

**SCHOOL DISTRICT  
OF THE  
TOWNSHIP OF DENVILLE**

**Denville Township Board of Education  
Denville, New Jersey**

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

**Comprehensive Annual  
Financial Report**

**of the**

**DENVILLE TOWNSHIP SCHOOL DISTRICT**

**Denville, New Jersey**

**For the Fiscal Year Ended June 30, 2012**

**Prepared by**

**Denville Township Board of Education  
Finance Department**

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INTRODUCTORY SECTION



**Board of Education**

## Denville Township Board of Education

501 Openaki Road, Denville, New Jersey 07834

*Peter Weigly*

*Interim Business Administrator & Board Secretary*

Ph. 973-983-6530 Ext. 3095

Fax: 973-366-2481

pweigly@denville.org

October 17, 2012

The Honorable President and Members of  
the Board of Education  
Denville Township School District  
County of Morris, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Denville Township School District (the "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 presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** The Denville Township School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Denville Township School District 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 classified youngsters with special needs. The District completed the 2011-2012 fiscal year with an average daily enrollment of 1,792 students, which is a decrease of 64 students or 3.45% from the previous year's enrollment. The following details the changes in the average daily student enrollment of the District over the last five years:

The Honorable President and Members of  
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Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percent Change
2011-2012	1,792	-3.45%
2010-2011	1,856	-2.52%
2009-2010	1,904	0.63%
2008-2009	1,892	-4.73%
2007-2008	1,986	6.55%

**2) ECONOMIC CONDITION AND OUTLOOK:** Denville Township experienced significant flooding within the community in the wake of Hurricane Irene in August 2011, especially in the downtown area and specifically affecting the district's school bus garage. Recovery from this event was initially difficult and some businesses remain closed, however, the commercial/retail community has largely recovered from this event.

Enrollment numbers for the current year continue to decline slightly from prior years, primarily in the elementary schools. Given the economic environment of the country as a whole, these drops may continue into the future. The Denville School District will continue to be affected by changes in state aid and regulations as it regards to employee salaries and health benefits.

### **3) MAJOR INITIATIVES:**

#### **Math K-2:**

Purchase of K-2 support and resources for the new implementation of curriculum. Budget priority must be given to the writing of the new Grades 3-5 curriculum and purchasing of new materials / resources to support it.

#### **English Language Arts:**

Funding toward the unpacking of the new Common Core for K-8, reviewing and rewriting the curriculum for these grades, as well as reviewing and purchasing new materials / resources for the new curriculum is a necessity

#### **21<sup>st</sup> Century Life & Careers:**

Funding will be provided to support the rewriting of the Social Studies Curriculum Guides for Grades K-8 to align to the new NJCCCS. Purchases will be made of new texts and materials.

#### **World Languages:**

Funding will be provided to support the revision of the World Language Curriculum Guides for Spanish and English to align to the new NJCCCS. Current materials will be reviewed and purchases will be made for new resources necessary to support the curriculum's revisions.

#### **Technology:**

Purchases will be made to support material and resources necessary for the new implementation of the Instructional Technology Curriculum.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as 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 GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) DEBT ADMINISTRATION: At June 30, 2012, the District had \$3,240,000 in outstanding statutory debt. Bond referendums were approved by the affirmative vote of a majority of the legal voters present and voting at the School District elections on December 8, 1999 and December 12, 1995, which authorized the issuance of the school bonds. The proceeds of these bond issues were placed in the District's capital projects fund for use to provide funds for various capital improvements to the District's buildings and grounds. The bonds were refunded on April 29, 2009. Capital leases payable at June 30, 2012 was \$1,158,274.

At June 30, 2012, the District had no debt authorized but not issued.

8) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan 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, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Health benefits are provided to District employees through Horizon Blue Cross/Blue Shield and dental benefits are provided through Delta Dental. Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's statistical section.

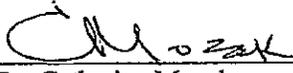
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October 17, 2012

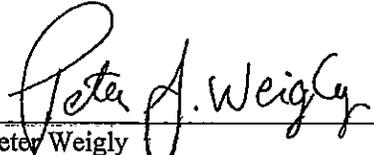
10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related 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 auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Denville Township 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 the financial and accounting staff.

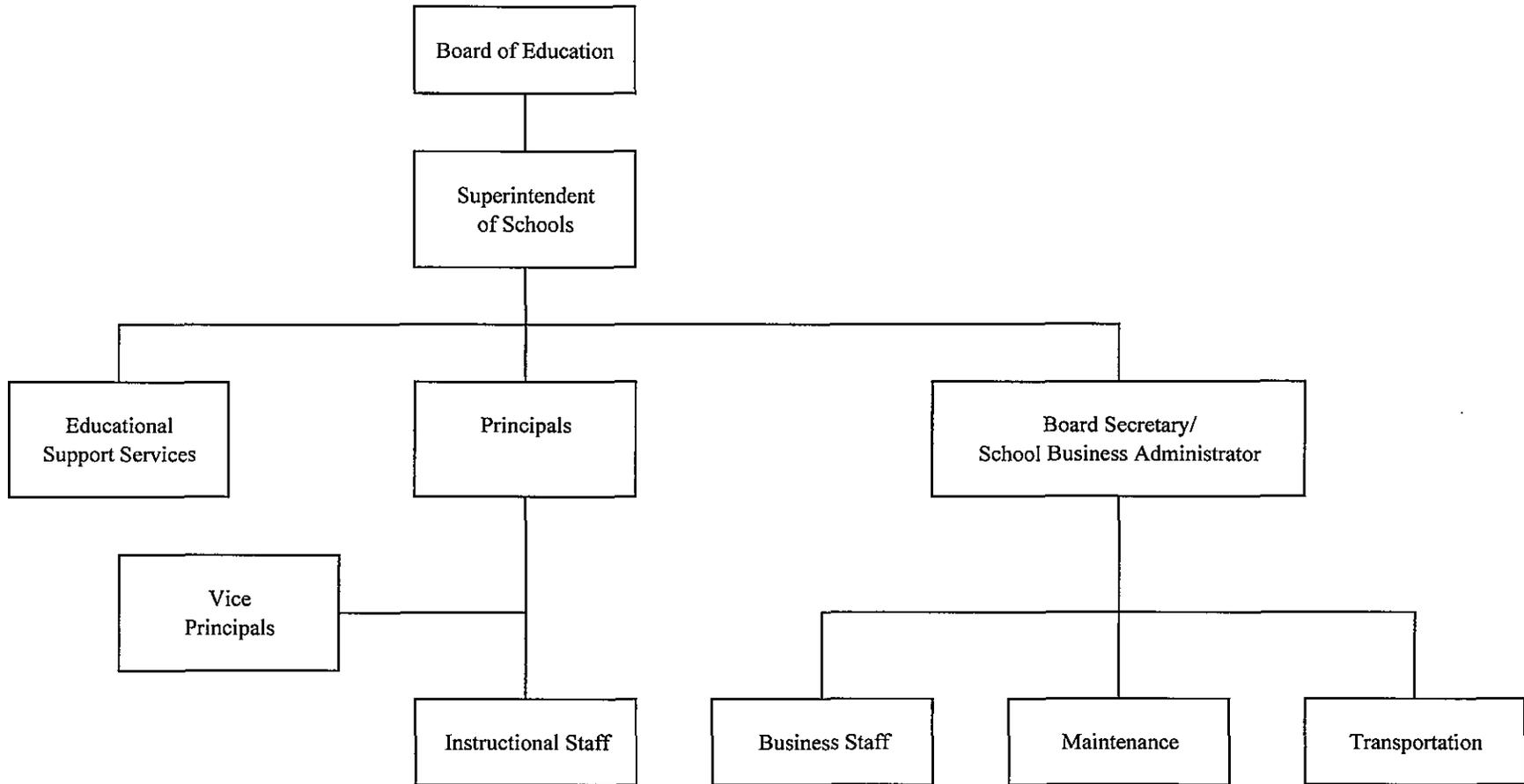
Respectfully submitted,

  
\_\_\_\_\_  
Dr. Catherine Mozak  
Interim Superintendent

  
\_\_\_\_\_  
Peter Weigly  
Interim Business Administrator/Board Secretary

# DENVILLE TOWNSHIP SCHOOL DISTRICT

## Organizational Chart (Unit Control)



**DENVILLE TOWNSHIP SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
John Paragian, President	2014
Marianna Lindsay, Vice President	2014
Barbara DeLuna	2012
Carlos Duarte	2012
Donald Casse	2013
David Napeloni	2013
Seth Johnson	2014

<u>Other Officials</u>	<u>Title</u>
Dr. Catherine Mozak	Interim Superintendent of Schools
Michael Davison	Board Secretary/School Business Administrator (from 11/1/11)
Peter Weigly	Interim Board Secretary/School Business Administrator (to 11/1/11)
Ann Marie Hopley	Treasurer of School Monies (to 12/20/11)
Paula Hatch	Treasurer of School Monies (from 12/20/11)

**DENVILLE TOWNSHIP SCHOOL DISTRICT**  
**Consultants and Advisors**

**Attorney**

Andrew M. Wubbenhorst, Esq., LLC  
Kinnelon Professional Center  
17 Kiel Avenue  
Kinnelon, NJ 07405-2574

**Audit Firm**

Nisivoccia LLP, CPAs  
200 Valley Road, Suite 300  
Mount Arlington, NJ 07856

**Architect**

LAN Associates  
445 Godwin Avenue  
Midland Park, NJ 07432

**Official Depositories**

Provident Bank  
41 Broadway  
Denville, NJ 07834

Bank of America  
1125 Route 22 West  
Bridgewater, NJ 08807

State of New Jersey Cash Management Fund  
Division of Investment  
Department of the Treasury  
Trenton, NJ 08625

FINANCIAL SECTION



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

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

### Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Denville Township School District  
 County of Morris, 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 Denville Township School District in the County of Morris as of and for the fiscal year ended June 30, 2012 which collectively comprise the School 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, business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Denville Township School District in the County of Morris 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 17, 2012 on our consideration of the Board of Education of the Denville Township School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
Denville Township School District  
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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Denville Township School District's basic financial statements. The accompanying supplementary information schedules such as the combining and individual 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 Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are 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 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.

Mount Arlington, New Jersey  
October 17, 2012

NISIVOCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**DENVILLE TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

This section of the Denville Township 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 financial status has improved significantly, in spite of relatively flat direct state aid for several years.
- The District received additional state aid of \$263,263 which was anticipated as revenue in the 2012-2013 budget.
- Overall revenue was \$29.77 million.
- The District had a net reduction in its outstanding serial bonds payable of 12.31 percent due to the retirement of debt.

**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 service.
- *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 *Notes to the Basic Financial Statements* provide additional information to full understanding of *District-wide* and *fund financial statements*.

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 the Denville Township School District's Financial Report**

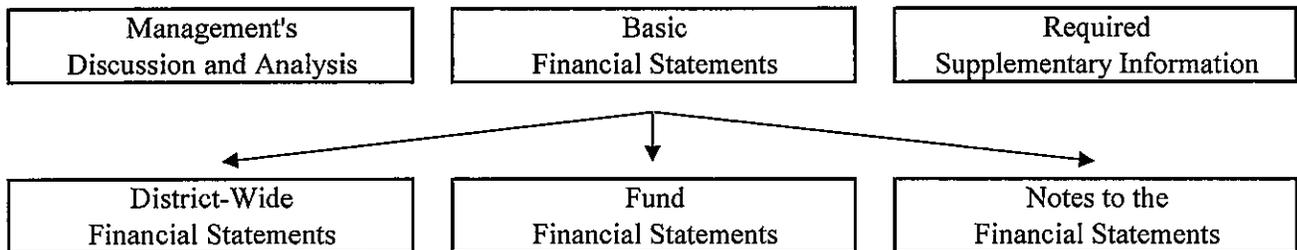


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Figure A-2**

**Major Features of the District-Wide and Fund Financial Statements**

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

## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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 program is included here.

## Fund Financial Statements

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

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

The District has three kinds of funds:

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

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

*Net Assets.* The District's combined net assets increased by 17.32%. Net assets from governmental activities increased \$1,795,824 while net assets from business-type activities decreased by \$2,428. Net assets invested in capital assets, net of related debt, increased \$455,276, restricted net assets increased by \$1,127,394 and unrestricted net assets increased \$210,726.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012
Current and Other Assets	\$ 2,874,565	\$ 938,330	\$ 11,869	\$ 7,287	\$ 2,886,434	\$ 945,617	205.24%
Capital Assets, Net	15,391,154	15,669,656	4,467	5,223	15,395,621	15,674,879	-1.78%
Total Assets	<u>18,265,719</u>	<u>16,607,986</u>	<u>16,336</u>	<u>12,510</u>	<u>18,282,055</u>	<u>16,620,496</u>	10.00%
Long-Term Debt Outstanding	5,155,172	5,952,221			5,155,172	5,952,221	-13.39%
Other Liabilities	971,779	312,821	9,078	2,824	980,857	315,645	210.75%
Total Liabilities	<u>6,126,951</u>	<u>6,265,042</u>	<u>9,078</u>	<u>2,824</u>	<u>6,136,029</u>	<u>6,267,866</u>	-2.10%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	11,035,450	10,579,418	4,467	5,223	11,039,917	10,584,641	4.30%
Restricted	1,178,959	51,565			1,178,959	51,565	2186.36%
Unrestricted/(Deficit)	(75,641)	(288,039)	2,791	4,463	(72,850)	(283,576)	74.31%
Total Net Assets	<u>\$ 12,138,768</u>	<u>\$ 10,342,944</u>	<u>\$ 7,258</u>	<u>\$ 9,686</u>	<u>\$ 12,146,026</u>	<u>\$ 10,352,630</u>	17.32%

*Changes in Net Assets.* The District's combined net assets were \$12,146,026 on June 30, 2012, \$1,793,396 or 17.32% more than they were the year before (See Figure A-3). Net assets invested in capital assets, net of related debt, increased by \$455,276 due to the \$326,704 in capital assets additions, the payment of \$455,000 in bond principal and \$534,850, in capital lease principal less \$855,197 in depreciation and the \$6,081 in amortized deferred interest. Restricted net assets increased by \$1,127,394 as a result of an increase in excess surplus of \$105,678, and an increase in the capital reserve account of \$1,060,014 offset by a decrease in Debt Service Fund Balance of \$38,298. Unrestricted net assets increased by \$210,726 as a result of normal operations, changes in accrued interest, and changes in compensated absences payable (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 66,747	\$ 48,781	\$ 22,026	\$ 16,881	\$ 88,773	\$ 65,662	35.20%
<b>Grants and Contributions:</b>							
Operating	3,610,827	3,451,081	27,150	23,366	3,637,977	3,474,447	4.71%
<b>General Revenue:</b>							
Property Taxes	25,735,700	25,342,663			25,735,700	25,342,663	1.55%
Federal and State Aid Not Restricted	159,825	165,463			159,825	165,463	-3.41%
Other	149,434	128,509			149,434	128,509	16.28%
<b>Total Revenue</b>	<b>29,722,533</b>	<b>29,136,497</b>	<b>49,176</b>	<b>40,247</b>	<b>29,771,709</b>	<b>29,176,744</b>	<b>2.04%</b>
<b>Expenses:</b>							
Instruction	16,360,252	16,260,725			16,360,252	16,260,725	0.61%
Pupil and Instruction Services	4,614,561	5,217,864			4,614,561	5,217,864	-11.56%
Administrative and Business	2,645,801	2,900,459			2,645,801	2,900,459	-8.78%
Maintenance and Operations	1,950,087	2,283,187			1,950,087	2,283,187	-14.59%
Transportation	2,089,554	2,315,131			2,089,554	2,315,131	-9.74%
Other	266,454	260,334	51,604	36,539	318,058	296,873	7.14%
<b>Total Expenses</b>	<b>27,926,709</b>	<b>29,237,700</b>	<b>51,604</b>	<b>36,539</b>	<b>27,978,313</b>	<b>29,274,239</b>	<b>-4.43%</b>
Increase/(Decrease) in Net Assets	\$ 1,795,824	\$ (101,203)	\$ (2,428)	\$ 3,708	\$ 1,793,396	\$ (97,495)	1939.47%

*Revenue Sources.* The District's total revenue for the 2011/2012 school year was \$29,771,709 (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$25,735,700 of the total, or 86.44 percent (See Figure A-5). State formula aid and categorical grants accounted for 12.76 percent and the remainder was from other miscellaneous sources. The Denville Township School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**Figure A-5**  
**Sources of Revenue for Fiscal Year 2012**

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 912,931	3.07%
Property Taxes	25,735,700	86.44%
Federal and State Categorical Grants	2,884,871	9.69%
Charges for Services	88,773	0.30%
Other	149,434	0.50%
	<b>\$ 29,771,709</b>	<b>100.00%</b>

The total cost of all programs and services was \$29,978,313. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (82.43 percent) (See Figure A-6). The District's administrative and maintenance activities accounted for 16.43 percent of total costs. It is important to note that depreciation of \$855,197 is included in expenses for the year.

**Figure A-6**  
**Expenses for Fiscal Year 2012**

Expense Category:	Amount	Percentage
Instruction	\$ 16,360,252	58.47%
Pupil and Instruction Services	4,614,561	16.49%
Administrative and Business	2,645,801	9.46%
Maintenance and Operations	1,950,087	6.97%
Transportation	2,089,554	7.47%
Other	318,058	1.14%
	<u>\$ 27,978,313</u>	<u>100.00%</u>

### Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District has improved significantly. However, maintaining existing programs with increased enrollment, the provision of a multitude of special programs/services for disabled pupils, and increases in District health benefits costs places a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

Because state aid has remained relatively flat over the past few years, the burden of funding education in the District has fallen on property taxes. Therefore, it is crucial that the District examine its expenditures carefully, since any proposed increase to the school district budget will be funded entirely through property taxes.

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

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

	Total Cost of Services		Net Cost of Services	
	2011/2012	2010/2011	2011/2012	2010/2011
Instruction	\$ 16,360,252	\$ 16,260,725	\$ 12,812,878	\$ 13,175,507
Pupil and Instruction Services	4,614,561	5,217,864	4,614,561	4,865,537
Administrative and Business	2,645,801	2,900,459	2,532,653	2,900,459
Maintenance and Operations	1,950,087	2,283,187	1,950,087	2,220,870
Transportation	2,089,554	2,315,131	2,072,502	2,315,131
Other	266,454	260,334	266,454	260,334
	<u>\$ 27,926,709</u>	<u>\$ 29,237,700</u>	<u>\$ 24,249,135</u>	<u>\$ 25,737,838</u>

- The cost of all governmental activities this year was \$27.93 million.
- The federal and state governments subsidized certain programs with grants and contributions
- Most of the District's costs, however, were financed by District taxpayers (\$25.74 million).
- A portion of governmental activities was financed with state aid based on the CEIFA formula.
- The remainder of governmental activities funding came from charges for services, local grants, investment earnings and miscellaneous revenue.

## Business-Type Activities

Net assets from the District's business-type activities, food service, decreased by \$2,428 primarily due to expenditures exceeding revenues for the year. (Refer to Figure A-4).

## Financial Analysis of the District's Funds

The District's financial status improved significantly despite difficult economic times which have had a direct impact upon the District's revenue sources. Interest from investments remained unfavorable as compared to years past. As overall revenue for the District diminishes, the amount of funds generated for this purpose likewise decreases. Ratables of the Municipality remain more or less stable, thus generating concern for the local tax levy in the future.

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

## General Fund Budgetary Highlights

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

- Changes made within budgetary line items were in school-based needs for programs, textbooks, and teachers' salaries, increased utilities cost and legal and other professional services.

## Capital Asset and Debt Administration

**Figure A-8**

### Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012
Land	\$ 105,150	\$ 105,150			\$ 105,150	\$ 105,150	0.00%
Construction in Progress	316,962				316,962		100.00%
Buildings and Building Improvements	12,925,222	13,480,616			12,925,222	13,480,616	-4.12%
Machinery and Equipment	2,043,820	2,083,890	\$ 4,467	\$ 5,223	2,048,287	2,089,113	-1.95%
Total Capital Assets, Net of Depreciation	<u>\$ 15,391,154</u>	<u>\$ 15,669,656</u>	<u>\$ 4,467</u>	<u>\$ 5,223</u>	<u>\$ 15,395,621</u>	<u>\$ 15,674,879</u>	<u>-1.78%</u>

The District's overall capital assets decreased from the prior year due to depreciation expenses exceeding expenditures associated with the District's capital projects. (More detailed information about the District's capital assets is presented in Note 6 to the financial statements.)

## Long-term Debt

At year-end, the District had \$3,197,430 in general obligation bonds (net of remaining deferred interest) – a reduction of \$448,919 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

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

	Total School District		Total Percentage Change
	2011/2012	2010/2011	2011/2012
General Obligation Bonds, Net (Financed with Property Taxes)	\$ 3,197,430	\$ 3,646,349	-12.31%
Other Long-Term Liabilities	1,957,742	2,305,872	-15.10%
	<u>\$ 5,155,172</u>	<u>\$ 5,952,221</u>	<u>-13.39%</u>

- The District continued to pay down its debt, retiring \$455,000 of outstanding bonds.
- The District's other liabilities decreased as a result of the repayment of capital leases offset by the issuance of capital leases.
- The District's other liabilities consist of capital leases and compensated absences payable.

#### **Factors Bearing on the District's Future Revenue/Expense Changes**

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

- The District is currently experiencing a large student population at the Valleyview Middle School that is due to remain large for the next several years. Financial resources will be needed to address this space issue.
- Market fluctuation in gasoline will impact the District's financial resources.
- Changes in regulations by the State of New Jersey, inclusive of limits on revenues and fluctuations in aid, will affect the services offered to the students of the Denville township School District.
- Maintenance issues within the schools will continue to be a concern for the District. The District will have to dedicate its financial resources towards solving the major capital issue within the schools.
- The district hopes to expend its Kindergarten program from half-day to full-day for the 2013-2014 school year. There will be facilities improvement costs related to the conversion of classroom spaces for this purpose.

#### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers 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 the Board of Education Office, 400 Morris Avenue, Suite 279, Denville, New Jersey 07834.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

DENVILLE TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 869,582	\$ 10,452	\$ 880,034
Interfunds Receivable	21,972		21,972
Receivables from Other Governments	797,210	1,417	798,627
Receivables - Other	46,086		46,086
Unamortized Bond Issuance Costs	79,444		79,444
Restricted Assets:			
Capital Reserve Account - Cash	1,060,271		1,060,271
Capital Assets:			
Sites (Land)	105,150		105,150
Construction in Progress	316,962		316,962
Depreciable Buildings and Building Improvements and Machinery and Equipment	14,969,042	4,467	14,973,509
Total Assets	<u>18,265,719</u>	<u>16,336</u>	<u>18,282,055</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable - Vendors	208,212	9,078	217,290
Other Liabilities	532,490		532,490
Accrued Interest Payable	47,250		47,250
Interfund Payable	50,000		50,000
Payable to State Government	1,678		1,678
Deferred Revenue	15,735		15,735
Unamortized Bond Premium	116,414		116,414
Noncurrent Liabilities:			
Due Within One Year	922,883		922,883
Due Beyond one Year	4,232,289		4,232,289
Total liabilities	<u>6,126,951</u>	<u>9,078</u>	<u>6,136,029</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	11,035,450	4,467	11,039,917
Restricted for:			
Capital Projects	1,060,271		1,060,271
Debt Service	1		1
Other Purposes	118,687		118,687
Unrestricted/(Deficit)	(75,641)	2,791	(72,850)
Total Net Assets	<u>\$ 12,138,768</u>	<u>\$ 7,258</u>	<u>\$ 12,146,026</u>

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

DENVILLE TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 11,123,913	\$ 66,747	\$ 1,593,431		\$ (9,463,735)		\$ (9,463,735)
Special Education	3,891,200		1,800,255		(2,090,945)		(2,090,945)
Other Instruction	1,156,852		62,639		(1,094,213)		(1,094,213)
School-Sponsored Instruction	188,287		24,302		(163,985)		(163,985)
Support Services:							
Tuition	787,721				(787,721)		(787,721)
Student & Instruction Related Services	3,826,840				(3,826,840)		(3,826,840)
General Administrative Services	642,441				(642,441)		(642,441)
School Administrative Services	1,320,456		113,148		(1,207,308)		(1,207,308)
Central Services	398,879				(398,879)		(398,879)
Administration Information Technology	284,025				(284,025)		(284,025)
Plant Operations and Maintenance	1,950,087				(1,950,087)		(1,950,087)
Pupil Transportation	2,089,554		17,052		(2,072,502)		(2,072,502)
Transfer to Charter Schools	130,412				(130,412)		(130,412)
Interest on Long-Term Debt	136,042				(136,042)		(136,042)
Total Governmental Activities	27,926,709	66,747	3,610,827		(24,249,135)		(24,249,135)

DENVILLE TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Business-Type Activities:</b>							
Food Service	\$ 51,604	\$ 22,026	\$ 27,150		\$ (2,428)	\$ (2,428)	
Total Business-Type Activities	51,604	22,026	27,150		(2,428)	(2,428)	
Total Primary Government	\$ 27,978,313	\$ 88,773	\$ 3,637,977	\$ -0-	\$ (24,249,135)	(2,428)	(24,251,563)
<b>General Revenues:</b>							
Taxes:							
Property Taxes, Levied for General Purposes, Net					25,337,084		25,337,084
Taxes Levied for Debt Service					398,616		398,616
Federal and State Aid not Restricted					159,825		159,825
Interest and Miscellaneous Income					95,234		95,234
Other Restricted Miscellaneous Income					54,200		54,200
Total General Revenues					26,044,959		26,044,959
Change in Net Assets					1,795,824	(2,428)	1,793,396
Net Assets - Beginning					10,342,944	9,686	10,352,630
Net Assets - Ending					\$ 12,138,768	\$ 7,258	\$ 12,146,026

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

FUND FINANCIAL STATEMENTS

DENVILLE TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 869,581		\$ 1	\$ 869,582
Interfund Receivables	55,077			55,077
Receivables from State Government	148,287			148,287
Receivables from Federal Government	60,048	\$ 56,385		116,433
Receivables from Other Government	532,490			532,490
Other Accounts Receivable	46,086			46,086
Restricted Cash and Cash Equivalents	1,060,271			1,060,271
<b>Total Assets</b>	<b>\$ 2,771,840</b>	<b>\$ 56,385</b>	<b>\$ 1</b>	<b>\$ 2,828,226</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable - Vendors	\$ 201,345	\$ 6,867		\$ 208,212
Interfund Payable	50,000	33,105		83,105
Payable to State Government		1,678		1,678
Other Current Liabilities	532,490			532,490
Deferred Revenue	1,000	14,735		15,735
<b>Total Liabilities</b>	<b>784,835</b>	<b>56,385</b>		<b>841,220</b>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Capital Reserve Account	1,060,271			1,060,271
Excess Surplus	105,678			105,678
Excess Surplus - Designated for Subsequent Year's Expenditures	13,009			13,009
Debt Service			\$ 1	1
<b>Assigned:</b>				
Year-End Encumbrances	33,384			33,384
Designated for Subsequent Year's Expenditures	263,263			263,263

DENVILLE TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Fund Balances (Cont'd):				
Unassigned:				
General Fund	\$ 511,400			\$ 511,400
Total Fund Balances	1,987,005		\$ 1	1,987,006
Total Liabilities and Fund Balances	\$ 2,771,840	\$ 56,385	\$ 1	

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$27,098,556 and the accumulated depreciation is \$11,707,402.	15,391,154
Interest on Long-Term Debt is not accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(47,250)
Bond Issuance Costs are Reported as expenditures in the Governmental Funds. The Cost is \$113,491 and the Amortization is \$34,047.	79,444
Bond Premiums are Reported as revenue in the Governmental Funds. The Premium is \$166,304 and the Amortization is \$49,890.	(116,414)
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)	(5,155,172)
Net Assets of Governmental Activities	\$ 12,138,768

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

DENVILLE TOWNSHIP 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	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources:				
Local Tax Levy	\$ 25,337,084		\$ 398,616	\$ 25,735,700
Tuition	49,013			49,013
Transportation Fees	17,734			17,734
Interest on Capital Reserve Funds	1,000			1,000
Other Restricted Miscellaneous	54,200			54,200
Miscellaneous	94,234			94,234
<b>Total - Local Sources</b>	<b>25,553,265</b>		<b>398,616</b>	<b>25,951,881</b>
State Sources	2,996,249	\$ 104,247	158,873	3,259,369
Federal Sources	60,048	451,235		511,283
<b>Total Revenues</b>	<b>28,609,562</b>	<b>555,482</b>	<b>557,489</b>	<b>29,722,533</b>
<b>EXPENDITURES</b>				
Current:				
Regular Instruction	7,983,384	141,537		8,124,921
Special Education Instruction	2,496,459	413,945		2,910,404
Other Special Instruction	322,102			322,102
Other Instruction	133,312			133,312
Support Services and Undistributed Costs:				
Tuition	787,721			787,721
Student & Instruction Related Services	2,897,008			2,897,008
General Administrative Services	444,795			444,795
School Administrative Services	941,330			941,330
Central Services	316,192			316,192
Administration Information Technology	243,317			243,317
Plant Operations and Maintenance	1,576,614			1,576,614
Pupil Transportation	1,591,654			1,591,654
Allocated and Unallocated Benefits	6,835,880			6,835,880

DENVILLE TOWNSHIP 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	Debt Service Fund	Total Governmental Funds
EXPENDITURES				
Debt Service:				
Principal			\$ 455,000	\$ 455,000
Interest and Other Charges			140,787	140,787
Capital Outlay	\$ 853,868			853,868
Transfer of Funds to Charter Schools	130,412			130,412
Total Expenditures	<u>27,554,048</u>	<u>\$ 555,482</u>	<u>595,787</u>	<u>28,705,317</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>1,055,514</u>	<u>-0-</u>	<u>(38,298)</u>	<u>1,017,216</u>
OTHER FINANCING SOURCES/(USES)				
Capital Leases (non-budgeted)	249,235			249,235
Total Other Financing Sources/(Uses)	<u>249,235</u>	<u>-0-</u>	<u>-0-</u>	<u>249,235</u>
Net Change in Fund Balances	1,304,749		(38,298)	1,266,451
Fund Balance—July 1	682,256		38,299	720,555
Fund Balance—June 30	<u>\$ 1,987,005</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1,987,006</u>

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

DENVILLE TOWNSHIP 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 B-2)		\$ 1,266,451
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.		
	Depreciation expense	\$ (854,441)
	Capital outlays	<u>575,939</u>
		(278,502)
Repayment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		455,000
The governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities over the life of the bonds.		(11,349)
Also, the governmental funds report the effect of deferred interest costs relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.		(6,081)
Finally, the governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		16,630
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		5,545
Capital leases are a financing source in the governmental funds. They are not revenue in the statement of activities; capital leases increase long-term liabilities in the statement of net assets.		(249,235)
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.		534,850
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>62,515</u>
Change in Net Assets of Governmental Activities (A-2)		<u>\$ 1,795,824</u>

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

Exhibit B-4

DENVILLE TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2012

	Business-type Activities - Enterprise Funds
	Food Service
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 10,452
Accounts Receivable:	
Federal	1,417
Total Current Assets	11,869
Non-Current Assets:	
Capital Assets	11,710
Less: Accumulated Depreciation	(7,243)
Total Non-Current Assets	4,467
Total Assets	16,336
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable - Vendors	9,078
Total Current Liabilities	9,078
Total Liabilities	9,078
<b>NET ASSETS:</b>	
Investment in Capital Assets, Net of Related Debt	4,467
Unrestricted	2,791
Total Net Assets	\$ 7,258

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

Exhibit B-5

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

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 22,026
Total Operating Revenue	22,026
Operating Expenses:	
Cost of Sales	50,748
Depreciation	756
Miscellaneous Expenses	100
Total Operating Expenses	51,604
Operating (Loss)	(29,578)
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	27,150
Total Non-Operating Revenue	27,150
Change in Net Assets	(2,428)
Net Assets - Beginning of Year	9,686
Net Assets - End of Year	\$ 7,258

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

Exhibit B-6

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

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 22,026
Payments to Suppliers	<u>(44,594)</u>
Net Cash (Used for) Operating Activities	<u>(22,568)</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources - Special Milk Program	<u>29,980</u>
Net Cash Provided by Noncapital Financing Activities	<u>29,980</u>
Net Increase in Cash and Cash Equivalents	7,412
Cash and Cash Equivalents, July 1	<u>3,040</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 10,452</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (29,578)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	756
Changes in Assets and Liabilities:	
Increase in Accounts Payable	<u>6,254</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (22,568)</u></u>

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

Exhibit B-7

DENVILLE TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 40,763	\$ 4,706	\$ 5,943
Intrafund Receivable - General Fund			50,000
<b>Total Assets</b>	<u>40,763</u>	<u>4,706</u>	<u>55,943</u>
<b>LIABILITIES:</b>			
Interfund Payable - General Fund	21,972		
Due to Student Groups	18,791		
<b>Total Liabilities</b>	<u>40,763</u>		
<b>NET ASSETS:</b>			
Held in Trust for Unemployment Claims			55,943
Held in Trust for Flexible Spending Claims		4,706	
<b>Total Net Assets</b>	<u>\$ -0-</u>	<u>\$ 4,706</u>	<u>\$ 55,943</u>

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

Exhibit B-8

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

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
<b>ADDITIONS:</b>			
Contributions:			
Board Contributions		\$ 108,393	\$ 108,393
Plan Member	\$ 47,607	80,156	127,763
Total Contributions	47,607	188,549	236,156
Total Additions	47,607	188,549	236,156
<b>DEDUCTIONS:</b>			
Quarterly Contribution Reports			
Unemployment Benefit Claims		137,213	137,213
Flexible Spending Claims	42,901		42,901
Total Deductions	42,901	137,213	180,114
Change in Net Assets	4,706	51,336	56,042
Net Assets - Beginning of the Year		4,607	4,607
Net Assets - End of the Year	\$ 4,706	\$ 55,943	\$ 60,649

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

DENVILLE TOWNSHIP 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 Denville Township 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 elementary schools located within Denville Township. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net 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 nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

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

DENVILLE TOWNSHIP 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)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

DENVILLE TOWNSHIP 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 Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

DENVILLE TOWNSHIP 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 was voted upon at the annual 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 GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

DENVILLE TOWNSHIP 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)

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 28,665,274	\$ 563,569
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, while the GAAP Basis does not.		(8,087)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	38,195	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(93,907)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 28,609,562</u>	<u>\$ 555,482</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 27,554,048	\$ 563,569
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		<u>(8,087)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 27,554,048</u>	<u>\$ 555,482</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.

DENVILLE TOWNSHIP 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)

E. Cash and Cash Equivalents and Investments: (Cont'd)

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 Governmental 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 fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net 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.

DENVILLE TOWNSHIP 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)

J. Inventories and Prepaid Expenses:

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

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

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	40 years
Building Improvements	20 years
Machinery and Equipment	10 to 15 years
Vehicles	10 to 12 years
Computer and Related Technology	5 to 7 years

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

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 premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond 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.

DENVILLE TOWNSHIP 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)

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed 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 the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

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 in more than 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 \$1,987,005 General Fund fund balance at June 30, 2012, \$1,060,271 is restricted in the capital reserve account; \$105,678 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2014; \$13,009 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2013; \$33,384 is assigned for encumbrances; \$263,263 is assigned fund balance and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2013; and \$511,400 is unassigned which is \$93,907 less than the calculated maximum unassigned fund balance, on a GAAP Basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2013.

Debt Service Fund: The Debt Service Fund balance at June 30, 2012 of \$1 is restricted for subsequent year's expenditures.

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

DENVILLE TOWNSHIP 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)

P. Fund Balance Appropriated: (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$93,907 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the 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.

Q. Deficit Fund Balances/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.

The \$75,641 deficit in unrestricted governmental net assets results from the accrual of \$47,250 in accrued interest payable, \$116,414 of the unamortized bond premium and \$799,468 in accrued compensated absences offset by unamortized bond issuance costs of \$79,444, \$33,384 of year-end encumbrances, \$263,263 of assigned fund balance designated for subsequent year's expenditures and \$511,400 of unassigned GAAP fund balance. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. 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.

DENVILLE TOWNSHIP 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)

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

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 Debt Service.

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 did not have 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 official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances and amounts designated for subsequent year's expenditures in the General Fund at June 30, 2012.

S. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Funds. 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 Funds.

T. Revenue - Exchange and Nonexchange Transactions:

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

DENVILLE TOWNSHIP 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)

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

Nonexchange 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 nonexchange transactions must also be available before it can be recognized.

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

U. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, 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 Board 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 Board 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 Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following pages.

DENVILLE TOWNSHIP 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)

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

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

In addition to the above collateral requirement, if 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, the Federal Home Loan Bank Board 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 Borough to purchase the following types of securities:

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

DENVILLE TOWNSHIP 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)

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

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Total</u>
Checking Accounts	\$ 930,043	\$ 1,060,271	\$ 1,990,314
State of New Jersey Cash Management Fund	1,403		1,403
	<u>\$ 931,446</u>	<u>\$ 1,060,271</u>	<u>\$ 1,991,717</u>

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 \$1,991,717 and the bank balance was \$2,417,852. The \$1,403 in the State of New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution 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 transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g) 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	\$ 257
Interest Earnings	1,000
Transfer by Resolution June 18, 2012	1,000,000
Budgeted Increase	<u>59,014</u>
Ending Balance, June 30, 2012	<u>\$ 1,060,271</u>

The balance in the capital reserve account did not exceed the balance of local support costs of uncompleted capital projects in the District's LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2012, the District transferred funds between the capital outlay accounts for construction services. The District acquired the approval of the County Superintendent of Schools for these transactions. The District also transferred funds into the capital outlay account for the purchase of equipment. This transfer did not require the approval of the County Superintendent of Schools.

DENVILLE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets not Being Depreciated:</b>				
Sites (Land)	\$ 105,150			\$ 105,150
Construction in Progress		\$ 316,962		316,962
Total Capital Assets Not Being Depreciated	<u>105,150</u>	<u>316,962</u>		<u>422,112</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings and Building Improvements	22,894,412			22,894,412
Machinery and Equipment	3,523,055	258,977		3,782,032
Total Capital Assets Being Depreciated	<u>26,417,467</u>	<u>258,977</u>		<u>26,676,444</u>
Governmental Activities Capital Assets	<u>26,522,617</u>	<u>575,939</u>	\$ -0-	<u>27,098,556</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Building Improvements	(9,413,796)	(555,394)		(9,969,190)
Machinery and Equipment	(1,439,165)	(299,047)		(1,738,212)
	<u>(10,852,961)</u>	<u>(854,441)</u>		<u>(11,707,402)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,669,656</u>	<u>\$ (278,502)</u>	\$ -0-	<u>\$ 15,391,154</u>
	<u>Ending Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<b>Capital Assets Being Depreciated:</b>				
Machinery and Equipment	\$ 11,710			\$ 11,710
Less Accumulated Depreciation	(6,487)	\$ (756)		(7,243)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,223</u>	<u>\$ (756)</u>	\$ -0-	<u>\$ 4,467</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 27,669
Student and Instructional Support Services	167,004
General Administrative	127,324
School Administrative	33,467
Plant Operations and Maintenance	124,474
Pupil Transportation	374,503
	<u>\$ 854,441</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 7. OPERATING LEASES

The District has commitments to lease computer equipment and accessories under operating leases which expire in 2013. Total operating lease payments made during the fiscal year ended June 30, 2012 were \$4,266. Future minimum lease payments are as follows:

Fiscal Year	Amount
2013	\$ 4,266
2013 Minimum Lease Payments	\$ 4,266

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 6/30/2011	Accrued	Retired	Balance 6/30/2012
Serial Bonds Payable	\$ 3,695,000		\$ 455,000	\$ 3,240,000
Less: Deferred Amount on Refunding	(48,651)		(6,081)	(42,570)
Net Serial Bonds Payable	3,646,349		448,919	3,197,430
Compensated Absences Payable	861,983	\$ 32,910	95,425	799,468
Capital Leases Payable	1,443,889	249,235	534,850	1,158,274
	\$ 5,952,221	\$ 282,145	\$ 1,079,194	\$ 5,155,172

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. Bonds payable will be liquidated through the Debt Service Fund.

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

Final Maturity	Interest Rate	Amount
02/15/19	3.00% - 4.00%	\$ 3,240,000

The current portion of bonds payable at June 30, 2012 is \$475,000 and the long-term portion is \$2,765,000.

DENVILLE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 7. OPERATING LEASES

The District has commitments to lease computer equipment and accessories under operating leases which expire in 2013. Total operating lease payments made during the fiscal year ended June 30, 2012 were \$4,266. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 4,266
2013 Minimum Lease Payments	<u>\$ 4,266</u>

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:

	<u>Balance 6/30/2011</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance 6/30/2012</u>
Serial Bonds Payable	\$ 3,695,000		\$ 455,000	\$ 3,240,000
Less: Deferred Amount on Refunding	<u>(48,651)</u>		<u>(6,081)</u>	<u>(42,570)</u>
Net Serial Bonds Payable	3,646,349		448,919	3,197,430
Compensated Absences Payable	861,983	\$ 32,910	95,425	799,468
Capital Leases Payable	<u>1,443,889</u>	<u>249,235</u>	<u>534,850</u>	<u>1,158,274</u>
	<u>\$ 5,952,221</u>	<u>\$ 282,145</u>	<u>\$ 1,079,194</u>	<u>\$ 5,155,172</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. Bonds payable will be liquidated through the Debt Service Fund.

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

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
02/15/19	3.00% - 4.00%	<u>\$ 3,240,000</u>

The current portion of bonds payable at June 30, 2012 is \$475,000 and the long-term portion is \$2,765,000.

DENVILLE TOWNSHIP 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)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	475,000	126,000	601,000
2014	490,000	109,375	599,375
2015	495,000	91,000	586,000
2016	490,000	71,200	561,200
2017	490,000	51,600	541,600
2018-2019	800,000	44,600	844,600
	<u>\$ 3,240,000</u>	<u>\$ 493,775</u>	<u>\$ 3,733,775</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2012, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District is leasing photocopiers, boilers, computer equipment and school buses under capital leases. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2012.

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	474,078
2014	385,873
2015	312,948
2016	31,780
Total Minimum Lease Payments	1,204,679
Less: Amount Representing Interest	(46,405)
Present Value of Net Minimum Lease Payments	<u>\$ 1,158,274</u>

The current portion of Capital Leases payable at June 30, 2012 is \$447,883 and the long-term portion is \$710,391.

Capital leases will be liquidated by the General Fund.

DENVILLE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

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

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$799,468. There is no current portion of the compensated absences liability at June 30, 2012. The General Fund will be used to liquidate compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, no liability existed for compensated absences in the Food Service Fund.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. 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.

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 went from 5.5% to 6.5% of employees' annual compensation as defined. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF.

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 \$344,927, \$341,092 and \$238,396 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

During the fiscal years ended June 30, 2012 the State of New Jersey contributed \$369,983 to the TPAF for normal pension benefits on-behalf of the District. During the fiscal years ended June 30, 2011 and 2010 the State of New Jersey made no contributions to the TPAF for normal pension benefits on-behalf of the District.

DENVILLE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through 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, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$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 \$743,764, \$773,661 and \$710,837 for 2012, 2011 and 2010, respectively.

NOTE 11. RISK MANAGEMENT

The District maintains commercial 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. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. Health benefits are provided to District employees through Horizon Blue Cross/Blue Shield and dental benefits are provided through Delta Dental.

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 108,393	\$ -0-	\$ 80,156	\$ 137,213	\$ 55,943
2010-2011	-0-	156	109,873	202,758	4,607
2009-2010	-0-	367	27,503	63,596	97,336

DENVILLE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

(Continued)

NOTE 12. 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 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 55,077	\$ 50,000
Special Revenue Fund		33,105
Fiduciary Fund	50,000	21,972
	<u>\$ 105,077</u>	<u>\$ 105,077</u>

The interfund between the General Fund and Net Payroll Fund represents a repayment of unallocated balance as of June 30, 2012. The interfund between the General Fund and the Unemployment Trust Fund represents board contributions that were not yet turned over as of June 30, 2012. The interfund between the General Fund and Special Revenue Fund represents grant monies expended but not yet received as of June 30, 2012.

NOTE 14. DEFERRED COMPENSATION

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

Metropolitan Life Insurance Company	Great American Life Insurance Company
United of Omaha	Lincoln Investment Planning, Inc.
Copeland Companies	Variable Annuity Life Insurance Company (VALIC)
MetLife Investors	The Equitable
Lincoln National Life Insurance Company	Prudential Investments

NOTE 15. 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.

DENVILLE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

NOTE 15. TAX CALENDAR (Cont'd)

Taxes are collected by the constituent municipality and are remitted to the School District on a predetermined, agreed-upon schedule.

NOTE 16. COMMITMENTS AND CONTINGENCIES

The Board is periodically involved in claims or lawsuits arising in the normal course of business. The Board does not believe that the ultimate outcome of these cases would have a material adverse effect on the District's financial position.

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

The following encumbrance balances existed as of June 30, 2012:

	<u>Governmental Activities</u>			<u>Business-Type</u> <u>Activities</u>
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Funds</u>
Encumbrances	\$ 33,384	\$ 8,087	\$ 41,471	\$ -0-

On the District's Governmental Funds Balance Sheet as of June 30, 2012, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$8,087 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in deferred revenue in the Special Revenue Fund.

NOTE 17. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2012:

	<u>Governmental Activities</u>			<u>Business-Type</u> <u>Activities</u>
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Funds</u>
Vendors	\$ 201,345	\$ 6,867	\$ 208,212	\$ 9,078

BUDGETARY COMPARISON SCHEDULES

DENVILLE TOWNSHIP 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>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 25,337,084		\$ 25,337,084	\$ 25,337,084	
Tuition from Other LEAs				49,013	\$ 49,013
Tuition from Individuals				17,734	17,734
Interest Earned on Capital Reserve Funds	1,000		1,000	1,000	
Other Restricted Miscellaneous	75,515		75,515	54,200	(21,315)
Unrestricted Miscellaneous	55,000		55,000	94,234	39,234
<b>Total - Local Sources</b>	<u>25,468,599</u>		<u>25,468,599</u>	<u>25,553,265</u>	<u>84,666</u>
State Sources:					
Special Education Categorical Aid	705,380		705,380	968,643	263,263
Extraordinary Aid	50,000		50,000	130,848	80,848
Anti-Bullying Aid				952	952
Nonpublic School Transportation Costs				17,052	17,052
On-Behalf TPAF Pension Contributions (Non-Budgeted)				369,983	369,983
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				743,764	743,764
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				820,719	820,719
<b>Total State Sources</b>	<u>755,380</u>		<u>755,380</u>	<u>3,051,961</u>	<u>2,296,581</u>
Federal Sources:					
Education Jobs Fund	58,224	\$ 1,824	60,048	60,048	
<b>Total Federal Sources</b>	<u>58,224</u>	<u>1,824</u>	<u>60,048</u>	<u>60,048</u>	
<b>TOTAL REVENUES</b>	<u>26,282,203</u>	<u>1,824</u>	<u>26,284,027</u>	<u>28,665,274</u>	<u>2,381,247</u>

DENVILLE TOWNSHIP 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	\$ 270,372	\$ (42,768)	\$ 227,604	\$ 214,344	\$ 13,260
Grades 1-5 - Salaries of Teachers	4,499,894	(139,491)	4,360,403	4,342,820	17,583
Grades 6-8 - Salaries of Teachers	2,624,779	(92,216)	2,532,563	2,510,496	22,067
Regular Programs - Home Instruction:					
Salaries of Teachers	11,840	5,317	17,157	17,157	
Purchased Professional - Educational Services	1,388	(65)	1,323	738	585
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	6,000	60,048	66,048	65,949	99
Purchased Technical Services	625,072	(112,521)	512,551	461,956	50,595
Other Purchased Services (400-500 series)	23,910	(12,000)	11,910	6,993	4,917
General Supplies	315,780	694	316,474	275,775	40,699
Textbooks	86,049	7,161	93,210	87,156	6,054
<b>Total Regular Programs - Instruction</b>	<b>8,465,084</b>	<b>(325,841)</b>	<b>8,139,243</b>	<b>7,983,384</b>	<b>155,859</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	555,507	(25,000)	530,507	502,371	28,136
Other Salaries for Instruction	394,294		394,294	385,985	8,309
General Supplies	10,500	(4,260)	6,240	3,378	2,862
<b>Total Learning and/or Language Disabilities</b>	<b>960,301</b>	<b>(29,260)</b>	<b>931,041</b>	<b>891,734</b>	<b>39,307</b>

DENVILLE TOWNSHIP 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					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,019,996	\$ 92,000	\$ 1,111,996	\$ 1,110,779	\$ 1,217
Other Salaries for Instruction	206,925		206,925	195,514	11,411
General Supplies	15,000	(4,000)	11,000	9,060	1,940
Total Resource Room/Resource Center	<u>1,241,921</u>	<u>88,000</u>	<u>1,329,921</u>	<u>1,315,353</u>	<u>14,568</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	198,623	(25,000)	173,623	130,412	43,211
Other Salaries for Instruction	182,012		182,012	156,079	25,933
Purchased Professional - Educational Services	4,000	(4,000)			
General Supplies	3,000		3,000	2,881	119
Total Preschool Disabilities - Part-time	<u>387,635</u>	<u>(29,000)</u>	<u>358,635</u>	<u>289,372</u>	<u>69,263</u>
Total Special Education Instruction	<u>2,589,857</u>	<u>29,740</u>	<u>2,619,597</u>	<u>2,496,459</u>	<u>123,138</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	261,682	6,000	267,682	266,732	950
General Supplies	3,000		3,000	2,978	22
Total Basic Skills/Remedial - Instruction	<u>264,682</u>	<u>6,000</u>	<u>270,682</u>	<u>269,710</u>	<u>972</u>
Bilingual Education - Instruction:					
Salaries of Teachers	44,393	10,000	54,393	52,114	2,279
Other Purchased Services (400-500 series)	200		200		200
General Supplies	2,000		2,000	278	1,722
Total Bilingual Education - Instruction	<u>46,593</u>	<u>10,000</u>	<u>56,593</u>	<u>52,392</u>	<u>4,201</u>

DENVILLE TOWNSHIP 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					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 121,895	\$ 3,234	\$ 125,129	\$ 123,704	\$ 1,425
Purchased Services (300-500 series)	4,505	4,983	9,488	9,478	10
Supplies and Materials	2,850	(2,107)	743	130	613
Total School-Sponsored Cocurricular Activities - Instruction	<u>129,250</u>	<u>6,110</u>	<u>135,360</u>	<u>133,312</u>	<u>2,048</u>
Total Instruction	<u>11,495,466</u>	<u>(273,991)</u>	<u>11,221,475</u>	<u>10,935,257</u>	<u>286,218</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular		500	500	260	240
Tuition to Other LEAs Within the State - Special	122,226	(23,436)	98,790	98,790	
Tuition to Private Schools for the Disabled - Within the State	626,855	66,513	693,368	688,671	4,697
Total Undistributed Expenditures - Instruction:	<u>749,081</u>	<u>43,577</u>	<u>792,658</u>	<u>787,721</u>	<u>4,937</u>
Attendance and Social Work Services:					
Salaries	1,500		1,500		1,500
Total Attendance and Social Work Services	<u>1,500</u>		<u>1,500</u>		<u>1,500</u>
Health Services:					
Salaries	288,598	(111)	288,487	275,919	12,568
Purchased Professional and Technical Services	500		500		500
Supplies and Materials	9,400	198	9,598	8,600	998
Total Health Services	<u>298,498</u>	<u>87</u>	<u>298,585</u>	<u>284,519</u>	<u>14,066</u>

DENVILLE TOWNSHIP 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>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Speech, OT, PT, and Related Services:					
Salaries	\$ 467,404	\$ (16,020)	\$ 451,384	\$ 392,584	\$ 58,800
Purchased Professional - Educational Services	27,500	(26,011)	1,489	438	1,051
Supplies and Materials	3,000	271	3,271	3,271	
<b>Total Speech, OT, PT, and Related Services</b>	<b>497,904</b>	<b>(41,760)</b>	<b>456,144</b>	<b>396,293</b>	<b>59,851</b>
Other Support Services - Students - Extraordinary Services:					
Salaries	203,085	20,000	223,085	222,765	320
Purchased Professional - Educational Services	79,094	(14,017)	65,077	58,983	6,094
Supplies and Materials	4,000		4,000	3,986	14
<b>Total Other Support Services - Students - Extraordinary Services</b>	<b>286,179</b>	<b>5,983</b>	<b>292,162</b>	<b>285,734</b>	<b>6,428</b>
Guidance:					
Salaries of Other Professional Staff	460,598	15,000	475,598	473,831	1,767
Supplies and Materials	3,300		3,300	2,060	1,240
<b>Total Guidance</b>	<b>463,898</b>	<b>15,000</b>	<b>478,898</b>	<b>475,891</b>	<b>3,007</b>
Child Study Teams:					
Salaries of Other Professional Staff	639,653	(7,688)	631,965	631,964	1
Salaries of Secretarial and Clerical Assistants	88,081		88,081	88,081	
Purchased Professional - Educational Services	20,000	1,452	21,452	20,199	1,253
Miscellaneous Purchased Services (400-500 Series)	2,500	(1,000)	1,500	815	685
Supplies and Materials	13,000	(3,851)	9,149	9,149	
Other Objects	16,400	(8,240)	8,160	6,844	1,316
<b>Total Child Study Teams</b>	<b>779,634</b>	<b>(19,327)</b>	<b>760,307</b>	<b>757,052</b>	<b>3,255</b>

DENVILLE TOWNSHIP 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>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	\$ 54,931		\$ 54,931	\$ 54,931	
Salaries of Other Professional Staff	46,036	\$ (15,652)	30,384	25,742	\$ 4,642
Purchased Professional - Educational Services	1,200		1,200	1,115	85
Other Purchased Services (400-500 series)	1,200		1,200		1,200
Supplies and Materials	1,500		1,500	621	879
<b>Total Improvement of Instructional Services</b>	<b>104,867</b>	<b>(15,652)</b>	<b>89,215</b>	<b>82,409</b>	<b>6,806</b>
Educational Media Services/School Library:					
Salaries	255,363	5,000	260,363	259,915	448
Other Purchased Services (400-500 series)	35,000	15,500	50,500	41,053	9,447
Supplies and Materials	34,100	93	34,193	31,868	2,325
<b>Total Educational Media Services/School Library</b>	<b>324,463</b>	<b>20,593</b>	<b>345,056</b>	<b>332,836</b>	<b>12,220</b>
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	54,931	4,120	59,051	59,051	
Salaries of Other Professional Staff	185,718	7,425	193,143	193,143	
Other Salaries	5,000		5,000		5,000
Purchased Professional - Educational Services	80,892	(25,655)	55,237	28,216	27,021
Other Purchased Services (400-500 series)	3,000		3,000	116	2,884
Supplies and Materials	10,000	(8,000)	2,000	1,748	252
<b>Total Instructional Staff Training Services</b>	<b>339,541</b>	<b>(22,110)</b>	<b>317,431</b>	<b>282,274</b>	<b>35,157</b>

DENVILLE TOWNSHIP 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>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Support Services - General Administration:</b>					
Salaries	\$ 232,057	\$ 13,000	\$ 245,057	\$ 243,326	\$ 1,731
Legal Services	17,352	8,400	25,752	24,490	1,262
Other Purchased Professional Services	104,275	(8,988)	95,287	87,193	8,094
Communications/Telephone	35,000	18,714	53,714	52,973	741
Miscellaneous Purchased Services (400-500 series)	7,120	197	7,317	5,304	2,013
General Supplies	5,311	158	5,469	5,469	
Miscellaneous Expenditures	25,289	1,519	26,808	26,040	768
<b>Total Support Services - General Administration</b>	<b>426,404</b>	<b>33,000</b>	<b>459,404</b>	<b>444,795</b>	<b>14,609</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	579,626	(3,676)	575,950	575,950	
Salaries of Secretarial and Clerical Assistants	313,170	7,701	320,871	319,225	1,646
Other Purchased Services (400-500 series)	24,100	(1,000)	23,100	10,086	13,014
Supplies and Materials	28,872	1,000	29,872	28,354	1,518
Other Objects	14,310	(551)	13,759	7,715	6,044
<b>Total Support Services - School Administration</b>	<b>960,078</b>	<b>3,474</b>	<b>963,552</b>	<b>941,330</b>	<b>22,222</b>
<b>Central Services:</b>					
Salaries	280,617	(532)	280,085	278,643	1,442
Miscellaneous Purchased Services (400-500 series)	574	806	1,380	958	422
Supplies and Materials	6,787	7,689	14,476	14,198	278
Interest on Lease Purchase Agreements		21,494	21,494	21,494	
Miscellaneous Expenditures	1,862	(963)	899	899	
<b>Total Central Services</b>	<b>289,840</b>	<b>28,494</b>	<b>318,334</b>	<b>316,192</b>	<b>2,142</b>

DENVILLE TOWNSHIP 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					
Administration Information Technology:					
Salaries	\$ 137,266	\$ 5,000	\$ 142,266	\$ 141,173	\$ 1,093
Other Purchased Services (400-500 series)	101,160	(8,312)	92,848	92,332	516
Supplies and Materials	1,500	8,312	9,812	9,812	
<b>Total Administration Information Technology</b>	<b>239,926</b>	<b>5,000</b>	<b>244,926</b>	<b>243,317</b>	<b>1,609</b>
Required Maintenance of School Facilities:					
Salaries	155,229		155,229	134,362	20,867
Cleaning, Repair and Maintenance Services	129,172	(597)	128,575	105,715	22,860
General Supplies	21,118	13,391	34,509	34,437	72
Other Objects	50,249	(17,264)	32,985	26,321	6,664
<b>Total Required Maintenance of School Facilities</b>	<b>355,768</b>	<b>(4,470)</b>	<b>351,298</b>	<b>300,835</b>	<b>50,463</b>
Custodial Services:					
Salaries	709,021	22,179	731,200	729,923	1,277
Purchased Professional and Technical Services		6,682	6,682	4,783	1,899
Cleaning, Repair and Maintenance Services	13,740	24,861	38,601	33,296	5,305
Rental of Land and Building Other Than Lease-Purchase Agreements	33,300		33,300	28,167	5,133
Other Purchased Property Services	16,965	(2,145)	14,820	9,283	5,537
Insurance	90,840	(1,747)	89,093	79,262	9,831
Miscellaneous Purchased Services	325,000	(260,292)	64,708		64,708
General Supplies	42,783	2,495	45,278	22,107	23,171
Energy (Electricity)	237,195		237,195	231,681	5,514
Energy (Natural Gas)	200,000		200,000	124,393	75,607
<b>Total Custodial Services</b>	<b>1,668,844</b>	<b>(207,967)</b>	<b>1,460,877</b>	<b>1,262,895</b>	<b>197,982</b>

DENVILLE TOWNSHIP 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					
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	\$ 1,500	\$ 3,900	\$ 5,400	\$ 5,400	
General Supplies	1,000	8,537	9,537	7,484	\$ 2,053
<b>Total Care and Upkeep of Grounds</b>	<b>2,500</b>	<b>12,437</b>	<b>14,937</b>	<b>12,884</b>	<b>2,053</b>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	813,932	(31,443)	782,489	742,395	40,094
Between Home and School - Special Education	1,000		1,000		1,000
Other Than Between Home and School	82,347	44,288	126,635	126,635	
Cleaning, Repair and Maintenance Services	24,560	22,658	47,218	46,140	1,078
Lease Purchase Payments - School Buses	121,413		121,413	121,413	
Contracted Services:					
Special Education Students - ESC's & CTSA's	339,613	(41,495)	298,118	237,367	60,751
Aid in Lieu - Nonpublic Schools	101,599	(15,525)	86,074	83,787	2,287
Miscellaneous Purchased Services - Transportation	8,392	(4,820)	3,572		3,572
General Supplies	169,686	72,169	241,855	223,120	18,735
Other Objects	33,241	(9,995)	23,246	10,797	12,449
<b>Total Student Transportation Services</b>	<b>1,695,783</b>	<b>35,837</b>	<b>1,731,620</b>	<b>1,591,654</b>	<b>139,966</b>
Student Transportation Services - Employee Benefits:					
Social Security Contributions	22,672	(5,000)	17,672		17,672
Workmen's Compensation	10,968	(4,697)	6,271	6,271	
Health Benefits	190,954	(180,837)	10,117		10,117
<b>Total Student Transportation Services - Employee Benefits</b>	<b>224,594</b>	<b>(190,534)</b>	<b>34,060</b>	<b>6,271</b>	<b>27,789</b>

DENVILLE TOWNSHIP 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					
Unallocated Benefits:					
Social Security Contributions	\$ 398,446	\$ 19,690	\$ 418,136	\$ 418,135	\$ 1
Other Retirement Contributions - PERS	400,000	(55,073)	344,927	344,927	
Other Retirement Contributions - Regular	3,500		3,500	2,716	784
Unemployment Compensation	200,000	(150,000)	50,000	50,000	
Workmen's Compensation	193,751	4,697	198,448	192,177	6,271
Health Benefits	3,032,925	689,792	3,722,717	3,716,660	6,057
Tuition Reimbursement	40,000	76,444	116,444	100,431	16,013
Other Employee Benefits	60,000	10,097	70,097	70,097	
<b>Total Unallocated Benefits</b>	<b>4,328,622</b>	<b>595,647</b>	<b>4,924,269</b>	<b>4,895,143</b>	<b>29,126</b>
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				369,983	(369,983)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				743,764	(743,764)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				820,719	(820,719)
<b>Total On-Behalf Contributions</b>				<b>1,934,466</b>	<b>(1,934,466)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>4,553,216</b>	<b>405,113</b>	<b>4,958,329</b>	<b>6,835,880</b>	<b>(1,877,551)</b>
<b>Total Undistributed Expenses</b>	<b>14,037,924</b>	<b>297,309</b>	<b>14,335,233</b>	<b>15,634,511</b>	<b>(1,299,278)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>25,533,390</b>	<b>23,318</b>	<b>25,556,708</b>	<b>26,569,768</b>	<b>(1,013,060)</b>

DENVILLE TOWNSHIP 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>
<b>EXPENDITURES:</b>					
<b>CAPITAL OUTLAY</b>					
Undistributed Expenditures - Equipment:					
School Buses - Regular		\$ 9,742	\$ 9,742	\$ 9,742	
<b>Total Equipment</b>		<b>9,742</b>	<b>9,742</b>	<b>9,742</b>	
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services		26,000	26,000	26,000	
Construction Services	\$ 331,875	(35,742)	296,133	290,962	\$ 5,171
Lease Purchase Agreements - Principal	296,535	(21,494)	275,041	275,041	
Other Objects	2,888		2,888	2,888	
<b>Total Facilities Acquisition and Construction Services</b>	<b>631,298</b>	<b>(31,236)</b>	<b>600,062</b>	<b>594,891</b>	<b>5,171</b>
Assets Acquired Under Capital Leases (non-budgeted)					
Instruction - Equipment:					
Regular Instruction				122,186	(122,186)
Undistributed Expenditures - Equipment:					
Student Transportation:					
School Buses - Regular				127,049	(127,049)
<b>Total Assets Acquired Under Capital Leases (non-budgeted)</b>				<b>249,235</b>	<b>(249,235)</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>631,298</b>	<b>(21,494)</b>	<b>609,804</b>	<b>853,868</b>	<b>(244,064)</b>
Transfer of Funds to Charter Schools	132,139		132,139	130,412	1,727
<b>TOTAL EXPENDITURES</b>	<b>26,296,827</b>	<b>1,824</b>	<b>26,298,651</b>	<b>27,554,048</b>	<b>(1,255,397)</b>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(14,624)		(14,624)	1,111,226	1,125,850

DENVILLE TOWNSHIP 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>
Other Financing Sources/(Uses):					
Capital Leases (non-budgeted)				\$ 249,235	\$ 249,235
Total Other Financing Sources/(Uses)				249,235	249,235
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	\$ (14,624)		\$ (14,624)	1,360,461	1,375,085
Fund Balance, July 1	720,451		720,451	720,451	
Fund Balance, June 30	<u>\$ 705,827</u>	<u>\$ -0-</u>	<u>\$ 705,827</u>	<u>\$ 2,080,912</u>	<u>\$ 1,375,085</u>
Recapitulation:					
Restricted:					
Excess Surplus				\$ 105,678	
Excess Surplus - Designated for Subsequent Year's Expenditures				13,009	
Capital Reserve				1,060,271	
Assigned					
Year-End Encumbrances				33,384	
Designated for Subsequent Year's Expenditures				263,263	
Unassigned				605,307	
				<u>2,080,912</u>	
Reconciliation to Governmental Fund Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(93,907)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,987,005</u>	

DENVILLE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Federal Sources	\$ 462,500	\$ 62,778	\$ 525,278	\$ 456,619	\$ (68,659)
State Sources	53,000	52,925	105,925	104,247	(1,678)
Local Sources		9,351	9,351	2,703	(6,648)
<b>Total Revenues</b>	<b>515,500</b>	<b>125,054</b>	<b>640,554</b>	<b>563,569</b>	<b>(76,985)</b>
<b>EXPENDITURES:</b>					
Instruction					
Salaries of Teachers		41,743	41,743	38,320	3,423
Purchased Professional - Educational Services	30,000	53,372	83,372	81,695	1,677
Tuition	390,000	(40,005)	349,995	323,944	26,051
General Supplies	6,500	48,910	55,410	34,762	20,648
Textbooks	8,000	1,287	9,287	9,286	1
Other Objects	15,000	(15,000)			
<b>Total Instruction</b>	<b>449,500</b>	<b>90,307</b>	<b>539,807</b>	<b>488,007</b>	<b>51,800</b>
Support Services					
Salaries of Other Professional Staff	25,000	(19,605)	5,395	3,617	1,778
Personal Services - Employee Benefits		735	735	441	294
Purchased Professional - Educational Services	37,000	44,918	81,918	69,936	11,982
Supplies and Materials	4,000	(1,961)	2,039	1,568	471
<b>Total Support Services</b>	<b>66,000</b>	<b>24,087</b>	<b>90,087</b>	<b>75,562</b>	<b>14,525</b>

DENVILLE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
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>
EXPENDITURES:					
Facilities Acquisition and Construction Services:					
Instructional Equipment		\$ 10,660	\$ 10,660		\$ 10,660
Total Facilities Acquisition and Construction Services		10,660	10,660		10,660
Total Expenditures	\$ 515,500	125,054	640,554	\$ 563,569	76,985
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Exhibit C-3

DENVILLE TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 28,665,274	\$ 563,569
<b>Difference - Budget to GAAP:</b>		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, while the GAAP Basis does not.		(8,087)
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	38,195	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(93,907)	
<b>Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.</b>	<b>\$ 28,609,562</b>	<b>\$ 555,482</b>
<b>Uses/Outflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 27,554,048	\$ 563,569
<b>Differences - Budget to GAAP:</b>		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		(8,087)
<b>Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</b>	<b>\$ 27,554,048</b>	<b>\$ 555,482</b>

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 was voted upon at the annual 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 GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

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

	No Child Left Behind			Nonpublic Textbooks	Nonpublic Nursing
	Title II, Part A	Title III	Title II, Part D		
REVENUE:					
Local Sources					
State Sources				\$ 9,286	\$ 13,266
Federal Sources	\$ 35,671	\$ 1,581	\$ 38		
Total Revenue	<u>35,671</u>	<u>1,581</u>	<u>38</u>	<u>9,286</u>	<u>13,266</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional Educational Services					
Tuition					
General Supplies		1,581			
Textbooks				9,286	
Total Instruction		<u>1,581</u>		<u>9,286</u>	
Support Services:					
Salaries of Other Professional Staff	1,056				
Personal Services - Employee Benefits					
Purchased Professional Educational Services	33,047		38		13,266
Supplies and Materials	1,568				
Total Support Services	<u>35,671</u>		<u>38</u>		<u>13,266</u>
Total Expenditures	<u>\$ 35,671</u>	<u>\$ 1,581</u>	<u>\$ 38</u>	<u>\$ 9,286</u>	<u>\$ 13,266</u>

DENVILLE TOWNSHIP 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>Nonpublic Auxiliary</u>	<u>Other Local Grants</u>
	<u>Basic</u>	<u>Preschool</u>	<u>ARRA Basic</u>	<u>Comprehensive Education</u>	
REVENUE:					
Local Sources					\$ 2,703
State Sources				\$ 32,631	
Federal Sources	\$ 369,027	\$ 11,982	\$ 38,320		
Total Revenue	<u>369,027</u>	<u>11,982</u>	<u>38,320</u>	<u>32,631</u>	<u>2,703</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers			38,320		
Purchased Professional Educational Services				32,631	
Tuition	323,944				
General Supplies	18,496	11,982			2,703
Textbooks					
Total Instruction	<u>342,440</u>	<u>11,982</u>	<u>38,320</u>	<u>32,631</u>	<u>2,703</u>
Support Services:					
Salaries of Other Professional Staff	2,561				
Personal Services - Employee Benefits	441				
Purchased Professional Educational Services	23,585				
Supplies and Materials					
Total Support Services	<u>26,587</u>				
Total Expenditures	<u>\$ 369,027</u>	<u>\$ 11,982</u>	<u>\$ 38,320</u>	<u>\$ 32,631</u>	<u>\$ 2,703</u>

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

	<u>Nonpublic Handicapped Services</u>			<u>Totals</u>
	<u>Supplemental Instruction</u>	<u>Exam and Classification</u>	<u>Corrective Speech</u>	
REVENUE:				
Local Sources				\$ 2,703
State Sources	\$ 13,749	\$ 21,571	\$ 13,744	104,247
Federal Sources				456,619
Total Revenue	<u>13,749</u>	<u>21,571</u>	<u>13,744</u>	<u>563,569</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				38,320
Purchased Professional Educational Services	13,749	21,571	13,744	81,695
Tuition				323,944
General Supplies				34,762
Textbooks				9,286
Total Instruction	<u>13,749</u>	<u>21,571</u>	<u>13,744</u>	<u>488,007</u>
Support Services:				
Salaries of Other Professional Staff				3,617
Personal Services - Employee Benefits				441
Purchased Professional Educational Services				69,936
Supplies and Materials				1,568
Total Support Services				<u>75,562</u>
Total Expenditures	<u>\$ 13,749</u>	<u>\$ 21,571</u>	<u>\$ 13,744</u>	<u>\$ 563,569</u>

CAPITAL PROJECTS FUND  
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

DENVILLE TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 10,452
Accounts Receivable:	
Federal	<u>1,417</u>

Total Current Assets	<u>11,869</u>
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## Non-Current Assets:

Capital Assets	11,710
Less: Accumulated Depreciation	<u>(7,243)</u>

Total Non-Current Assets	<u>4,467</u>
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Total Assets	<u>16,336</u>
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## LIABILITIES:

## Current Liabilities:

Accounts Payable	<u>9,078</u>
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Total Current Liabilities	<u>9,078</u>
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Total Liabilities	<u>9,078</u>
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## NET ASSETS:

Investment in Capital Assets, Net of Related Debt	4,467
Unrestricted	<u>2,791</u>

Total Net Assets	<u><u>\$ 7,258</u></u>
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Exhibit G-2

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

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	
Special Milk Program	\$ 22,026
Total Operating Revenue	<u>22,026</u>
Operating Expenses:	
Cost of Sales	50,748
Depreciation	756
Miscellaneous Expenses	100
Total Operating Expenses	<u>51,604</u>
Operating (Loss)	<u>(29,578)</u>
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	<u>27,150</u>
Total Non-Operating Revenue	<u>27,150</u>
Change in Net Assets	(2,428)
Net Assets - Beginning of Year	<u>9,686</u>
Net Assets - End of Year	<u>\$ 7,258</u>

Exhibit G-3

DENVILLE TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 22,026
Payments to Suppliers	<u>(44,594)</u>
Net Cash (Used for) Operating Activities	<u>(22,568)</u>
Cash Flows from Noncapital Financing Activities:	
Federal Sources - Special Milk Program	<u>29,980</u>
Net Cash Provided by Noncapital Financing Activities	<u>29,980</u>
Net Increase in Cash and Cash Equivalents	7,412
Cash and Cash Equivalents, July 1	<u>3,040</u>
Cash and Cash Equivalents, June 31	<u><u>\$ 10,452</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (29,578)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	756
Changes in Assets and Liabilities:	
Increase in Accounts Payable	<u>6,254</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (22,568)</u></u>

FIDUCIARY FUNDS

DENVILLE TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

	<u>Agency</u>		<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>		
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 18,791	\$ 21,972	\$ 4,706	\$ 5,943
Interfund Receivable - General Fund				50,000
<b>Total Assets</b>	<u>18,791</u>	<u>21,972</u>	<u>4,706</u>	<u>55,943</u>
<b>LIABILITIES:</b>				
Interfund Payable - General Fund		21,972		
Due to Student Groups	18,791			
<b>Total Liabilities</b>	<u>18,791</u>	<u>21,972</u>		
<b>NET ASSETS:</b>				
Held in Trust for Unemployment Claims				55,943
Held in Trust for Flexible Spending Claims			4,706	
<b>Total Net Assets</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,706</u>	<u>\$ 55,943</u>

## Exhibit H-2

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

	Flexible Spending Trust	Unemployment Compensation Trust	Totals
<b>ADDITIONS:</b>			
Contributions:			
Board Contributions		\$ 108,393	\$ 108,393
Plan Member	\$ 47,607	80,156	127,763
Total Contributions	47,607	188,549	236,156
Total Additions	47,607	188,549	236,156
<b>DEDUCTIONS:</b>			
Quarterly Contribution Reports			
Unemployment Benefit Claims		137,213	137,213
Flexible Spending Claims	42,901		42,901
Total Deductions	42,901	137,213	180,114
Change in Net Assets	4,706	51,336	56,042
Net Assets - Beginning of the Year		4,607	4,607
Net Assets - End of the Year	\$ 4,706	\$ 55,943	\$ 60,649

Exhibit H-3

DENVILLE TOWNSHIP 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>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 15,431	\$ 112,619	\$ 109,259	\$ 18,791
Total Assets	<u>\$ 15,431</u>	<u>\$ 112,619</u>	<u>\$ 109,259</u>	<u>\$ 18,791</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 15,431	\$ 112,619	109,259	\$ 18,791
Total Liabilities	<u>\$ 15,431</u>	<u>\$ 112,619</u>	<u>\$ 109,259</u>	<u>\$ 18,791</u>

Exhibit H-4

DENVILLE TOWNSHIP 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>
Elementary School:				
Riverview	\$ 193			\$ 193
Middle School:				
Valleyview	<u>15,238</u>	<u>\$ 112,619</u>	<u>\$ 109,259</u>	<u>18,598</u>
Total All Schools	<u>\$ 15,431</u>	<u>\$ 112,619</u>	<u>\$ 109,259</u>	<u>\$ 18,791</u>

DENVILLE TOWNSHIP 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>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 12,468	\$ 18,129,689	\$ 18,120,185	\$ 21,972
<b>Total Assets</b>	<u>\$ 12,468</u>	<u>\$ 18,129,689</u>	<u>\$ 18,120,185</u>	<u>\$ 21,972</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 12,468	\$ 18,107,717	\$ 18,120,185	\$ -0-
Interfund Payable - General Fund		21,972		21,972
<b>Total Liabilities</b>	<u>\$ 12,468</u>	<u>\$ 18,129,689</u>	<u>\$ 18,120,185</u>	<u>\$ 21,972</u>

LONG-TERM DEBT



DENVILLE TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2012</u>
TCU, TOU, CST Trailers	2.82%	\$ 1,642,268	\$ 60,469		\$ 60,469	
School Buses & Technology	3.87%	688,827	31,072		31,072	
Technology	2.65%	49,160	4,248		4,248	
School Buses	2.75%	163,682	109,015		32,512	\$ 76,503
FM System & Carpet	2.75%	45,526	19,440		15,498	3,942
Computer Equipment	2.75%	264,355	185,878		87,894	97,984
School Buses	2.75%	219,886	185,303		42,558	142,745
Boiler	2.75%	1,026,206	848,464		199,074	649,390
Computer Equipment	2.75%	122,186		\$ 122,186	36,272	85,914
School Bus	2.75%	127,049		127,049	25,253	101,796
			<u>\$ 1,443,889</u>	<u>\$ 249,235</u>	<u>\$ 534,850</u>	<u>\$ 1,158,274</u>

DENVILLE TOWNSHIP 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	\$ 398,616		\$ 398,616	\$ 398,616	
State Sources:					
Debt Service Aid Type II	158,873		158,873	158,873	
Total Revenues	<u>557,489</u>		<u>557,489</u>	<u>557,489</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	140,788		140,788	140,787	\$ 1
Redemption of Principal	455,000		455,000	455,000	
Total Regular Debt Service	<u>595,788</u>		<u>595,788</u>	<u>595,787</u>	<u>1</u>
Total Expenditures	<u>595,788</u>		<u>595,788</u>	<u>595,787</u>	<u>1</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(38,299)		(38,299)	(38,298)	1
Fund Balance, July 1	<u>38,299</u>	\$ -0-	<u>38,299</u>	<u>38,299</u>	<u>-0-</u>
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1</u>

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**Contents**

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

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

DENVILLE TOWNSHIP SCHOOL DISTRICT  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>								
Invested in Capital Assets, Net of Related Debt	\$ 5,696,974	\$ 6,977,668	\$ 9,716,703	\$ 11,617,678	\$ 11,126,485	\$ 10,738,033	\$ 10,579,418	\$ 11,035,450
Restricted	300,187	50,286	2,982	5,221	320,733	280,436	51,565	1,178,959
Unrestricted/(Deficit)	<u>(170,374)</u>	<u>(212,405)</u>	<u>(507,106)</u>	<u>(422,461)</u>	<u>(857,652)</u>	<u>(574,322)</u>	<u>(288,039)</u>	<u>(75,641)</u>
<b>Total Governmental Activities Net Assets</b>	<u>\$ 5,826,787</u>	<u>\$ 6,815,549</u>	<u>\$ 9,212,579</u>	<u>\$ 11,200,438</u>	<u>\$ 10,589,566</u>	<u>\$ 10,444,147</u>	<u>\$ 10,342,944</u>	<u>\$ 12,138,768</u>
<b>Business-Type Activities</b>								
Invested in Capital Assets, Net of Related Debt	\$ 575	\$ 1,834	\$ 3,193	\$ 22,757	\$ 20,170	\$ 5,977	\$ 5,223	\$ 4,467
Unrestricted	13,236	16,342	15,118	10,020	37	1	4,463	2,791
<b>Total Business-Type Activities Net Assets</b>	<u>\$ 13,811</u>	<u>\$ 18,176</u>	<u>\$ 18,311</u>	<u>\$ 32,777</u>	<u>\$ 20,207</u>	<u>\$ 5,978</u>	<u>\$ 9,686</u>	<u>\$ 7,258</u>
<b>District-Wide:</b>								
Invested in Capital Assets, Net of Related Debt	\$ 5,697,549	\$ 6,979,502	\$ 9,719,896	\$ 11,640,435	\$ 11,146,655	\$ 10,744,010	\$ 10,584,641	\$ 11,039,917
Restricted	300,187	50,286	2,982	5,221	320,733	280,436	51,565	1,178,959
Unrestricted/(Deficit)	<u>(157,138)</u>	<u>(196,063)</u>	<u>(491,988)</u>	<u>(412,441)</u>	<u>(857,615)</u>	<u>(574,321)</u>	<u>(283,576)</u>	<u>(72,850)</u>
<b>Total District Net Assets</b>	<u>\$ 5,840,598</u>	<u>\$ 6,833,725</u>	<u>\$ 9,230,890</u>	<u>\$ 11,233,215</u>	<u>\$ 10,609,773</u>	<u>\$ 10,450,125</u>	<u>\$ 10,352,630</u>	<u>\$ 12,146,026</u>

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

Source: School District Financial Reports

DENVILLE TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses:</b>								
<b>Governmental Activities:</b>								
<b>Instruction:</b>								
Regular	\$ 8,970,866	\$ 9,735,824	\$ 11,166,567	\$ 11,395,183	\$ 12,772,668	\$ 11,753,144	\$ 11,416,249	\$11,123,913
Special Education	2,363,108	2,443,144	2,605,752	2,797,940	3,754,286	4,143,956	4,222,410	3,891,200
Other Special Instruction	157,720	390,746	506,413	467,113	491,776	415,583	436,124	1,156,852
Other Instruction	120,728	340,738	308,016	243,862	181,667	125,140	185,942	188,287
<b>Support Services:</b>								
Tuition	1,613,304	1,695,529	1,683,700	1,600,218	1,286,201	1,220,975	877,851	787,721
Student & Instruction Related Services	2,696,237	3,110,651	3,631,922	4,085,076	4,091,491	4,213,955	4,340,013	3,826,840
General Administrative Services	350,574	647,381	913,555	873,476	623,736	737,611	719,266	642,441
School Administrative Services	1,185,164	1,199,227	1,234,615	1,231,178	1,253,926	1,281,289	1,320,786	1,320,456
Central Services	14,832	22,219	3,783	11,153	354,797	388,864	389,230	398,879
Administrative Information Technology	147,717	177,057	198,507	224,671	272,451	252,404	471,177	284,025
Plant Operations And Maintenance	1,495,371	1,586,035	1,764,767	1,844,975	1,852,182	2,070,866	2,283,187	1,950,087
Pupil Transportation	1,716,106	1,854,675	1,734,203	1,930,699	2,336,162	2,644,256	2,315,131	2,089,554
Business and Other Support Services	331,716	60,979	882	13,887				
Allocated Benefits			274,020					
Capital Outlay		149,876	(1,309,648)					
Transfer to Charter School	28,931	53,831	57,340	60,122	41,710	64,283	110,403	130,412
Interest On Long-Term Debt	338,907	288,312	266,588	234,688	184,885	154,133	149,931	136,042
<b>Total Governmental Activities Expenses</b>	<b>21,531,281</b>	<b>23,756,224</b>	<b>25,040,982</b>	<b>27,014,241</b>	<b>29,497,938</b>	<b>29,466,459</b>	<b>29,237,700</b>	<b>27,926,709</b>

DENVILLE TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:								
Business-type activities:								
Food Service	\$ 27,775	\$ 31,170	\$ 33,131	\$ 44,699	\$ 54,647	\$ 36,733	\$ 36,539	\$ 51,604
Total Business-Type Activities Expense	<u>27,775</u>	<u>31,170</u>	<u>33,131</u>	<u>44,699</u>	<u>54,647</u>	<u>36,733</u>	<u>36,539</u>	<u>51,604</u>
Total District Expenses	<u>21,559,056</u>	<u>23,787,394</u>	<u>25,074,113</u>	<u>27,058,940</u>	<u>29,552,585</u>	<u>29,503,192</u>	<u>29,274,239</u>	<u>27,978,313</u>
Program Revenues:								
Governmental Activities:								
Charges For Services:								
Regular Instruction	133,985	103,933	108,649	86,575	21,923		48,781	66,747
Pupil Transportation	37,699							
Operating Grants and Contributions	3,589,811	3,762,960	4,445,172	4,666,790	3,898,363	4,123,752	3,451,081	3,610,827
Capital Grants and Contributions	254,282	163,722				103,508		
Total Governmental Activities Program Revenues	<u>4,015,777</u>	<u>4,030,615</u>	<u>4,553,821</u>	<u>4,753,365</u>	<u>3,920,286</u>	<u>4,227,260</u>	<u>3,499,862</u>	<u>3,677,574</u>
Business-Type Activities:								
Charges for services								
Food Service	9,866	12,827	11,020	11,493	12,286	11,883	16,881	22,026
Operating Grants and Contributions	21,123	20,912	20,100	25,393	29,791	23,109	23,366	27,150
Total Business Type Activities Program Revenues	<u>30,989</u>	<u>33,739</u>	<u>31,120</u>	<u>36,886</u>	<u>42,077</u>	<u>34,992</u>	<u>40,247</u>	<u>49,176</u>
Total District Program Revenues	<u>4,046,766</u>	<u>4,064,354</u>	<u>4,584,941</u>	<u>4,790,251</u>	<u>3,962,363</u>	<u>4,262,252</u>	<u>3,540,109</u>	<u>3,726,750</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue Governmental Activities	\$(17,515,504)	\$(19,725,609)	\$(20,487,161)	\$(22,260,876)	\$(25,577,652)	\$(25,239,199)	\$(25,737,838)	\$(24,249,135)
Business-Type Activities	3,214	2,569	(2,011)	(7,813)	(12,570)	(1,741)	3,708	(2,428)
Total District-Wide Net Expense	<u>(17,512,290)</u>	<u>(19,723,040)</u>	<u>(20,489,172)</u>	<u>(22,268,689)</u>	<u>(25,590,222)</u>	<u>(25,240,940)</u>	<u>(25,734,130)</u>	<u>(24,251,563)</u>
General Revenues and Other Changes in Net Assets:								
Governmental Activities:								
Property Taxes Levied for General Purposes, Net	18,278,287	19,334,400	21,516,202	23,336,840	24,259,598	24,243,496	24,916,117	25,337,084
Taxes Levied for Debt Service	954,375	960,495	968,186	491,390	419,798	421,613	426,546	398,616
Federal and State Aid not Restricted	179,329	337,542	334,134	343,152	255,355	341,953	165,463	159,825
Interest and Miscellaneous Income	52,268	81,934	65,669	77,353	32,029	86,718	128,509	149,434
Total Governmental Activities	<u>19,464,259</u>	<u>20,714,371</u>	<u>22,884,191</u>	<u>24,248,735</u>	<u>24,966,780</u>	<u>25,093,780</u>	<u>25,636,635</u>	<u>26,044,959</u>
Business-Type Activities:								
Interest and Miscellaneous Income	6	121	175	49		1,119		
Capital Contributions/(Disposals)			1,971	22,230		(13,607)		
Total Business-Type Activities	<u>6</u>	<u>121</u>	<u>2,146</u>	<u>22,279</u>		<u>(12,488)</u>		
Total District-Wide	<u>19,464,265</u>	<u>20,714,492</u>	<u>22,886,337</u>	<u>24,271,014</u>	<u>24,966,780</u>	<u>25,081,292</u>	<u>25,636,635</u>	<u>26,044,959</u>
Change in Net Assets:								
Governmental Activities	1,948,755	988,762	2,397,030	1,987,859	(610,872)	(145,419)	(101,203)	1,795,824
Business-Type Activities	3,220	2,690	135	14,466	(12,570)	(14,229)	3,708	(2,428)
Total District	<u>\$ 1,951,975</u>	<u>\$ 991,452</u>	<u>\$ 2,397,165</u>	<u>\$ 2,002,325</u>	<u>\$ (623,442)</u>	<u>\$ (159,648)</u>	<u>\$ (97,495)</u>	<u>\$ 1,793,396</u>

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

Source: School District Financial Reports

DENVILLE TOWNSHIP 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	\$ 50,210	\$ 50,210	\$ 2,969	\$ 5,208	\$ 320,733	\$ 221,210		
Unreserved	598,909	540,300	249,345	356,708	26,631	371,790		
Restricted							\$ 13,266	\$ 1,178,958
Assigned							74,638	296,647
Unassigned							594,352	511,400
<b>Total General Fund</b>	<b>\$ 649,119</b>	<b>\$ 590,510</b>	<b>\$ 252,314</b>	<b>\$ 361,916</b>	<b>\$ 347,364</b>	<b>\$ 593,000</b>	<b>\$ 682,256</b>	<b>\$ 1,987,005</b>
All Other Governmental Funds:								
Reserved	\$ 8,623							
Unreserved, Reported In:								
Capital Projects Fund	240,781							
Debt Service Fund	573	\$ 76	\$ 13	\$ 13		\$ 59,226		
Restricted							\$ 38,299	\$ 1
<b>Total All Other Governmental Funds</b>	<b>\$ 249,977</b>	<b>\$ 76</b>	<b>\$ 13</b>	<b>\$ 13</b>	<b>\$ -0-</b>	<b>\$ 59,226</b>	<b>\$ 38,299</b>	<b>\$ 1</b>
Total Governmental Funds:								
Reserved	\$ 58,833	\$ 50,210	\$ 2,969	\$ 5,208	\$ 320,733	\$ 221,210		
Unreserved	840,263	540,376	249,358	356,721	26,631	431,016		
Restricted							\$ 51,565	\$ 1,178,959
Assigned							74,638	296,647
Unassigned							594,352	511,400
<b>Total Governmental Funds</b>	<b>\$ 899,096</b>	<b>\$ 590,586</b>	<b>\$ 252,327</b>	<b>\$ 361,929</b>	<b>\$ 347,364</b>	<b>\$ 652,226</b>	<b>\$ 720,555</b>	<b>\$ 1,987,006</b>

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

Source: School District Financial Reports

DENVILLE TOWNSHIP 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
<b>Revenues:</b>								
Tax Levy	\$ 19,232,662	\$ 20,294,895	\$ 22,484,388	\$ 23,828,230	\$ 24,679,396	\$ 24,665,109	\$ 25,342,663	\$ 25,735,700
Tuition Charges								
Tuition	133,985	103,933	108,649	86,575	21,923		48,781	49,013
Transportation Fees	37,699						80	17,734
Miscellaneous	63,906	83,983	67,366	78,708	32,029	87,837	133,258	149,434
State Sources	3,634,650	3,761,200	4,269,467	4,524,258	3,725,589	4,021,253	2,792,605	3,259,369
Federal Sources	377,134	500,975	508,143	484,329	428,129	547,960	819,110	511,283
<b>Total Revenue</b>	<b>23,480,036</b>	<b>24,744,986</b>	<b>27,438,013</b>	<b>29,002,100</b>	<b>28,887,066</b>	<b>29,322,159</b>	<b>29,136,497</b>	<b>29,722,533</b>
<b>Expenditures:</b>								
<b>Instruction:</b>								
Regular Instruction	6,419,769	6,798,241	7,522,755	7,803,970	8,117,462	8,480,795	8,323,406	8,124,921
Special Education Instruction	1,796,954	1,855,261	1,930,611	1,917,637	2,783,211	3,038,603	3,210,463	2,910,404
Other Special Instruction	113,556	279,553	351,328	324,285	350,005	292,089	310,394	322,102
Other Instruction	92,715	106,114	113,007	171,562	130,673	95,987	135,887	133,312
<b>Support Services:</b>								
Tuition	1,613,304	1,695,529	1,683,700	1,600,218	1,286,201	1,220,975	877,851	787,721
Student & Instruction Related Services	2,041,054	2,391,820	2,638,762	3,003,374	3,200,759	3,143,015	2,999,437	2,897,008
General Administrative Services	389,238	370,600	404,754	435,111	467,189	440,404	450,366	444,795
School Administrative Services	861,805	875,731	873,782	865,336	869,784	931,968	922,709	941,330
Central Services	14,832	22,219	3,783	11,153	265,675	297,656	282,871	316,192
Administrative Information Technology	147,717	155,259	158,434	177,728	230,432	211,105	261,463	243,317
Plant Operations And Maintenance	1,276,565	1,318,120	1,474,529	1,531,256	1,638,086	1,629,247	1,645,934	1,576,614
Pupil Transportation	1,469,715	1,641,668	1,743,943	2,044,295	1,514,752	1,506,259	1,629,864	1,591,654
Allocated Benefits			274,020		350,793	97,052	133,753	6,835,880
Unallocated Benefits	4,385,654	5,100,156	5,793,587	6,070,151	5,587,819	6,030,002	6,369,015	
<b>Debt Service:</b>								
Principal	795,000	835,000	880,000	441,000	390,000	460,000	445,000	455,000
Interest And Other Charges	349,877	315,449	279,291	241,182	221,699	133,417	154,138	140,787
Capital Outlay	862,636	2,028,722	1,317,970	1,917,122	1,455,381	1,152,529	2,315,661	853,868
Transfer to Charter Schools	28,931	53,831	57,340	60,122	41,710	64,283	110,403	130,412
<b>Total Expenditures</b>	<b>22,906,582</b>	<b>26,108,313</b>	<b>27,776,272</b>	<b>28,892,498</b>	<b>28,901,631</b>	<b>29,225,386</b>	<b>30,578,615</b>	<b>28,705,317</b>

DENVILLE TOWNSHIP 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
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	\$ 573,454	\$ (1,363,327)	\$ (338,259)	\$ 109,602	\$ (14,565)	\$ 96,773	\$ (1,442,118)	\$ 1,017,216
Other Financing Sources/(Uses):								
Capital Leases (Non-Budgeted)	163,511	1,054,817				209,208	1,510,447	249,235
Transfers In	595,064	175,169			13	126,492		
Transfers Out	(595,064)	(175,169)			(13)	(127,611)		
Total Other Financing Sources/(Uses)	163,511	1,054,817				208,089	1,510,447	249,235
Net Change In Fund Balances	\$ 736,965	\$ (308,510)	\$ (338,259)	\$ 109,602	\$ (14,565)	\$ 304,862	\$ 68,329	\$ 1,266,451
Debt Service As A Percentage Of Noncapital Expenditures	5.19%	4.78%	4.38%	2.53%	2.23%	2.11%	2.12%	2.14%

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

Source: School District Financial Reports

Exhibit J-5

DENVILLE TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(modified accrual basis of accounting)*

Fiscal Year Ended June 30,	Interest on Investments	Tuition	Prior Year Refunds	Other	Total
2003	25,968	(7,993) *		15,674	33,649
2004	15,122	43,244		4,713	63,079
2005	15,911	133,985		73,992	223,888
2006	47,554	103,933	\$ 26,770	7,598	185,855
2007	57,531	108,649		8,138	174,318
2008	43,934	86,575	745	32,674	163,928
2009	14,386	21,923	4,257	13,386	53,952
2010	1,574			72,429	74,003
2011	4,608	48,781	12,319	111,662	177,370
2012	4,292	66,747	63,733	81,409	216,181

\*-Includes prior year receivables written off.

Source: Denville Township School District records

DENVILLE TOWNSHIP SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
LAST EIGHT YEARS  
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities <sup>a</sup>	Net Valuation Taxable	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2004	\$ 73,706,600	\$ 1,651,889,800	\$ 5,533,800	\$ 136,400	\$ 291,241,200	\$ 73,708,800	\$ 8,173,600	\$ 2,104,390,200	\$ 196,486,400	\$ 5,977,120	\$ 2,110,367,320	0.86	\$ 2,318,343,129
2005	63,044,100	1,692,079,500	6,156,100	138,200	298,571,500	73,457,400	8,173,600	2,141,620,400	199,915,900	5,339,141	2,146,959,541	0.92	2,594,625,908
2006	54,971,100	1,767,342,500	6,187,800	138,200	300,914,600	72,707,400	8,173,600	2,210,435,200	199,718,900	4,607,705	2,215,042,905	0.97	2,990,178,143
2007	51,305,900	1,819,429,300	4,842,400	86,900	299,050,900	70,322,400	8,173,600	2,253,211,400	199,178,400	4,840,446	2,258,051,846	1.03	3,208,196,204
2008	48,382,100	1,842,271,000	4,842,400	86,900	295,343,300	70,122,400	7,729,600	2,268,777,700	206,799,900	4,679,377	2,273,457,077	1.07	3,531,309,532
2009	45,790,100	1,857,498,100	4,554,400	82,600	297,466,700	70,122,400	7,729,600	2,283,243,900	207,717,200	5,460,388	2,288,704,288	1.08	3,565,499,240
2010	45,416,600	1,862,250,600	4,353,300	77,900	295,238,400	70,122,400	7,729,600	2,285,188,800	208,621,000	5,230,954	2,290,419,754	1.09	3,414,567,910
2011	43,509,600	1,858,092,500	4,331,100	78,700	297,471,200	69,428,400	7,579,600	2,280,491,100	209,403,400	-0-	2,280,491,100	1.12	3,397,561,201

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

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

DENVILLE TOWNSHIP SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
*(rate per \$100 of assessed value)*

Year Ended December 31,	Denville Township School District			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Direct Rate		Total Direct	Township of Denville	Morris County	Morris Hills Regional School	
	Basic Rate <sup>a</sup>	Obligation Debt Service <sup>b</sup>					
2002	\$ 0.64	\$ 0.04	\$ 0.69	\$ 0.34	\$ 0.27	\$ 0.52	\$ 1.82
2003	0.73	0.03	0.76	0.39	0.25	0.57	1.97
2004	0.81	0.05	0.86	0.40	0.31	0.58	2.15
2005	0.87	0.05	0.92	0.40	0.32	0.60	2.24
2006	0.93	0.04	0.97	0.41	0.27	0.58	2.23
2007	1.01	0.02	1.03	0.46	0.35	0.61	2.45
2008	1.05	0.02	1.07	0.50	0.36	0.66	2.59
2009	1.06	0.02	1.08	0.53	0.35	0.68	2.64
2010	1.07	0.02	1.09	0.55	0.34	0.70	2.68
2011	1.10	0.02	1.12	0.55	0.35	0.75	2.77

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

DENVILLE TOWNSHIP SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

2011			2002		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
St. Francis Life Care Corp	\$ 47,650,000	2.08%	St. Francis Life Care Corporation	\$ 47,650,000	2.30%
Shoppers at Union Hill	21,966,000	0.96%	Denville Nites Limited Partnership	11,985,700	0.58%
Tamara Enterprises	12,112,200	0.53%	Tamara Enterprises	9,600,000	0.46%
Rockaway River Country Club	8,767,600	0.38%	Individual Taxpayer #1	8,800,000	0.43%
Individual Taxpayer #1	6,737,000	0.29%	Rockaway River Country Club	8,400,000	0.41%
WP Properties, LLC	5,700,000	0.25%	W.P. Properties LLC	7,500,000	0.36%
Denville Station, LLC	5,472,900	0.24%	W.P. Properties LLC	6,700,000	0.32%
WP Properties, LLC	5,200,000	0.23%	Morris 40 LLC	6,530,000	0.32%
Morris 400, LLC	5,000,000	0.22%	Verizon	6,337,882	0.31%
Denville West Main, LLC	4,900,000	0.21%	Georgia Pacific	5,150,000	0.25%
<b>Total</b>	<b>\$ 123,505,700</b>	<b>5.39%</b>	<b>Total</b>	<b>\$ 118,653,582</b>	<b>5.74%</b>

Note: Individual taxpayers listed may be different in 2011 and 2002

Source: Municipal Tax Assessor

Exhibit J-9

DENVILLE TOWNSHIP 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 <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 14,798,766	\$ 14,798,766	100.00%	-0-
2004	16,861,513	16,861,513	100.00%	-0-
2005	19,232,662	19,232,662	100.00%	-0-
2006	20,294,895	20,294,895	100.00%	-0-
2007	22,484,388	22,484,388	100.00%	-0-
2008	23,828,230	23,828,230	100.00%	-0-
2009	24,679,396	24,679,396	100.00%	-0-
2010	24,665,109	24,665,109	100.00%	-0-
2011	25,342,663	25,342,663	100.00%	-0-
2012	25,735,700	25,735,700	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: Denville Township School District records including the Certificate & Report of School Taxes (A4F form)

Exhibit J-10

DENVILLE TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(dollars in thousands, except per capita)*

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases			
2005	\$ 7,138,000	\$ 388,149	\$ 7,526,149	0.74%	\$ 463
2006	6,303,000	1,063,915	7,366,915	0.67%	454
2007	5,423,000	637,391	6,060,391	0.52%	374
2008	4,982,000	305,063	5,287,063	0.44%	325
2009	4,600,000	122,983	4,722,983	0.42%	290
2010	4,140,000	890,929	5,030,929	0.43%	302
2011	3,695,000	1,443,889	5,138,889	0.44%	307
2012	3,240,000	1,158,274	4,398,274	0.38%	263

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

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.

Source: School District Financial Reports

Exhibit J-11

DENVILLE TOWNSHIP SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(dollars in thousands, except per capita)*

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2005	\$ 7,138,000	-0-	\$ 7,138,000	0.34%	\$ 439
2006	6,303,000	-0-	6,303,000	0.29%	389
2007	5,423,000	-0-	5,423,000	0.24%	335
2008	4,982,000	-0-	4,982,000	0.22%	306
2009	4,600,000	-0-	4,600,000	0.20%	282
2010	4,140,000	-0-	4,140,000	0.18%	249
2011	3,695,000	-0-	3,695,000	0.16%	221
2011	3,240,000	-0-	3,240,000	0.14%	194

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

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

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

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

Source: School District Financial Reports

Exhibit J-12

DENVILLE TOWNSHIP SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2011  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Township of Denville	\$ 6,793,809	100.00%	\$ 6,793,809
Morris County General Obligation Debt	269,247,125	3.01%	8,115,972
Morris Hills School District Debt	34,747,000	35.56%	<u>12,357,768</u>
Subtotal, Overlapping Debt			27,267,549
Denville School District Direct Debt			<u>3,695,000</u>
Total Direct And Overlapping Debt			<u>\$ 30,962,549</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Township of Denville. 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.

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 Denville Township's equalized property value that is within the Morris County's boundaries and dividing it by Morris County's total equalized property value.

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

DENVILLE TOWNSHIP SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2012

	Denville Township
Equalized Valuation Basis	
2011	\$ 3,350,706,876
2010	3,391,997,625
2009	3,393,139,991
	\$10,135,844,492
Average Equalized Valuation of Taxable Property	\$ 3,378,614,831
Debt Limit (3% of average equalization value)	\$ 101,358,445
Net Bonded School Debt as of June 30, 2012	3,240,000
Legal Debt Margin	\$ 98,118,445

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 55,743,183	\$ 61,513,832	\$ 68,574,009	\$ 76,766,738	\$ 86,750,047	\$ 96,245,886	\$ 102,677,845	\$ 103,997,335	\$ 103,091,788	\$ 101,358,445
Total Net Debt Applicable to Limit	8,688,000	7,933,000	7,138,000	6,303,000	5,423,000	4,982,000	4,600,000	4,140,000	3,695,000	3,240,000
Legal Debt Margin	\$ 47,055,183	\$ 53,580,832	\$ 61,436,009	\$ 70,463,738	\$ 81,327,047	\$ 91,263,886	\$ 98,077,845	\$ 99,857,335	\$ 99,396,788	\$ 98,118,445
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	15.59%	12.90%	10.41%	8.21%	6.25%	5.18%	4.48%	3.98%	3.58%	3.20%

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

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

Exhibit J-14

DENVILLE TOWNSHIP SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Morris County Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2003	15,796	\$ 901,114,412	\$ 57,047	3.50%
2004	15,987	963,520,503	60,269	2.80%
2005	16,242	1,018,535,820	62,710	2.90%
2006	16,211	1,102,996,440	68,040	3.00%
2007	16,212	1,167,507,180	72,015	2.70%
2008	16,259	1,206,352,764	74,196	3.60%
2009	16,309	1,121,292,677	68,753	6.30%
2010	16,649	1,163,532,014	69,886	6.30%
2011	16,727	1,168,983,122	69,886 *	6.10%
2012	16,727 **	1,168,983,122 ***	69,886 *	N/A

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

\*\* - Latest population data available (2011) was used for calculation purposes.

\*\*\* - Latest personal income data available (2011) was used for calculation purposes.

N/A - Information Unavailable

Source: School District Reports

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

DENVILLE TOWNSHIP SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS - COUNTY OF MORRIS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

<u>2012</u>			<u>2003</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Novartis	6,200	2.29%			
Picatinny Arsenal	5,274	1.95%			
Atlantic Health System	5,013	1.85%			
United Parcel Service	2,332	0.86%			
County of Morris	1,928	0.71%			
ADP	1,924	0.71%			
Saint Claire's	1,841	0.68%			
AT&T	1,550	0.57%			
Chilton Memorial	1,440	0.53%			
BASF Corporation	<u>1,400</u>	0.52%			
Total	<u><u>28,902</u></u>				
Total County Labor Force	<u><u>270,282</u></u>				

INFORMATION IS NOT AVAILABLE

N/A - Total amount of Employment is not available in order to do the percentage calculation

Source: Various Agencies of the County of Morris

DENVILLE TOWNSHIP 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	121.0	123.0	126.8	125.0	126.5	126.5	128.0	125.6
Special Education	48.0	56.0	45.1	50.0	63.0	63.0	65.0	67.4
Support Services:								
Student & Instruction Related Services	26.2	27.2	37.0	40.5	36.0	36.0	36.0	44.2
School Administrative Services	11.5	11.5	20.0	18.0	18.5	18.5	18.5	14.8
General and Business Administrative Services	6.0	6.0	6.0	6.0	6.0	6.0	6.0	8.0
Plant Operations and Maintenance	14.5	14.5	13.5	15.0	15.0	15.0	15.0	26.4
Pupil Transportation	20.0	21.0	21.0	21.0	25.0	25.0	25.0	24.3
Total	<u>247.2</u>	<u>259.2</u>	<u>269.4</u>	<u>275.5</u>	<u>290.0</u>	<u>290.0</u>	<u>293.5</u>	<u>310.7</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

DENVILLE TOWNSHIP SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST EIGHT FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2005	1,941	\$ 20,899,069	\$ 10,767	4.91%	195	1:14.5	1:12.4	1,941	1,861	1.89%	95.88%
2006	1,894	22,929,142	12,106	12.44%	206	1:14.5	1:12.5	1,894	1,822	-2.42%	96.20%
2007	1,864	25,299,011	13,572	12.11%	208	1:14.5	1:12.6	1,864	1,790	-1.58%	96.03%
2008	1,895	26,293,194	13,875	2.23%	215	1:14.6	1:12.9	1,986	1,822	6.55%	91.74%
2009	1,892	26,834,551	14,183	2.22%	226	1:14.2	1:13.5	1,892	1,814	-4.73%	95.88%
2010	1,904	27,479,440	14,432	1.76%	225	1:13.3	1:13.6	1,904	1,832	0.64%	96.19%
2011	1,856	27,663,816	14,905	3.27%	216	1:13.3	1:13.6	1,856	1,832	-2.53%	98.69%
2012	1,827	27,255,662	14,918	0.09%	179	1:11.1	1:11.9	1,792	1,733	-3.45%	96.71%

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

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 operating enrollment divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

Source: Denville Township School District records

DENVILLE TOWNSHIP SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST EIGHT FISCAL YEARS

<u>District Building</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>
Lakeview Elementary School (1958)								
Square Feet	79,138	79,138	79,138	79,138	79,138	79,138	79,138	79,138
Capacity (students)	683	683	683	683	683	683	683	683
Enrollment	812	808	733	781	752	690	728	713
Riverview Elementary School (1958)								
Square Feet	56,855	56,855	56,855	56,855	56,855	56,855	56,855	56,855
Capacity (students)	388	388	388	388	388	388	388	388
Enrollment	502	503	479	541	488	459	459	400
Valleyview Middle School (1965)								
Square Feet	70,247	70,247	70,247	70,247	70,247	70,247	70,247	70,247
Capacity (students)	465	465	465	465	465	465	465	465
Enrollment	612	617	651	664	653	673	669	680
Administration Building (1908)								
Square Feet	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Bus Garage (1964)								
Square Feet	2,820	2,820	2,820	2,820	2,820	2,820	2,820	2,820
Number of Schools at June 30, 2012								
Elementary = 2								
Middle School = 1								
Other = 2								

Note: Year of original construction is shown in parentheses. 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.

Source: Denville Township School District Facilities Office

DENVILLE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST TEN FISCAL YEARS

Undistributed Expenditures - Required Maintenance For School Facilities

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>School Facilities*</u>										
Lakeview Elementary	\$ 77,407	\$ 103,742	\$ 80,980	\$ 43,038	\$ 107,446	\$ 104,504	\$ 111,774	\$ 101,813	\$ 140,145	\$ 124,854
Riverview Elementary	63,947	76,790	109,169	103,178	92,670	60,490	98,160	125,922	75,601	68,259
Valleyview Middle	81,348	118,996	93,397	82,145	111,773	97,063	124,403	131,012	114,193	94,879
Total School Facilities	<u>222,702</u>	<u>299,528</u>	<u>283,546</u>	<u>228,361</u>	<u>311,889</u>	<u>262,057</u>	<u>334,337</u>	<u>358,747</u>	<u>329,939</u>	<u>287,992</u>
<u>Other Facilities</u>										
Administration Building	\$ 6,401	\$ 31,478	\$ 7,208	\$ 7,391	\$ 1,961	\$ 1,799	\$ 2,135	\$ 1,959	\$ 1,545	\$ 2,469
Bus Garage	13,542	14,870	10,397	9,901	2,912	2,671	3,168	2,908	2,293	2,840
Total Other Facilities	<u>19,943</u>	<u>46,348</u>	<u>17,605</u>	<u>17,292</u>	<u>4,873</u>	<u>4,470</u>	<u>5,303</u>	<u>4,867</u>	<u>3,838</u>	<u>5,309</u>
Grand Total	<u>\$ 242,645</u>	<u>\$ 345,876</u>	<u>\$ 301,151</u>	<u>\$ 245,653</u>	<u>\$ 316,762</u>	<u>\$ 266,527</u>	<u>\$ 339,640</u>	<u>\$ 363,614</u>	<u>\$ 333,777</u>	<u>\$ 293,301</u>

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

Source: Denville Township School District records

DENVILLE TOWNSHIP SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2012  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Selective Insurance Company of America:		
Property - Blanket Building and Contents	\$ 37,344,521	\$ 1,000
Commercial General Liability:		
Per Occurrence	1,000,000	1,000
Aggregate	2,000,000	
Abuse or Molestation Liability:		
Per Occurrence	1,000,000	
Aggregate	1,000,000	
Commercial Automotive Liability	1,000,000	* 250/500
Commercial Inland Marine	1,361,712	250
Commercial Umbrella Liability:		
Per Occurrence	10,000,000	
Aggregate	10,000,000	
Worker's Compensation - Hartford Insurance Company		
Employer's Liability	Statutory	
	500,000 / 500,000 / 500,000	
School Board Legal Liability - Selective Insurance Co.		
Director's and Officer's Policy:		
Per Occurrence	1,000,000	10,000
Aggregate	1,000,000	
Public Official Bonds:		
Treasurer of School Monies	350,000	
Chief School Administrator	10,000	
Board Secretary/Business Administrator	350,000	
Blanket Employee Bond	10,000	

\* comprehensive and collision deductibles on auto coverage

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  
 Denville Township School District  
 County of Morris, 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 Denville Township School District, in the County of Morris (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 17, 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  
Denville Township 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. However, we noted certain matters that we have reported to the Board in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated October 17, 2012.

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.

Mount Arlington, New Jersey  
October 17, 2012

NISIVOCCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant



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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  
 Denville Township School District  
 County of Morris, New Jersey

Compliance

We have audited the compliance of the Board of Education of the Denville Township School District in the County of Morris (the "Board") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. The Board's major federal and state programs are 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 each of its major federal and state programs 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; Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, Federal 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 federal or 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 each of its major federal and state programs for the fiscal year ended June 30, 2012.

The Honorable President and Members  
of the Board of Education  
Denville Township 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 federal or 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.

Mount Arlington, New Jersey  
October 17, 2012

NISIVOCCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant

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

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2011		Cash Received	Budgetary Expenditures	Balance at June 30, 2012	
			From	To		(Accounts Receivable)	Due to Grantor			(Accounts Receivable)	Due to Grantor
U.S. Department of Agriculture -											
Passed-through State Department of Education:											
Child Nutrition Cluster:											
Special Milk Program	10.556	N/A	7/1/11	6/30/12	\$ 27,150		\$ 25,733	\$ (27,150)		\$ (1,417)	
Special Milk Program	10.556	N/A	7/1/10	6/30/11	23,366	\$ (1,860)	1,860				
Total Enterprise Fund						(1,860)	27,593	(27,150)		(1,417)	
Total U.S. Department of Agriculture						(1,860)	27,593	(27,150)		(1,417)	
U.S. Department of Education -											
Passed-through State Department of Education:											
General Fund:											
Education Jobs Fund	84.410	N/A	8/1/10	9/30/12	60,048			(60,048)		(60,048)	
Total General Fund								(60,048)		(60,048)	
Special Revenue Fund:											
No Child Left Behind:											
Title I	84.010A	NCLB-1090-10	9/1/09	8/31/10	24,782	(2,103)	2,103				
Title IA	84.367A	NCLB-1090-10	9/1/09	8/31/10	36,595	(3,280)	3,280				
Title IA	84.367A	NCLB-1090-11	9/1/10	8/31/11	36,401	(14,718)	14,718				
Title IA	84.367A	NCLB-1090-12	9/1/11	8/31/12	48,568		17,290	(35,671)		(18,381)	
Title IID	84.318X	NCLB-1090-12	9/1/11	8/31/12	38			(38)		(38)	
Title III	84.365A	NCLB-1090-11	9/1/10	8/31/11	4,267	(3,150)	3,150				
Title III	84.365A	NCLB-1090-12	9/1/11	8/31/12	7,479			(1,581)		(1,581)	
Title IV	84.186A	NCLB-1090-11	9/1/10	8/31/11	1,296	(215)	215				
No Child Left Behind Subtotal						(23,466)	40,756	(37,290)		(20,000)	
I.D.E.A. Special Education Cluster:											
I.D.E.A. Part B, Basic Regular	84.027	IDEA-1090-10	9/1/09	8/31/10	388,085	(20,389)	20,389				
I.D.E.A. Part B, Basic Regular	84.027	IDEA-1090-11	9/1/10	8/31/11	405,665	(31,588)	31,588				
I.D.E.A. Part B, Basic Regular	84.027	IDEA-1090-12	9/1/11	8/31/12	403,134		338,026	(369,027)		(31,001)	
I.D.E.A. Part B, Preschool	84.173	IDEA-1090-10	9/1/09	8/31/10	21,749	(14,641)				(14,641)	
I.D.E.A. Part B, Preschool	84.173	IDEA-1090-11	9/1/10	8/31/11	22,397	(3,250)				(3,250)	
I.D.E.A. Part B, Preschool	84.173	IDEA-1090-12	9/1/11	8/31/12	27,740		6,598	(11,982)		(5,384)	
I.D.E.A. Part B, Basic Regular - ARRA	84.391	IDEA-1090-10	7/1/09	8/31/11	431,550	(233,454)	271,774	(38,320)			
I.D.E.A. Part B, Preschool - ARRA	84.392	IDEA-1090-10	7/1/09	8/31/11	15,618	(7,809)	7,809				
I.D.E.A. Special Education Cluster Subtotal						(311,131)	676,184	(419,329)		(54,276)	
Total Special Revenue Fund						(334,597)	716,940	(456,619)		(74,276)	
Total U.S. Department of Education						(334,597)	716,940	(516,667)		(134,324)	
<b>TOTAL FEDERAL AWARDS</b>						<b>\$ (336,457)</b>	<b>\$ -0-</b>	<b>\$ 744,533</b>	<b>\$ (543,817)</b>	<b>\$ (135,741)</b>	<b>\$ -0-</b>

N/A - Not Available/Applicable.

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

**DENVILLE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at July 1, 2011		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Prior Year Balance Cancelled	Balance at June 30, 2012		MEMO	
		From	To		(Accounts Receivable)	Due to Grantor					GAAP (Accounts Receivable)	Due to Grantor	(Budgetary Receivable)	Cumulative Total Expenditures
<b>State Department of Education:</b>														
<b>General Fund:</b>														
Special Education Categorical Aid	11-495-034-5120-089	7/1/10	6/30/11	\$ 442,117	\$ (38,195)		\$ 38,195							\$ 442,117
Extraordinary Special Education Costs Aid	11-495-034-5120-044	7/1/10	6/30/11	287,769	(287,769)		287,769							287,769
Additional Non-Public Transportation Aid	11-495-034-5120-014	7/1/10	6/30/11	14,616	(14,616)		14,616							14,616
Special Education Categorical Aid	12-495-034-5120-089	7/1/11	6/30/12	968,643			874,736	\$ (968,643)				\$ (93,907)		968,643
Extraordinary Special Education Costs Aid	12-495-034-5120-044	7/1/11	6/30/12	130,848				(130,848)		\$ (130,848)			(130,848)	130,848
Additional Non-Public Transportation Aid	12-495-034-5120-014	7/1/11	6/30/12	17,052				(17,052)		(17,052)			(17,052)	17,052
Anti-Bullying Aid	N/A	7/1/11	6/30/12	952			952	(952)						952
Rembursed TPAF Social Security Contributions	12-100-034-5095-002	7/1/11	6/30/12	820,719			820,332	(820,719)				(387)	(387)	820,719
<b>Total General Fund State Aid</b>					<b>(340,580)</b>		<b>2,036,600</b>	<b>(1,938,214)</b>				<b>(148,287)</b>	<b>(242,194)</b>	<b>3,453,856</b>
<b>Special Revenue Fund:</b>														
<b>NJ Nonpublic Aid:</b>														
Textbook Aid (Chapter 194)	12-100-034-5120-064	7/1/11	6/30/12	9,287			9,287	(9,286)			\$ 1			9,286
Nursing Services (Chapter 226)	12-100-034-5120-070	7/1/11	6/30/12	13,266			13,266	(13,266)						13,266
<b>Auxiliary Services (Chapter 192):</b>														
Compensatory Education	12-100-034-5120-067	7/1/11	6/30/12	32,631			32,631	(32,631)						32,631
English as a Second Language	12-100-034-5120-067	7/1/11	6/30/12	862			862					862		
<b>Handicapped Services (Chapter 193):</b>														
Supplementary Instruction	12-100-034-5120-066	7/1/11	6/30/12	14,241			14,241	(13,749)				492		13,749
Examination and Classification	12-100-034-5120-066	7/1/11	6/30/12	21,894			21,894	(21,571)				323		21,571
Corrective Speech	12-100-034-5120-066	7/1/11	6/30/12	13,744			13,744	(13,744)						13,744
Textbook Aid (Chapter 194)	11-100-034-5120-064	7/1/10	6/30/11	10,970		\$ 285			\$ (285)					10,685
<b>Total Special Revenue Fund</b>						<b>285</b>	<b>105,925</b>	<b>(104,247)</b>	<b>(285)</b>				<b>1,678</b>	<b>114,932</b>
<b>State Department of Education:</b>														
<b>Debt Service Fund:</b>														
Debt Service Aid Type II	12-100-034-5120-124	7/1/11	6/30/12	158,873			158,873	(158,873)						158,873
<b>Total Debt Service Fund</b>							<b>158,873</b>	<b>(158,873)</b>						<b>158,873</b>
<b>Total State Department of Education</b>					<b>(340,580)</b>	<b>285</b>	<b>2,301,398</b>	<b>(2,201,334)</b>	<b>(285)</b>			<b>(148,287)</b>	<b>1,678</b>	<b>3,727,661</b>
<b>NJ Schools Development Authority:</b>														
<b>Capital Projects Fund:</b>														
<b>Educational Facilities Construction &amp; Financing:</b>														
Riverview Installation of New HVAC	SP-1090-070-09-1002	7/1/09	6/30/10	74,308	(14,454)					\$ 14,454				59,854
Lakeview Cafeteria Roof Replacement	SP-1090-050-09-1003	7/1/09	6/30/10	29,200	(29,200)		25,760			3,440				25,760
<b>Total NJ Schools Development Authority</b>					<b>(43,654)</b>		<b>25,760</b>			<b>17,894</b>				<b>85,614</b>
<b>Total Capital Projects Fund</b>					<b>(43,654)</b>		<b>25,760</b>			<b>35,788</b>				<b>85,614</b>
<b>TOTAL STATE AWARDS</b>					<b>\$ (384,234)</b>	<b>\$ 285</b>	<b>\$ 2,327,158</b>	<b>\$ (2,201,334)</b>	<b>\$ (285)</b>	<b>\$ 35,788</b>	<b>\$ (148,287)</b>	<b>\$ 1,678</b>	<b>\$ (242,194)</b>	<b>\$ 3,813,275</b>

N/A - Not Available

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

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97 (A3521). 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 capital projects fund is presented in the accompanying schedules on the budgetary basis with the exception of the revenue recognition of the Educational Facilities Construction and Financing Act grants which are realized as revenue upon their award, whereas the GAAP basis recognizes the revenue to the extent of actual expenditures reported.

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$55,712) for the general fund and (\$8,087) for the special revenue fund (of which \$2,703 is for local assistance which is not included in the table below). See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$369,983 and \$743,764 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 60,048	\$ 2,996,249	\$ 3,056,297
Special Revenue Fund	451,235	104,247	555,482
Debt Service Fund		158,873	158,873
Proprietary Fund	<u>27,150</u>		<u>27,150</u>
Total Financial Assistance	<u>\$ 538,433</u>	<u>\$ 3,259,369</u>	<u>\$ 3,797,802</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

DENVILLE TOWNSHIP 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 federal and state programs.
- An unqualified report was issued on the District's compliance for major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Awards, State Grants, and State Aid*.
- The audit did not disclose any audit findings which are required to be reported in accordance with the single audit provisions of Federal OMB Circular A-133.
- The District's major federal and state programs for the current fiscal year consisted of the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
IDEA, Part B, Basic	84.027	9/1/11-8/31/12	\$ 403,134	\$ 369,027
IDEA, Part B, Preschool	84.173	9/1/11-8/31/12	27,740	11,982
ARRA - IDEA, Part B, Basic	84.391	7/1/09-8/31/11	431,550	38,320
<u>State:</u>				
Categorical Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	968,643	968,643

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The single audit threshold identified in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 was \$500,000.
- The District qualified as a "low-risk" auditee under the provisions of section 530 of the federal Circular.

DENVILLE TOWNSHIP 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:

- The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the federal Circular.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey OMB's Circular 04-04.

DENVILLE TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

The District had no prior year audit findings.