	5,000
Contractor's Equipment		250,000	1,000
Cameras & Other Equip/ Athletic Equipment (Under Misc Property)		250,000	1,000
Musical Instruments But no more than \$25,000 for band uniforms		100,000	5,000
Valuable Papers		5,000,000	1,000
Electronic Data Process Equip		2,500,000	5,000
Accounts Receivable		100,000	1,000
Boiler & Machinery	Selective Insurance Co.		
Property Damage (Blanket)		Property Limit	5,000
General Liability	Selective Insurance Co.		
General Aggregate		2,000,000	
Each Occurrence		1,000,000	
Commercial Automobile Liability	Selective Insurance Co.		
Combined Single Limit		1,000,000	
Comprehensive			1,000
Collision			1,000
Commerical Umbrella	Selective Insurance Co.	9,000,000	10,000
Excess Umbrella	Fireman's Fund		
Note: Shared Limits			
Per Occurrence		50,000,000	
Aggregate		50,000,000	

BOROUGH OF DEMAREST SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2012
UNAUDITED

	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Workmen's Compensation	Star Insurance Co.		
Per Occurrence		\$ 1,000,000	
Policy Limit		1,000,000	
Aggregate		1,000,000	
Environmental Legal Liab	ACE Insurance Co.		
Per Occurrence		1,000,000	\$ 15,000
Per Aggregate		3,000,000	
Crime	Selective Insurance Co.		
Primary (Per Employee)		100,000	5,000
Blanket Employee Dishonesty- Excess		400,000	
Forgery and Alterations		50,000	1,000
Educator's Legal Liability	ACE Advantage	1,000,000	
Educators Legal Ded			15,000
Employment Practices Ded			15,000
Individual Bonds	Selective Insurance Co.		
Business Administrator/ Bd Secy		100,000	
Treasurer of School Monies		200,000	
Accidental Death & Dismemberment	Gerber Life Ins. Co.		
Principal Sum (AD&D)		100,000	
Total Limit Per All Other Accidents		500,000	
Student and Athletic Accident Policy	National Union		
Athletics & Students		1,000,000	
School Volunteers		500,000	

Source: District records

SINGLE AUDIT SECTION



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and
 Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing
 Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Demarest School District, in the County of Bergen (the "Board") as of, and for the fiscal year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

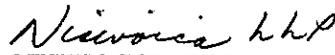
The Honorable President and Members
of the Board of Education
Borough of Demarest School District
Page 2

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

October 29, 2012
Mount Arlington, New Jersey


NISIVOCCIA LLP


Francis J. Jones, Jr.
Certified Public Accountant
Licensed Public School Accountant #1154



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Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04

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

Compliance

We have audited the compliance of the Board of Education of the Borough of Demarest School District in the County of Bergen (the "Board") with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2012. The Board's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and OMB Circular A-133;. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2012.

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

Internal Control Over Compliance

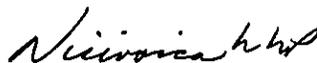
The management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/ Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be, used by anyone other than these specified parties.

October 29, 2012
Mount Arlington, New Jersey


NISIVOCCIA LLP


Francis J. Jones, Jr.
Certified Public Accountant
Licensed Public School Accountant #1154

**BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011			Cash Received	Budgetary Expenditures	Balance at June 30, 2012	
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor			Budgetary Accounts Receivable	Budgetary Deferred Revenue
U.S. Department of Education Passed-through State Department of Education:											
General Fund:											
Education Jobs Fund	84.410A	N/A	7/1/11-9/30/12	\$ 17,452				\$ 17,452	\$ (17,452)		
Total General Fund								17,452	(17,452)		
Special Revenue Fund:											
No Child Left Behind Consolidated Grant: Title III	84.365A	NCLB-1070-12	9/1/11-8/31/12	14,029				14,029	(14,029)		
IDEA Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	IDEA-1070-12	9/1/11-8/31/12	169,767				146,888	(169,767)	\$ (22,879)	
I.D.E.A. Part B, Basic	84.027	IDEA-1070-11	9/1/10-8/31/11	142,397	\$ (115,946)			115,946			
I.D.E.A. Part B, Preschool	84.173	IDEA-1070-12	9/1/11-8/31/12	10,498				10,498	(10,498)		
I.D.E.A. Part B, Preschool	84.173	IDEA-1070-11	9/1/10-8/31/11	10,065	(10,022)			10,022			
I.D.E.A. Part B, Preschool, Carryover	84.173	IDEA-1070-10	9/1/09-8/31/11	10,451	(2,340)			2,340			
I.D.E.A. Part B, Basic - ARRA	84.391	ARRA-1070-10	9/1/09-8/31/11	135,437	(129,581)			129,581			
I.D.E.A. Part B, Preschool - ARRA	84.392	ARRA-1070-10	7/1/09-8/31/12	4,903	(4,801)			4,801			
Total IDEA Special Education Cluster					(262,690)			420,076	(180,265)	(22,879)	
Total Special Revenue Fund					(262,690)			434,105	(194,294)	(22,879)	
Total Federal Awards					\$ (262,690)	\$ -0-	\$ -0-	\$ 451,557	\$ (211,746)	\$ (22,879)	\$ -0-

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011			Cash Received	Budgetary Expenditures	Balance at June 30, 2012			MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor			GAAP Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education:													
General Fund:													
Special Education Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	\$ 247,226				\$ 247,226	\$ (247,226)				\$ -	\$ 247,226
Categorical Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	3,237					(3,237)	\$ (3,237)			(3,237)	3,237
Extraordinary Special Education Costs	12-100-034-5120-473	7/1/11-6/30/12	186,085					(186,085)	(186,085)			(186,085)	186,085
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11-6/30/12	362,236				360,403	(362,236)	(1,833)			(1,833)	362,236
Extraordinary Special Education Costs	11-100-034-5120-473	7/1/10 - 6/30/11	181,830	\$ (181,830)			181,830						181,830
Additional Nonpublic Transportation Aid	11-495-034-5120-014	7/1/10 - 6/30/11	3,485	(3,485)			3,485						3,485
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10 - 6/30/11	402,383	(20,299)			20,299						402,383
Total General Fund				<u>(205,614)</u>			<u>813,243</u>	<u>(798,784)</u>	<u>(191,155)</u>			<u>(191,155)</u>	<u>1,386,482</u>
Special Revenue Fund:													
Character Education Aid	06-100-034-5120-418	7/1/05 - 6/30/12	4,000		\$ 1,098			(300)		\$ 798			3,202
Total Special Revenue Fund					<u>1,098</u>			<u>(300)</u>		<u>798</u>			<u>11,202</u>
Capital Projects Fund:													
N.J. School Development Authority Grants:													
2001 Referendum Project: Middle School Additions and Renovations	SDA-1070-040-01-892	7/1/09 - 6/30/11	3,177,391	(1,413,709)			151,126		(1,262,583)			(1,262,583)	3,175,844
Total Capital Projects Fund				<u>(1,413,709)</u>			<u>151,126</u>		<u>(1,262,583)</u>			<u>(1,262,583)</u>	<u>3,175,844</u>
Total New Jersey Department of Education				<u>(1,619,323)</u>	<u>1,098</u>		<u>964,369</u>	<u>(799,084)</u>	<u>(1,453,738)</u>	<u>798</u>		<u>(1,453,738)</u>	<u>4,573,528</u>
Total State Awards				<u>\$ (1,619,323)</u>	<u>\$ 1,098</u>	<u>\$ -0-</u>	<u>\$ 964,369</u>	<u>\$ (799,084)</u>	<u>\$ (1,453,738)</u>	<u>\$ 798</u>	<u>\$ -0-</u>	<u>\$ (1,453,738)</u>	<u>\$ 4,573,528</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Demarest School District under programs of the federal and state governments for the fiscal year ended June 30, 2012. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$17,011) for the General Fund and. See Exhibits C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General Fund. The schedule of expenditures of state awards does not include the TPAF Pension Contributions and Post Retirement Medical contributions paid by the State on behalf of the District of \$154,429 and \$310,444, respectively.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 17,452	\$ 1,263,657	\$ 1,281,109
Special Revenue Fund	194,294	300	194,594
Total Awards	<u>\$ 211,746</u>	<u>\$ 1,263,957</u>	<u>\$ 1,475,703</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2012.

NOTE 6. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has completed grants awarded in the amount of \$3,177,391 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. The District has realized the grants in full on the budgetary basis and has collected \$773,027; therefore, \$1,262,583 is receivable on both the budgetary and GAAP bases as of June 30, 2012. The District realizes grants receivable on the GAAP basis as they are expended and drawn down.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major state program.
- An unqualified report was issued on the District's compliance for its major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year-end June 30, 2012 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's major State program for the current fiscal year consisted of the following state award:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11-6/30/12	\$ 362,236	\$ 362,236

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

There were no prior year findings.