

**BOROUGH OF DEMAREST
SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

**Comprehensive Annual
Financial Report**

of the

BOROUGH OF DEMAREST SCHOOL DISTRICT

Demarest, New Jersey

For the Fiscal Year Ended June 30, 2011

Prepared by

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2011

INTRODUCTORY SECTION

Letter of Transmittal	1
Organizational Chart	4
Roster of Officials	5
Consultants and Advisors.....	6

FINANCIAL SECTION..... 7

Independent Auditors' Report.....	8
-----------------------------------	---

Required Supplementary Information.....	10
Management's Discussion and Analysis (Unaudited).....	11

Basic Financial Statements (Sections A. and B.).....	20
--	----

A. District-Wide Financial Statements.....	21
A-1 Statement of Net Assets.....	22
A-2 Statement of Activities.....	23

B. Fund Financial Statements	
B-1 Balance Sheet – Governmental Funds	25
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.....	27
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	29
B-4 Statement of Net Assets – Proprietary Funds	30
B-5 Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds	31
B-6 Statement of Cash Flows – Proprietary Funds.....	32
B-7 Statement of Fiduciary Net Assets – Fiduciary Fund	33
B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Fund (Not Applicable)	34

Notes to the Basic Financial Statements.....	35
--	----

Supplementary Schedules (Sections C. to I.)

C. Budgetary Comparison Schedules (Unaudited).....	55
C-1 Budgetary Comparison Schedule – General Fund.....	56
C-2 Budgetary Comparison Schedule – Special Revenue Fund.....	66
C-3 Budgetary Comparison Schedule – Note to Required Supplementary Information	67

BOROUGH OF DEMAREST SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

FINANCIAL SECTION (Cont'd)

D. School Level Schedules (Not Applicable).....	68
E. Special Revenue Fund	69
E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	70
E-2 Pre-School Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	
F. Capital Projects Fund.....	72
F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	73
F-1a Schedule of Project Revenue, Expenditures, Project Balance and Project Status - Budgetary Basis – Roof Repairs and Replacement	74
F-2 Schedule of Bond Anticipation Notes Payable	75
G. Proprietary Funds.....	76
Enterprise Fund:	
G-1 Statement of Net Assets.....	77
G-2 Statement of Revenue, Expenses and Changes in Fund Net Assets	78
G-3 Statement of Cash Flows	79
H. Fiduciary Funds	80
H-1 Combining Statement of Net Assets	81
H-2 Statement of Changes in Net Assets (Not Applicable)	
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements.....	82
H-4 Student Activity Agency Fund Statement of Activity	83
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements	84
I. Long-Term Debt	85
I-1 Schedule of Serial Bonds	86
I-2 Schedule of Obligations Under Capital Leases.....	87
I-3 Budgetary Comparison Schedule - Debt Service Fund.....	88
J. Statistical Section (Unaudited)	89
J-1 Net Assets by Component.....	90
J-2 Changes in Net Assets	91
J-3 Fund Balances - Governmental Funds	94
J-4 Changes in Fund Balance – Governmental Funds	95
J-5 General Fund Other Local Revenue by Source	97
J-6 Assessed Value and Actual Value of Taxable Property.....	98
J-7 Direct and Overlapping Property Tax Rates	99
J-8 Principal Property Tax Payers	100

BOROUGH OF DEMAREST SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

J. Statistical Section (Unaudited) (Cont'd)	
J-9 Property Tax Levies and Collections	101
J-10 Ratios of Outstanding Debt by Type	102
J-11 Ratios of Net General Bonded Debt Outstanding	103
J-12 Ratios of Overlapping Governmental Activities Debt	104
J-13 Legal Debt Margin Information	105
J-14 Demographic and Economic Statistics	106
J-15 Principal Employers	107
J-16 Full-Time Equivalent District Employees by Function/Program	108
J-17 Operating Statistics	109
J-18 School Building Information	110
J-19 Schedule of Required Maintenance for School Facilities	111
J-20 Insurance Schedule	112
K. Single Audit Section	114
K-1 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 <i>Government Auditing Standards</i>	115
K-2 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 Circular NJOMB 04-04	117
Schedule of Expenditures of Federal Awards	119
Schedule of Expenditures of State Awards	120
Notes to the Schedules of Expenditures of Federal and State Awards	121
Schedule of Findings and Questioned Costs	123
Summary Schedule of Prior Audit Findings	125

INTRODUCTORY SECTION

DEMAREST BOARD OF EDUCATION

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

October 13, 2011

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

Dear President and Board Members:

The comprehensive annual financial report of the Demarest School District for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the representation, including all disclosures, rests with the management of the board. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects, and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

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

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2010/2011 fiscal year with an enrollment of **670** students, which is **8** students above the previous year's enrollment. The following details the changes in the student enrollments of the District over the last ten years:

AVERAGE DAILY ENROLLMENT

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

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

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2011.

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

7) DEBT ADMINISTRATION: At June 30, 2011 the District's outstanding debt issue was \$7,060,000 of bonds payable and a Bond Anticipation Note in the amount of \$2,025,000.

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, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The cost of insurance coverage is increasing substantially due to the current economic conditions.

10) OTHER INFORMATION:

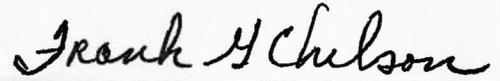
A) Independent Audit – State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP was selected by the board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit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

11) ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Demarest School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial accounting staff.

Respectfully submitted,



Michael Fox
Superintendent



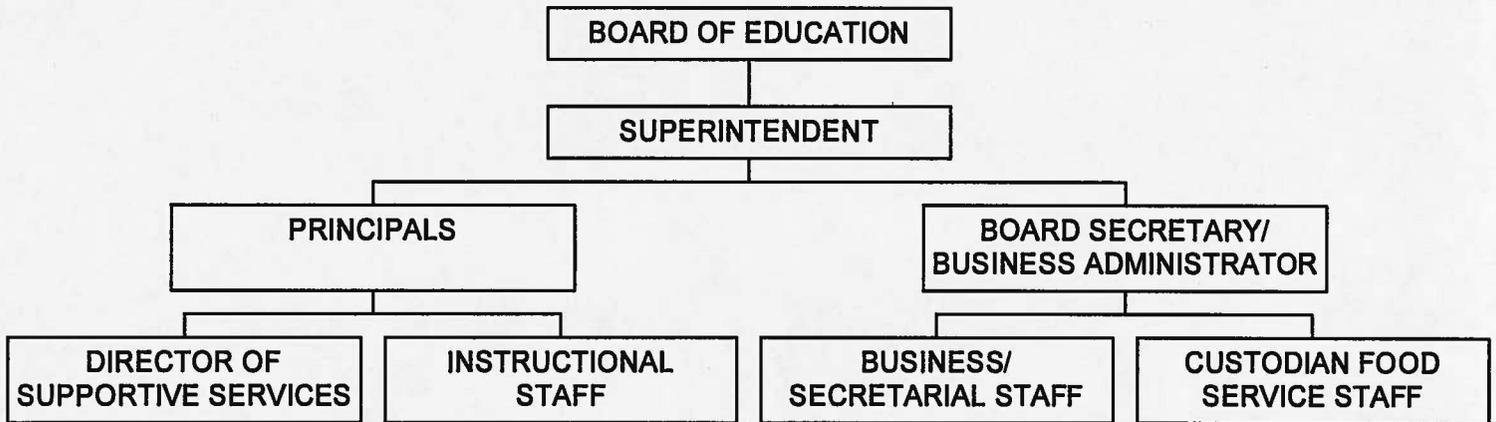
Frank G. Chilson
Business Administrator
Board Secretary

DEMAREST PUBLIC SCHOOL DISTRICT

ORGANIZATIONAL CHART

2010/2011

(Unit Control)



Administrative Offices

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

DEMAREST BOARD OF EDUCATION

ROSTER OF OFFICIALS

2010/2011

MEMBERS OF THE BOARD OF EDUCATION

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

OTHER OFFICIALS

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

DEMAREST BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

2010/2011

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AUDIT FIRM

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T 973.328.1825

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And

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FINANCIAL SECTION



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973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Demarest School District in the County of Bergen as of and for the fiscal year ended June 30, 2011 which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Borough of Demarest School District in the County of Bergen as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 13, 2011 on our consideration of the Board of Education of the Borough of Demarest 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
Borough of Demarest School District
Page 2

The Management's Discussion and Analysis and the Budgetary Comparison Information listed on Exhibits C-1 through C-3 and I-3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Education of the Borough of Demarest School District's basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining fund and individual fund financial statements, supplementary schedules and schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 13, 2011
Mount Arlington, New Jersey



NISIVOCIA LLP



John D. Cassells
Licensed Public School Accountant #105



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

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

This section of Borough of Demarest School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's total net assets increased by \$411,555 or 2.90%.
- Overall revenue was \$13,611,106.
- Overall expenditures were \$13,199,551.

Overview of the Financial Statements

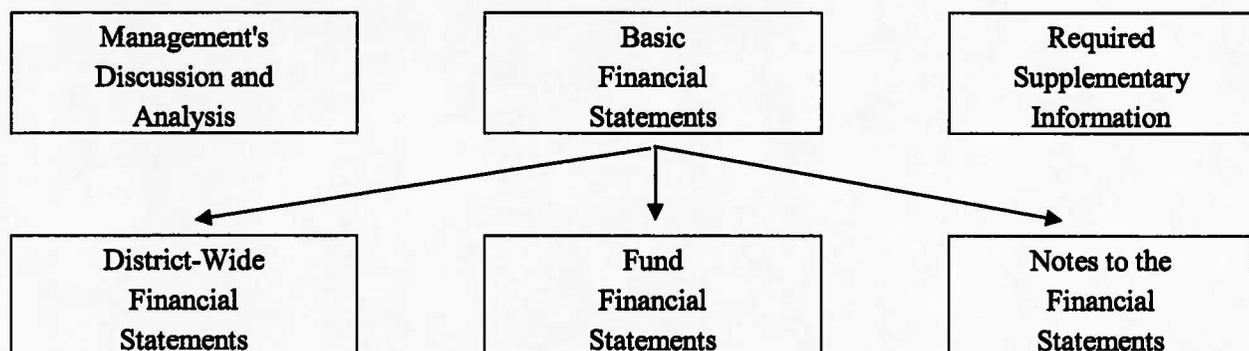
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

Figure A-1

Organization of Borough of Demarest School District's Financial Report



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

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

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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

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

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

Financial Analysis of the District as a Whole

Net Assets. The District's *combined* net assets were \$14,586,081 on June 30, 2011, which is \$411,555, or 2.90%, more than the year before. (See Figure A-3).

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

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	
Current and Other Assets	\$ 4,580,688	\$ 4,415,521	\$ 816	\$ 1,192	\$ 4,581,504	\$ 4,416,713	3.73%
Capital Assets	19,552,756	19,713,449	7,208	8,131	19,559,964	19,721,580	-0.82%
Total Assets	24,133,444	24,128,970	8,024	9,323	24,141,468	24,138,293	0.01%
Long-Term Debt	7,386,678	7,734,256	9,000		7,395,678	7,734,256	-4.38%
Other Liabilities	2,159,112	2,229,511	597		2,159,709	2,229,511	-3.13%
Total Liabilities	9,545,790	9,963,767	9,597		9,555,387	9,963,767	-4.10%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	12,279,798	12,084,878	7,208	8,131	12,287,006	12,093,009	1.60%
Restricted	1,761,859	1,778,193			1,761,859	1,778,193	-0.92%
Unrestricted (Deficit)	545,997	302,132	(8,781)	1,192	537,216	303,324	77.11%
Total Net Assets	\$ 14,587,654	\$ 14,165,203	\$ (1,573)	\$ 9,323	\$ 14,586,081	\$ 14,174,526	2.90%

Changes in Net Assets. The District's combined net assets increased \$411,555. Net assets from governmental activities increased \$422,451 while net assets from business-type activities decreased \$10,896. Net assets invested in capital assets increased \$193,997 due to reductions in long-term debt of \$400,314, capital additions of \$79,280 and the net effect of the capital adjustments of \$119,399 due to a re-appraisal of capital assets, net of accumulated depreciation offset by new capital leases of \$44,701 and current year depreciation of \$360,295. Restricted net assets decreased \$16,334 due to a \$292 increase in Excess Surplus, increases in the capital and emergency reserves of \$10 and \$500, respectively, and the increases in the capital projects fund of \$794, offset by a decrease in encumbrances of \$17,930. Unrestricted net assets increased by \$233,892 due to normal operations.

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

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Percent Change</u>
	<u>2010/2011</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2009/2010</u>	
Revenue:							
Program Revenue:							
Charges for Services	\$ 53,239		\$ 184,353	\$ 189,554	\$ 237,592	\$ 189,554	25.34%
Operating Grants/Contributions	1,120,423	\$ 1,326,216			1,120,423	1,326,216	-15.52%
General Revenue:							
Property Taxes	11,977,651	11,508,534			11,977,651	11,508,534	4.08%
Unrestricted Federal & State Aid	80,653	49,243			80,653	49,243	63.79%
Other	193,385	211,980	1,402	1,432	194,787	213,412	-8.73%
Total Revenue	13,425,351	13,095,973	185,755	190,986	13,611,106	13,286,959	2.44%
Expenses:							
Instruction	6,767,429	6,663,180			6,767,429	6,663,180	1.56%
Pupil and Instruction Services	3,148,366	3,336,438			3,148,366	3,336,438	-5.64%
Administrative and Business	1,243,198	1,233,928			1,243,198	1,233,928	0.75%
Maintenance and Operations	1,131,700	1,196,898			1,131,700	1,196,898	-5.45%
Transportation	170,611	264,350			170,611	264,350	-35.46%
Other	541,596	330,187	196,651	194,622	738,247	524,809	40.67%
Total Expenses	13,002,900	13,024,981	196,651	194,622	13,199,551	13,219,603	-0.15%
Increase (Decrease) in Net Assets	\$ 422,451	\$ 70,992	\$ (10,896)	\$ (3,636)	\$ 411,555	\$ 67,356	511.01%

Revenue Sources. The District's total revenue for the 2010/2011 school year was \$13,611,106. (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$11,977,651 of the total, or 88.00 percent. (See Figure A-5). Another \$1,201,076 or 8.82% came from state and federal aid for specific programs, \$237,592 from charges for service and the remainder from miscellaneous sources. The Borough of Demarest School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2011**

	<u>Amount</u>	<u>Percentage</u>
Sources of Income:		
Property Taxes	\$ 11,977,651	88.00%
Unrestricted Federal and State Aid	1,201,076	8.82%
Charges for Services	237,592	1.75%
Other	194,787	1.43%
Total Revenue	\$ 13,611,106	100.00%

The total cost of all programs and services was \$13,199,551. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (76.42%). (See Figure A-6.) The District's administration and business activities accounted for 9.42% of total costs. Maintenance and Operations costs constituted 8.57% of total costs.

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

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

**Figure A-6
Sources of School District Expenses - Fiscal Year 2011**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 6,767,429	51.28%
Pupil and Instruction Services	3,148,366	23.85%
Administrative and Business	1,243,198	9.42%
Maintenance and Operations	1,131,700	8.57%
Transportation	170,611	1.29%
Other	738,247	5.59%
	<u>\$ 13,199,551</u>	<u>100.00%</u>

Governmental Activities

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

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

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

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

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2010/2011</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2009/2010</u>
Instruction	\$ 6,767,429	\$ 6,663,180	\$ 5,781,479	\$ 5,490,317
Pupil and Instruction Services	3,148,366	3,336,438	3,018,709	3,282,495
Administration and Business	1,243,198	1,233,928	1,188,628	1,179,953
Maintenance and Operations	1,131,700	1,196,898	1,131,700	1,196,898
Transportation	170,611	264,350	167,126	218,915
Other	541,596	330,187	541,596	330,187
	<u>\$ 13,002,900</u>	<u>\$ 13,024,981</u>	<u>\$ 11,829,238</u>	<u>\$ 11,698,765</u>

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

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

Governmental Activities

- The cost of all governmental activities this year was \$13,002,900.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$1,201,076.
- Most of the District's costs, however, were financed by District taxpayers (\$11,977,651).
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Net assets from the District's business-type activity decreased by \$10,896, (Refer to Figure A-4). Factors contributing to these results included:

- Food services expenses exceeded revenues by \$1,896 and the food service fund accrued a long-term liability for unused sick time of \$9,000, accounting for all of the decrease in the net assets of the business-type activities.

Financial Analysis of the District's Funds

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

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

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

General Fund Budgetary Highlights

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

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

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

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

Capital Asset and Debt Administration

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

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	
Land	\$ 1,303,570	\$ 1,303,570			\$ 1,303,570	\$ 1,303,570	0.00%
Construction in Progress	186,836	186,836			186,836	186,836	0.00%
Buildings and Building Improvements	17,822,716	18,074,480			17,822,716	18,074,480	-1.393%
Machinery & Equipment	239,634	148,563	\$ 7,208	\$ 8,131	246,842	156,694	57.53%
Total Capital Assets, (Net of Depreciation)	<u>\$19,552,756</u>	<u>\$19,713,449</u>	<u>\$ 7,208</u>	<u>\$ 8,131</u>	<u>\$19,559,964</u>	<u>\$19,721,580</u>	-0.82%

The decrease in capital assets is due to the acquisition of new technological equipment totaling \$79,280, capital adjustments due to a re-appraisal totaling \$119,399, net of accumulated depreciation which was offset by \$360,295 in current year depreciation.

Long-term Debt

At year-end, the District had \$7,060,000 in general obligation bonds outstanding. The decrease from the previous year represents bond principal payments of \$320,000. Capital leases payable decreased \$35,613 as a result of the acquisition of new technological equipment totaling \$44,701 offset by lease payments of \$80,314. The District's compensated absences payable increased overall by \$8,053 and \$9,000 in the governmental and business-type activities, respectively. (See Figure A-9.) (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

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

	Total School District		Percent Change
	2010/2011	2009/2010	
General Obligation Bonds	\$ 7,060,000	\$ 7,380,000	-4.34%
Obligations Under Capital Leases	212,958	248,571	-14.33%
Compensated Absences Payable	122,720	105,685	16.12%
	<u>\$ 7,395,678</u>	<u>\$ 7,734,256</u>	-4.38%

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

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

Factors Bearing on the District's Future

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

- Statutory limitation on Tax Levy increases of 2%
- No or very limited State Aid expected
- Limitation on District Fund Balance

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,494,484	\$ 2	\$ 2,494,486
Receivables from Federal Government	262,690		262,690
Receivables from State Government	1,619,323		1,619,323
Inventory		814	814
Restricted Assets:			
Capital Reserve Account - Cash	204,191		204,191
Capital Assets, Net:			
Sites (Land)	1,303,570		1,303,570
Construction in Progress	186,836		186,836
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	18,062,350	7,208	18,069,558
Total Assets	<u>24,133,444</u>	<u>8,024</u>	<u>24,141,468</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	111,703		111,703
Accounts Payable - Vendors	21,311	597	21,908
Deferred Revenue	1,098		1,098
Bond Anticipation Notes Payable	2,025,000		2,025,000
Noncurrent Liabilities:			
Due Within One Year	111,435		111,435
Due Beyond One Year	7,275,243	9,000	7,284,243
Total Liabilities	<u>9,545,790</u>	<u>9,597</u>	<u>9,555,387</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	12,279,798	7,208	12,287,006
Restricted for:			
Capital Projects	3,476		3,476
Debt Service	1		1
Other Purposes	1,758,382		1,758,382
Unrestricted / (Deficit)	545,997	(8,781)	537,216
Total Net Assets	<u>\$ 14,587,654</u>	<u>\$ (1,573)</u>	<u>\$ 14,586,081</u>

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues 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	\$ 5,112,029	\$ 53,239	\$ 420,520		\$ (4,638,270)		\$ (4,638,270)
Special Education	1,316,740		485,411		(831,329)		(831,329)
Other Special Instruction	243,156		26,780		(216,376)		(216,376)
School Sponsored Instruction	95,504				(95,504)		(95,504)
Support Services:							
Tuition	1,051,907				(1,051,907)		(1,051,907)
Student & Instruction Related Services	2,096,459		129,657		(1,966,802)		(1,966,802)
General Administrative Services	367,817		25,750		(342,067)		(342,067)
School Administrative Services	486,133		28,820		(457,313)		(457,313)
Central Services	366,851				(366,851)		(366,851)
Administration Information Technology	22,397				(22,397)		(22,397)
Plant Operations and Maintenance	1,131,700				(1,131,700)		(1,131,700)
Pupil Transportation	170,611		3,485		(167,126)		(167,126)
Interest on Long-Term Debt	307,244				(307,244)		(307,244)
Capital Outlay	234,352				(234,352)		(234,352)
Total Governmental Activities	13,002,900	53,239	1,120,423	\$ -0-	(11,829,238)		(11,829,238)

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 205,651	\$ 184,353				\$ (21,298)	\$ (21,298)
Total Business-Type Activities	205,651	184,353				(21,298)	(21,298)
Total Primary Government	\$ 13,208,551	\$ 237,592	\$ 1,120,423	\$ -0-	\$ (11,829,238)	(21,298)	(11,850,536)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					11,344,786		11,344,786
Taxes Levied for Debt Service					632,865		632,865
Federal and State Aid Not Restricted					80,653		80,653
Investment Earnings					530	199	729
Miscellaneous Income					194,058		194,058
Transfers					(1,203)	1,203	
Total General Revenues and Transfers					12,251,689	1,402	12,253,091
Change in Net Assets					422,451	(19,896)	402,555
Net Assets - Beginning					14,165,203	9,323	14,174,526
Net Assets/(Deficit) - Ending					\$ 14,587,654	\$ (10,573)	\$ 14,577,081

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

FUND FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and Cash Equivalents	\$ 1,880,851		\$ 613,632	\$ 1	\$ 2,494,484
Interfund Receivable	250,031				250,031
Receivables from Federal Government		\$ 262,690			262,690
Receivables from State Government	205,614		1,413,709		1,619,323
Restricted Cash and Cash Equivalents	204,191				204,191
TOTAL ASSETS	\$ 2,540,687	\$ 262,690	\$ 2,027,341	\$ 1	\$ 4,830,719
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable		\$ 250,031			\$ 250,031
Bond Anticipation Notes Payable			\$ 2,025,000		2,025,000
Accounts Payable - Vendors	\$ 9,750	11,561			21,311
Deferred Revenue		1,098			1,098
Total Liabilities	9,750	262,690	2,025,000		2,297,440
Fund Balances:					
Restricted for:					
Excess Surplus - Current Year	845,345				845,345
Excess Surplus - Prior Year - Subsequent Year's Expenditures	704,843				704,843
Capital Reserve Account	1,135				1,135
Emergency Reserve Account	203,056				203,056
Debt Service Fund				\$ 1	1

BOROUGH OF DEMAREST SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Fund Balances:					
Committed to:					
Other Purposes			\$ 2,341		\$ 2,341
Assigned to:					
Year-End Encumbrances	\$ 5,138				5,138
Subsequent Year's Expenditures	336,105				336,105
Unassigned:					
General Fund	435,315				435,315
Total Fund Balances	2,530,937		2,341	\$ 1	2,533,279
TOTAL LIABILITIES & FUND BALANCES	\$ 2,540,687	\$ 262,690	\$ 2,027,341	\$ 1	\$ 4,830,719

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

Total Fund Balances - Governmental Funds (Above)	\$ 2,533,279
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$25,797,733 and the accumulated depreciation is \$6,244,977. (See Note 7)	19,552,756
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 8)	(7,386,678)
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.	(111,703)
Net Assets of Governmental Activities	\$ 14,587,654

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 11,344,786			\$ 632,865	\$ 11,977,651
Tuition	53,239				53,239
Capital Reserve Interest	10				10
Emergency Reserve Interest	500				500
Investment Income			\$ 20		20
Miscellaneous	193,284		774		194,058
Total - Local Sources	11,591,819		794	632,865	12,225,478
State Sources	915,760	\$ 2,820			918,580
Federal Sources		282,496			282,496
Total Revenues	12,507,579	285,316	794	632,865	13,426,554
EXPENDITURES					
Current:					
Instruction:					
Regular Instruction	3,753,029	2,820			3,755,849
Special Education Instruction	823,397	201,843			1,025,240
Other Special Instruction	146,974				146,974
School Sponsored Instruction	95,504				95,504
Support Services and Undistributed Costs:					
Tuition	1,051,907				1,051,907
Student & Instruction Related Services	1,536,530				1,536,530
General Administration Services	342,840				342,840
School Administration Services	351,578				351,578
Central Services	279,239				279,239

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Current:					
Support Services and Undistributed Costs:					
Plant Operations and Maintenance	\$ 968,713				\$ 968,713
Pupil Transportation	164,007				164,007
Allocated and Unallocated Benefits	2,530,528				2,530,528
Capital Outlay	277,680	\$ 80,653			358,333
Debt Service:					
Principal				\$ 320,000	320,000
Interest and Other Charges				312,865	312,865
Total Expenditures	<u>12,321,926</u>	<u>285,316</u>		<u>632,865</u>	<u>13,240,107</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>185,653</u>		<u>\$ 794</u>		<u>186,447</u>
OTHER FINANCING SOURCES/(USES):					
Assets Acquired Under Capital Leases	44,701				44,701
Transfers Out	(1,203)				(1,203)
Total Other Financing Sources/(Uses)	<u>43,498</u>				<u>43,498</u>
Net Change in Fund Balances	229,151		794		229,945
Fund Balance—July 1	<u>2,301,786</u>		<u>1,547</u>	<u>1</u>	<u>2,303,334</u>
Fund Balance—June 30	<u>\$ 2,530,937</u>	<u>\$ -0-</u>	<u>\$ 2,341</u>	<u>\$ 1</u>	<u>\$ 2,533,279</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ 229,945

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

Capital Outlays are reported in the Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which Depreciation exceeded appraisal adjustments and Capital Outlays during the period.

	Depreciation Expense	\$ (359,372)	
	Appraisal Adjustments	119,399	
	Capital Outlays	<u>79,280</u>	(160,693)

In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

(8,035)

Repayment of bond 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.

	Bonds	320,000	
	Capital Leases	<u>80,314</u>	400,314

In the Statement of Activities, Interest on Long-term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).

5,621

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.

(44,701)

Change in Net Assets of Governmental Activities (Exhibit A-2)

\$ 422,451

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	Business-Type Activities: <u>Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 2
Inventory	814
	816
Total Current Assets	816
Non-Current Assets:	
Capital Assets	66,655
Less: Accumulated Depreciation	(59,447)
	7,208
Total Non-Current Assets	7,208
Total Assets	8,024
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	597
Long-term Liabilities:	
Compensated Absences Payable	9,000
	9,597
Total Liabilities	9,597
NET ASSETS:	
Investment in Capital Assets, Net of Related Debt	7,208
Unrestricted / (Deficit)	(8,781)
	(1,573)
Total Net Assets (Deficit)	\$ (1,573)

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business-Type Activities: Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 184,187
Special Events	166
	184,353
Total Operating Revenue	184,353
Operating Expenses:	
Cost of Sales	77,449
Salaries	82,503
Payroll Taxes	6,857
Employee Benefits	25,891
Supplies and Materials	2,739
Depreciation Expense	923
Miscellaneous Expenditures	289
	196,651
Total Operating Expenses	196,651
Operating Income/(Loss)	(12,298)
Non-Operating Revenue:	
Local Sources:	
Board Contribution	1,203
Interest Revenue	199
	1,402
Total Non-Operating Revenue	1,402
Change in Net Assets	(10,896)
Net Assets - Beginning of Year	9,323
Net Assets (Deficit) - End of Year	\$ (1,573)

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Business-Type
Activities:
Enterprise Funds**

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 184,353
Payments to Employees	(106,251)
Payments to Food Service Vendor	(76,879)
Payments to Suppliers	(3,028)
	(1,805)
Net Cash (Used for) Operating Activities	
Cash Flows from Investing Activities:	
Interest Revenue	199
	199
Net Cash Provided by Investing Activities	
Cash Flows from Noncapital Financing Activities:	
Board Contribution	1,203
	1,203
Net Cash Provided by Noncapital Financing Activities	
Net Decrease in Cash and Cash Equivalents	(403)
Cash and Cash Equivalents, July 1	405
Cash and Cash Equivalents, June 30	\$ 2
Reconciliation of Operating (Loss) to Net Cash	
(Used for) Operating Activities:	
Operating (Loss)	\$ (12,298)
Adjustment to Reconcile Operating (Loss) to Cash	
(Used for) Operating Activities:	
Depreciation	923
Changes in Assets and Liabilities:	
(Increase) in Inventory	(27)
Increase in Compensated Absences Payable	9,000
Increase in Accounts Payable	597
	(1,805)
Net Cash Used for Operating Activities	\$ (1,805)

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Agency</u>
ASSETS:	
Cash and Cash Equivalents	\$ 110,482
Total Assets	110,482
LIABILITIES:	
Payroll Deductions and Withholdings	58,760
Due to Student Groups	51,722
Total Liabilities	110,482
NET ASSETS:	
Total Net Assets	\$ -0-

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOT APPLICABLE

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

District-Wide Financial Statements:

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 resource and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,507,579	\$ 285,316
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 12,507,579</u>	<u>\$ 285,316</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 12,321,926</u>	<u>\$ 285,316</u>
Total Expenditures as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u><u>\$ 12,321,926</u></u>	<u><u>\$ 285,316</u></u>

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2011.

K. Capital Assets:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond 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.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2011.

N. Compensated Absences:

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

N. Compensated Absences: (Cont'd)

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

O. Deferred Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$2,530,937 General Fund fund balance at June 30, 2011, \$5,138 is assigned for encumbrances; \$1,135 is restricted in the capital reserve account; \$203,056 is restricted in the emergency reserve account; \$845,345 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2013; \$704,843 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2012; \$336,105 is assigned fund balance and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2012; and \$435,315 is unassigned.

Capital Projects Fund: The Capital Projects Fund balance at June 30, 2011 of \$2,341 is committed for capital purposes.

Debt Service Fund: The Debt Service Fund balance at June 30, 2011 of \$1 is restricted for debt service.

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

Q. Net Assets:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

R. Deficit Net Assets:

The District has a deficit in net assets in the Statement of Net Assets, Business-type Activities as of June 30, 2011 in the amount of \$1,573 due to the compensated absences payable of \$9,000. This deficit does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

Fund balance restrictions have been established for excess surplus, a capital reserve, an emergency 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 has \$2,341 of committed resources in the Capital Projects Fund at June 30, 2011.

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 of \$5,138 for year-end encumbrances and \$336,105 for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2011.

T. Operating Revenue and Expenses:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

U. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, 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.

V. Management Estimates:

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

Investments: (Cont'd)

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

As of June 30, 2011, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Capital Reserve Account</u>	<u>Emergency Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	<u>\$ 2,604,968</u>	<u>\$ 1,135</u>	<u>\$ 203,056</u>	<u>\$ 2,809,159</u>

During the period ended June 30, 2011, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2011, was \$2,809,159 and the bank balance was \$3,210,293.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$	1,125
Budgeted Increase - Interest Earnings		10
Ending Balance, June 30, 2011	\$	1,135

The June 30, 2011 LRFP balance of local support costs of uncompleted capital projects at June 30, 2011 far exceeds the balance in the capital reserve account as of June 30, 2011.

NOTE 5. EMERGENCY RESERVE ACCOUNT

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 5. EMERGENCY RESERVE ACCOUNT(Cont'd)

The activity of the emergency reserve for the July 1, 2010 to June 30, 2011 fiscal year is as follows:

Beginning Balance, July 1, 2010	\$ 202,556
Budgeted Increase - Interest Earnings	<u>500</u>
Ending Balance, June 30, 2011	<u>\$ 203,056</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2011, the District transferred \$2,360 to the capital outlay accounts for Construction Services. The District acquired the approval of the County Superintendent for the transfer.

NOTE 7. CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 226,291
Student & Instruction Related Services	103,398
General Administrative Services	2,720
School Administrative Services	6,748
Plant Operations and Maintenance	16,689
Pupil Transportation	<u>3,526</u>
	<u>\$ 359,372</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 7. CAPITAL ASSETS (Cont'd)

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,303,570			\$ 1,303,570
Construction in Progress	186,836			186,836
Total Capital Assets not Being Depreciated	1,490,406			1,490,406
Capital Assets Being Depreciated				
Buildings and Building Improvements	22,680,743			22,680,743
Machinery and Equipment	1,156,290	\$ 79,280	\$ 391,014	1,626,584
Total Capital Assets Being Depreciated	23,837,033	79,280	391,014	24,307,327
Governmental Activities Capital Assets	25,327,439	79,280	391,014	25,797,733
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(4,606,263)	(251,764)		(4,858,027)
Machinery and Equipment	(1,007,727)	(107,608)	(271,615)	(1,386,950)
Total Accumulated Depreciation	(5,613,990)	(359,372)	(271,615)	(6,244,977)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 19,713,449	\$ (280,092)	\$ 119,399	\$ 19,552,756
Business -Type Activities:				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 66,655			\$ 66,655
Less: Accumulated Depreciation	(58,524)	\$ (923)		(59,447)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 8,131	\$ (923)	\$ -0-	\$ 7,208

During the current fiscal year, the District expended \$79,280 for the acquisition of equipment. The District also had a re-appraisal of capital assets performed which resulted in adjustments to the capital assets of \$119,399 net of accumulated depreciation.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

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

A. Bonds Payable: (Cont'd)

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

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

B. Bonds Authorized But Not Issued:

As of June 30, 2011, the District has no bonds authorized but not issued.

C. Capital Leases Payable:

The District purchased various vehicles and buses under capital leases. All capital leases are for terms of three years and will be retired through the General Fund. The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2011.

	Amount
2012	\$ 97,350
2013	97,350
2014	9,691
2015	9,691
2016	9,691
	223,773
Less: Amount Representing Interest	(10,815)
Present Value of Net Minimum Lease Payments	\$ 212,958

The current portion of capital leases principal payable is \$91,435 and the long term portion is \$121,523.

D. Compensated Absences Payable:

No portion of the compensated absences balance represents a current liability; therefore, the entire balance of \$113,720 is reported as a long-term liability in the governmental fund types. The General Fund will be used to liquidate Compensated Absences Payable.

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 9. TEMPORARY (BOND ANTICIPATION) NOTES PAYABLE

The District issued grant anticipation notes as temporary financing for the capital referendum project for roof repairs and replacement to Demarest Middle School. These notes were issued in anticipation of collection of the Schools Development Authority grant award for the project. The District had \$2,025,000 in temporary notes payable outstanding at June 30, 2011 at an interest rate of 2.00% which matured on July 5, 2011. Upon maturity the temporary note was reissued in the amount of \$1,411,690, which includes a premium of \$1,397.57, maturing on June 29, 2012 at an interest rate of 1.50%.

NOTE 10. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public 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, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50% for TPAF and 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the District is a noncontributing employer of the TPAF.

District Contributions to PERS amounted to \$178,001, \$116,727 and \$86,776 for the fiscal years ended June 30, 2011, 2010 and 2009, respectively.

During the fiscal years ended June 30, 2011, 2010 and 2009 the State of New Jersey made no contributions to the TPAF for normal pension benefits on-behalf of the District.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 11. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public 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, 2010, there were 87,288 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 \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$313,311, \$300,913, and \$294,966 for 2011, 2010, and 2009, respectively.

NOTE 12. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

Financial information for the Fund as of June 30, 2011 was not available as of the date of the audit report. Selected, summarized financial information for the Fund as of June 30, 2010 is as follows:

	Northeast Bergen County School Board Insurance Group
Total Assets	\$ 18,825,029
Net Assets	\$ 10,727,740
Total Revenue	\$ 12,372,141
Total Expenses	\$ 9,886,591
Change in Net Assets	\$ 2,485,550
Net Assets Distribution to Participating Members	\$ 1,300,000

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

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

New Jersey Unemployment Compensation Insurance

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

NOTE 13. DEFERRED COMPENSATION

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

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

NOTE 14. ECONOMIC DEPENDENCY

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

NOTE 15. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balance remained on the balance sheet at June 30, 2011:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 250,031	
Special Revenue Fund		\$ 250,031
	\$ 250,031	\$ 250,031

The interfund receivable in the General Fund and the interfund payable in the Special Revenue Fund represents the deficit cash balance in the Special Revenue Fund.

NOTE 16. TAX CALENDAR

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

NOTE 17. CONTINGENT LIABILITIES**Grant Programs**

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

Litigation

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

Encumbrances

At June 30, 2011, there were encumbrances in the General Fund of \$5,138.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<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	\$ 11,344,786		\$ 11,344,786	\$ 11,344,786	
Tuition:					
From Other Individuals				53,239	\$ 53,239
Interest Earned on Capital Reserve Funds	10		10	10	
Interest Earned on Emergency Reserve Funds	500		500	500	
Miscellaneous	122,300		122,300	193,284	70,984
Total - Local Sources	11,467,596		11,467,596	11,591,819	124,223
State Sources:					
Extraordinary Special Education Costs Aid				181,830	181,830
Nonpublic School Transportation Costs				3,485	3,485
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				14,751	14,751
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				313,311	313,311
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				402,383	402,383
Total State Sources				915,760	915,760
Federal Sources:					
Medicaid Reimbursement	1,372		1,372		(1,372)
Total Federal Sources	1,372		1,372		(1,372)
TOTAL REVENUES	11,468,968		11,468,968	12,507,579	1,038,611
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	227,748	\$ 16,700	244,448	244,307	141
Grades 1-5 - Salaries of Teachers	1,592,230	(42,444)	1,549,786	1,519,256	30,530
Grades 6-8 - Salaries of Teachers	1,671,768	(36,000)	1,635,768	1,550,258	85,510
Regular Programs - Home Instruction:					
Salaries of Teachers	6,000		6,000	4,637	1,363

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<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 - Undistributed Instruction:					
Other Salaries for Instruction	\$ 24,000		\$ 24,000	\$ 20,876	\$ 3,124
Purchased Professional - Educational Services	2,000		2,000		2,000
Purchased Technical Services	67,380	\$ 8,800	76,180	73,596	2,584
Other Purchased Services (400-500 series)	98,675		98,675	87,984	10,691
General Supplies	296,090		296,090	240,689	55,401
Textbooks	10,267		10,267	9,442	825
Other Objects	4,305		4,305	1,984	2,321
Total Regular Programs - Instruction	4,000,463	(52,944)	3,947,519	3,753,029	194,490
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	798,615	22,900	821,515	813,349	8,166
Other Purchased Services (400-500 series)		125	125	125	
General Supplies	12,834		12,834	9,661	3,173
Textbooks	500		500	262	238
Total Resource Room/Resource Center	811,949	23,025	834,974	823,397	11,577
Total Special Education Instruction	811,949	23,025	834,974	823,397	11,577
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	77,410		77,410	38,069	39,341
General Supplies	3,221		3,221	2,094	1,127
Total Basic Skills/Remedial - Instruction	80,631		80,631	40,163	40,468

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 89,522		\$ 89,522	\$ 49,324	\$ 40,198
Other Purchased Services (400-500 Series)	225		225	187	38
General Supplies	7,948		7,948	5,194	2,754
Other Objects	114		114	95	19
Total Bilingual Education - Instruction	97,809		97,809	54,800	43,009
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	92,750		92,750	87,315	5,435
Purchased Services (300-500 series)	9,500		9,500	3,955	5,545
Supplies and Materials	3,600		3,600	3,214	386
Other Objects	1,300		1,300	1,020	280
Total School-Sponsored Cocurricular Activities - Instruction	107,150		107,150	95,504	11,646
Community Services Programs / Operations:					
Salaries	39,128	\$ 600	39,728	39,386	342
Purchased Services (300-500 series)	17,500	(600)	16,900	12,625	4,275
Total Community Services Programs / Operations	56,628		56,628	52,011	4,617
Total Instruction	5,154,630	(29,919)	5,124,711	4,818,904	305,807
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	647,363	(3,000)	644,363	570,808	73,555
Tuition to County Special Services Schools and Regional Day Schools	66,000	29,890	95,890	23,900	71,990
Tuition to Private Schools for the Disabled - Within the State	402,370	6,300	408,670	402,267	6,403
Tuition to Private Schools for the Disabled and Other LEAs - Special - Outside the State	108,803	(31,200)	77,603	54,932	22,671
Total Undistributed Expenditures - Instruction	1,224,536	1,990	1,226,526	1,051,907	174,619

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Attendance and Social Work:					
Salaries	\$ 41,601		\$ 41,601	\$ 36,589	\$ 5,012
Total Attendance and Social Work	41,601		41,601	36,589	5,012
Health Services:					
Salaries	133,392	\$ 4,900	138,292	135,816	2,476
Purchased Professional and Technical Services	90		90	90	90
Other Purchased Services (400-500 series)	300		300	125	175
Supplies and Materials	4,500	4,200	8,700	7,899	801
Total Health Services	138,282	9,100	147,382	143,840	3,542
Speech, OT, PT & Related Services:					
Salaries	162,450	9,400	171,850	171,774	76
Purchased Professional - Educational Services	114,514		114,514	107,950	6,564
Supplies and Materials	5,699		5,699	4,718	981
Other Objects	690		690	420	270
Total Speech, OT, PT & Related Services	283,353	9,400	292,753	284,862	7,891
Other Support Services - Students - Extraordinary Services:					
Salaries	292,509	52,100	344,609	344,608	1
Purchased Professional - Educational Services	16,000		16,000	2,585	13,415
Supplies and Materials	4,600		4,600	4,600	4,600
Total Other Support Services - Students - Extraordinary Services	313,109	52,100	365,209	347,193	18,016
Guidance:					
Salaries of Other Professional Staff	170,504		170,504	170,504	
Salaries of Secretarial and Clerical Assistants	27,691	400	28,091	27,948	143

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Guidance (Cont'd):					
Purchased Professional - Educational Services	\$ 11,750		\$ 11,750	\$ 9,220	\$ 2,530
Other Purchased Services (400-500 series)	7,900	\$ (400)	7,500	4,617	2,883
Supplies and Materials	5,205		5,205	4,716	489
Other Objects	390		390	30	360
Total Guidance	223,440		223,440	217,035	6,405
Child Study Teams:					
Salaries of Other Professional Staff	214,392	48,200	262,592	247,566	15,026
Salaries of Secretarial and Clerical Assistants	54,774		54,774	54,774	
Other Salaries	7,600		7,600	2,552	5,048
Purchased Professional - Educational Services	40,800		40,800	22,039	18,761
Miscellaneous Purchased Services	4,500		4,500	1,374	3,126
Supplies and Materials	4,500		4,500	1,510	2,990
Total Child Study Teams	326,566	48,200	374,766	329,815	44,951
Improvement of Instructional Services:					
Purchased Professional - Educational Services	32,639		32,639	31,163	1,476
Total Improvement of Instructional Services	32,639		32,639	31,163	1,476
Educational Media Services/School Library:					
Salaries	97,457	4,644	102,101	102,101	
Purchased Professional and Technical Services	5,418		5,418	4,677	741
Other Purchased Services (400-500 series)	125		125	125	
Supplies and Materials	21,128		21,128	17,501	3,627
Total Educational Media Services/School Library	124,128	4,644	128,772	124,404	4,368

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instructional Staff Training Services:					
Other Salaries		\$ 2,000	\$ 2,000	\$ 375	\$ 1,625
Purchased Professional - Educational Services	\$ 28,015	(2,000)	26,015	20,705	5,310
Other Purchased Services (400-500 series)	2,000		2,000	549	1,451
Supplies and Materials	2,250		2,250		2,250
Total Instructional Staff Training Services	32,265		32,265	21,629	10,636
Support Services - General Administration:					
Salaries	245,165	(21,000)	224,165	205,865	18,300
Legal Services	27,824	39,000	66,824	55,574	11,250
Audit Fees	12,000		12,000	12,000	
Architectural / Engineering Services	7,500	5,000	12,500	12,375	125
Other Purchased Professional Services	3,200		3,200	1,475	1,725
Communications/Telephone	26,700	3,000	29,700	29,587	113
BOE Other Purchased Services	6,800		6,800	2,310	4,490
Miscellaneous Purchased Services (400-500 series)	19,190	(5,000)	14,190	11,331	2,859
General Supplies	4,500		4,500	3,827	673
BOE In-House Training / Meeting Supplies	500		500		500
Miscellaneous Expenditures	4,000		4,000	501	3,499
BOE Membership Dues and Fees	10,000		10,000	7,995	2,005
Total Support Services - General Administration	367,379	21,000	388,379	342,840	45,539

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 248,959	\$ (1,200)	\$ 247,759	\$ 230,405	\$ 17,354
Salaries of Secretarial and Clerical Assistants	110,761	1,200	111,961	111,793	168
Purchased Professional and Technical Services	250		250		250
Other Purchased Services (400-500 series)	5,250		5,250	1,852	3,398
Supplies and Materials	10,390		10,390	7,528	2,862
Total Support Services - School Administration	375,610		375,610	351,578	24,032
Central Services:					
Salaries	219,606	(1,800)	217,806	217,595	211
Miscellaneous Purchased Services (400-500 series)	18,700	1,800	20,500	19,452	1,048
Supplies and Materials	2,500		2,500	1,805	695
Interest on Bond Anticipation Notes (BANs)	48,388		48,388	40,387	8,001
Miscellaneous Expenditures	800		800		800
Total Central Services	289,994		289,994	279,239	10,755
Required Maintenance of School Facilities:					
Salaries	63,239		63,239	60,093	3,146
Cleaning, Repair and Maintenance Services	71,475	(2,360)	69,115	61,905	7,210
General Supplies	11,600		11,600	9,848	1,752
Other Objects	32,000	(3,000)	29,000	19,823	9,177
Total Required Maintenance of School Facilities	178,314	(5,360)	172,954	151,669	21,285
Custodial Services:					
Salaries	433,463	(3,000)	430,463	403,903	26,560
Purchased Professional and Technical Services	12,000		12,000	3,250	8,750
Other Purchased Property Services	16,000		16,000	11,878	4,122
Insurance	85,000	3,000	88,000	85,874	2,126

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Custodial Services:					
Miscellaneous Purchased Services	\$ 600		\$ 600		\$ 600
General Supplies	49,200		49,200	\$ 37,993	11,207
Energy (Electricity)	152,000	\$ (16,500)	135,500	79,489	56,011
Energy (Natural Gas)	140,000	20,000	160,000	159,401	599
Other Objects	46,800		46,800	35,256	11,544
Total Custodial Services	935,063	3,500	938,563	817,044	121,519
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Special	8,000	10,000	18,000	10,552	7,448
Cleaning, Repair and Maintenance Services	5,000		5,000	1,042	3,958
Lease Purchase Payments - School Buses	10,000		10,000	10,000	
Contracted Services:					
Between Home and School - Vendors	226,000		226,000	108,881	117,119
Aid in Lieu of Payments - Nonpublic Students	29,000		29,000	14,093	14,907
Miscellaneous Purchased Services - Transportation	3,600		3,600	220	3,380
General Supplies	6,500		6,500	5,541	959
Other Objects	1,000	18,000	19,000	13,678	5,322
Total Student Transportation Services	289,100	28,000	317,100	164,007	153,093
Unallocated Employee Benefits:					
Social Security Contributions	144,524	10,000	154,524	130,230	24,294
Other Retirement Contributions - PERS	125,701	52,300	178,001	178,001	
Unemployment Compensation	30,800		30,800	25,205	5,595
Workmen's Compensation	79,064		79,064	78,060	1,004

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<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 Employee Benefits:					
Health Benefits	\$ 1,431,299	\$ (50,825)	\$ 1,380,474	\$ 1,331,093	\$ 49,381
Tuition Reimbursement	8,614		8,614	8,609	5
Other Employee Benefits	46,000	3,000	49,000	48,885	115
Total Unallocated Employee Benefits	1,866,002	14,475	1,880,477	1,800,083	80,394
On-Behalf Contributions:					
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				14,751	(14,751)
TPAF - Post Retirement Contributions (On-Behalf - Non-Budgeted)				313,311	(313,311)
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				402,383	(402,383)
Total On-Behalf Contributions				730,445	(730,445)
Total Personal Services - Employee Benefits	1,866,002	14,475	1,880,477	2,530,528	(650,051)
Total Undistributed Expenses	7,041,381	187,049	7,228,430	7,225,342	3,088
TOTAL GENERAL CURRENT EXPENSE	12,196,011	157,130	12,353,141	12,044,246	308,895
CAPITAL OUTLAY:					
Assets Acquired Under Capital Leases (Non-budgeted)					
Undistributed Expenditures					
Transportation - School Bus				44,701	(44,701)
Total Equipment				44,701	(44,701)
Facilities Acquisition and Construction Services:					
Construction Services	230,619	2,360	232,979	232,979	
Total Facilities Acquisition and Construction Services	230,619	2,360	232,979	232,979	
TOTAL CAPITAL OUTLAY	230,619	2,360	232,979	277,680	(44,701)

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
TOTAL EXPENDITURES	\$ 12,426,630	\$ 159,490	\$ 12,586,120	\$ 12,321,926	\$ 264,194
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(957,662)	(159,490)	(1,117,152)	185,653	1,302,805
Other Financing Sources/(Uses):					
Operating Transfer In/(Out):					
Transfer to Food Service Fund	(21,600)	(4,000)	(25,600)	(1,203)	24,397
Assets Acquired Under Capital Leases (Non-budgeted)				44,701	44,701
Total Other Financing Sources/(Uses)	(21,600)	(4,000)	(25,600)	43,498	69,098
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	(979,262)	(163,490)	(1,142,752)	229,151	1,371,903
Fund Balance, July 1	2,301,786		2,301,786	2,301,786	
Fund Balance, June 30	\$ 1,322,524	\$ (163,490)	\$ 1,159,034	\$ 2,530,937	\$ 1,371,903

Recapitulation of Fund Balance at June 30, 2011:

Restricted:

Excess Surplus	\$ 845,345
Excess Surplus - Subsequent Year's Expenditures	704,843
Capital Reserve	1,135
Emergency Reserve	203,056

Assigned:

Year-End Encumbrances	5,138
Subsequent Year's Expenditures	336,105

Unassigned

435,315

Total Fund Balance (Budgetary/GAAP)

\$ 2,530,937

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources		\$ 3,918	\$ 3,918	\$ 2,820	\$ (1,098)
Federal Sources	\$ 134,423	180,417	314,840	282,496	(32,344)
Total Revenues	<u>134,423</u>	<u>184,335</u>	<u>318,758</u>	<u>285,316</u>	<u>(33,442)</u>
EXPENDITURES:					
Instruction:					
Tuition	134,423	(2,906)	131,517	99,256	32,261
General Supplies		68,168	68,168	66,987	1,181
Total Instruction	<u>134,423</u>	<u>65,262</u>	<u>199,685</u>	<u>166,243</u>	<u>33,442</u>
Support Services:					
Purchased Professional and Technical Services		38,420	38,420	38,420	
Total Support Services		<u>38,420</u>	<u>38,420</u>	<u>38,420</u>	
Equipment:					
Instructional Equipment		80,653	80,653	80,653	
Total Equipment		<u>80,653</u>	<u>80,653</u>	<u>80,653</u>	
Total Expenditures	<u>134,423</u>	<u>184,335</u>	<u>318,758</u>	<u>285,316</u>	<u>33,442</u>
Excess of Revenues Over Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,507,579	\$ 285,316
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 12,507,579	\$ 285,316
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 12,321,926	\$ 285,316
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 12,321,926	\$ 285,316

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County office and are voted on at the annual school election on the third Tuesday in April. 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). 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.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

BOROUGH OF DEMAREST SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	IDEA Part B					
	Basic	Basic, Carryover	Basic ARRA	Preschool	Preschool, Carryover	Preschool ARRA
REVENUE:						
State Sources						
Federal Sources	\$ 116,476	\$ 9,319	\$ 129,581	\$ 12,362	\$ 2,699	\$ 4,801
Total Revenue	116,476	9,319	129,581	12,362	2,699	4,801
EXPENDITURES:						
Instruction:						
Tuition	74,876	9,319		12,362	2,699	
General Supplies	6,000		48,928			4,801
Total Instruction	80,876	9,319	48,928	12,362	2,699	4,801
Support Services:						
Purchased Professional and Technical Services	35,600					
Total Support Services	35,600					
Facilities Acquisition:						
Instructional Equipment			80,653			
Total Facilities Acquisition			80,653			
Total Expenditures	\$ 116,476	\$ 9,319	\$ 129,581	\$ 12,362	\$ 2,699	\$ 4,801

BOROUGH OF DEMAREST SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>No Child Left Behind Title III</u>	<u>Character Education Aid</u>	<u>Totals</u>
REVENUE:			
State Sources		\$ 2,820	\$ 2,820
Federal Sources	\$ 7,258		282,496
Total Revenue	<u>7,258</u>	<u>2,820</u>	<u>285,316</u>
EXPENDITURES:			
Instruction:			
Tuition			99,256
General Supplies	7,258		66,987
Total Instruction	<u>7,258</u>		<u>166,243</u>
Support Services:			
Purchased Professional and Technical Services		2,820	38,420
Total Support Services		<u>2,820</u>	<u>38,420</u>
Facilities Acquisition:			
Instructional Equipment			80,653
Total Facilities Acquisition			<u>80,653</u>
Total Expenditures	<u>\$ 7,258</u>	<u>\$ 2,820</u>	<u>\$ 285,316</u>

CAPITAL PROJECTS FUND

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2011

Revenue and Other Financing Sources:

Investment Income	\$ 20
Appropriation Refunds	774
	<hr/>
Total Revenue and Other Financing Sources	794
	<hr/>
Excess/Deficiency of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	794
	<hr/>
Fund Balance - Beginning	1,547
	<hr/>
Fund Balance - Ending	\$ 2,341
	<hr/> <hr/>

BOROUGH OF DEMAREST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ROOF REPAIRS AND REPLACEMENT
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Investment Income		\$ 20	20	
Transfer from Capital Outlay	\$ 186,836		\$ 186,836	\$ 186,836
Total Revenue and Other Financing Sources	<u>186,836</u>	<u>20</u>	<u>186,856</u>	<u>186,836</u>
Expenditures:				
Construction Services	185,289	(774)	184,515	186,836
Total Expenditures	<u>185,289</u>	<u>(774)</u>	<u>184,515</u>	<u>186,836</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 1,547</u>	<u>\$ 794</u>	<u>\$ 2,341</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 186,836
Percentage Completion	98.75%
Original Target Completion Date	6/30/2009
Revised Target Completion Date	6/30/2011

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

<u>Referendum Date</u>	<u>Original Issuance Date</u>	<u>Purpose</u>	<u>Date of</u>		<u>Interest Rate</u>	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2011</u>
			<u>Issue</u>	<u>Date</u>					
9/25/2001	5/22/2003	School Renovations	7/8/2009	7/7/2010	2.00%	\$ 2,025,000		\$ 2,025,000	
			7/6/2010	7/5/2011	1.25%		\$ 2,025,000		\$ 2,025,000
						<u>\$ 2,025,000</u>	<u>\$ -0-</u>	<u>\$ 2,025,000</u>	<u>\$ -0-</u>

PROPRIETARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUNDS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

ASSETS:**Current Assets:**

Cash and Cash Equivalents	\$ 2
Inventory	814
	<hr/>

Total Current Assets	816
	<hr/>

Non-Current Assets:

Capital Assets	66,655
Less: Accumulated Depreciation	(59,447)
	<hr/>

Total Non-Current Assets	7,208
	<hr/>

Total Assets	8,024
	<hr/>

LIABILITIES:**Current Liabilities:**

Accounts Payable - Vendors	597
----------------------------	-----

Long-term Liabilities:

Compensated Absences Payable	9,000
	<hr/>

Total Liabilities	9,597
	<hr/>

NET ASSETS:

Investment in Capital Assets, Net of Related Debt	7,208
Unrestricted / (Deficit)	(8,781)
	<hr/>

Total Net Assets (Deficit)	\$ (1,573)
	<hr/> <hr/>

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 184,187
Other Deposits	166
	<hr/>
Total Operating Revenue	184,353
	<hr/>
Operating Expenses:	
Cost of Sales	77,449
Salaries	82,503
Payroll Taxes	6,857
Employee Benefits	25,891
Supplies and Materials	2,739
Depreciation Expense	923
Miscellaneous Expenditures	289
	<hr/>
Total Operating Expenses	196,651
	<hr/>
Operating Income/(Loss)	(12,298)
	<hr/>
Non-Operating Revenue:	
Local Sources:	
Board Contribution	1,203
Interest Revenue	199
	<hr/>
Total Non-Operating Revenue	1,402
	<hr/>
Change in Net Assets	(10,896)
	<hr/>
Net Assets - Beginning of Year	9,323
	<hr/>
Net Assets (Deficit) - End of Year	\$ (1,573)
	<hr/> <hr/>

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 184,353
Payments to Employees	(106,251)
Payments to Food Service Vendor	(76,879)
Payments to Suppliers	<u>(3,028)</u>
Net Cash (Used for) Operating Activities	<u>(1,805)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>199</u>
Net Cash Provided by Investing Activities	<u>199</u>
Cash Flows from Noncapital Financing Activities:	
Board Contribution	<u>1,203</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,203</u>
Net Decrease in Cash and Cash Equivalents	(403)
Cash and Cash Equivalents, July 1	<u>405</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 2</u></u>
Reconciliation of Operating (Loss) to Net Cash	
(Used for) Operating Activities:	
Operating (Loss)	\$ (12,298)
Adjustment to Reconcile Operating (Loss) to Cash	
(Used for) Operating Activities:	
Depreciation	923
Changes in Assets and Liabilities:	
(Increase) in Inventory	(27)
Increase in Compensated Absences Payable	9,000
Increase in Accounts Payable	<u>597</u>
Net Cash Provided by/(Used for) Operating Activities	<u><u>\$ (1,805)</u></u>

FIDUCIARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Agency</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 51,722	\$ 58,760	\$ 110,482
Total Assets	<u>51,722</u>	<u>58,760</u>	<u>110,482</u>
LIABILITIES:			
Payroll Deductions and Withholdings		58,760	58,760
Due to Student Groups	<u>51,722</u>		<u>51,722</u>
Total Liabilities	<u>51,722</u>	<u>58,760</u>	<u>110,482</u>
NET ASSETS:			
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	<u>\$ 44,504</u>	<u>\$ 126,640</u>	<u>\$ 119,422</u>	<u>\$ 51,722</u>
Total Assets	<u><u>\$ 44,504</u></u>	<u><u>\$ 126,640</u></u>	<u><u>\$ 119,422</u></u>	<u><u>\$ 51,722</u></u>
 LIABILITIES:				
Due to Student Groups	<u>\$ 44,504</u>	<u>\$ 126,640</u>	<u>\$ 119,422</u>	<u>\$ 51,722</u>
Total Liabilities	<u><u>\$ 44,504</u></u>	<u><u>\$ 126,640</u></u>	<u><u>\$ 119,422</u></u>	<u><u>\$ 51,722</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Student Activities	\$ 18,447	\$ 126,620	\$ 117,606	\$ 27,461
Playground	<u>26,057</u>	<u>20</u>	<u>1,816</u>	<u>24,261</u>
Total All Schools	<u>\$ 44,504</u>	<u>\$ 126,640</u>	<u>\$ 119,422</u>	<u>\$ 51,722</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 56,520	\$ 7,776,812	\$ 7,774,572	\$ 58,760
Total Assets	<u>\$ 56,520</u>	<u>\$ 7,776,812</u>	<u>\$ 7,774,572</u>	<u>\$ 58,760</u>
 LIABILITIES:				
Interfund Payable - Unemployment Compensation Trust Fund	\$ 4,915		\$ 4,915	
Payroll Deductions and Withholdings	51,605	\$ 7,776,812	7,769,657	\$ 58,760
Total Liabilities	<u>\$ 56,520</u>	<u>\$ 7,776,812</u>	<u>\$ 7,774,572</u>	<u>\$ 58,760</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2010	Retired/Matured	Balance June 30, 2011
			Date	Amount				
School Bonds	1/15/2003	\$ 8,884,000				\$ 300,000	\$ 300,000	
Refunding School Bonds	2/21/2007	7,135,000	2/15/12	\$ 320,000	4.75%			
			2/15/13	345,000	4.00%			
			2/15/14	370,000	4.00%			
			2/15/15	390,000	4.00%			
			2/15/16	415,000	4.75%			
			2/15/17	440,000	5.00%			
			2/15/18	440,000	5.00%			
			2/15/19	465,000	4.25%			
			2/15/20	490,000	4.00%			
			2/15/21	510,000	4.00%			
			2/15/22	535,000	4.00%			
			2/15/23	555,000	4.00%			
			2/15/24	575,000	4.00%			
	2/15/25	595,000	4.00%					
	2/15/26	615,000	4.00%					
						<u>7,080,000</u>	<u>20,000</u>	<u>\$ 7,060,000</u>
						<u>\$ 7,380,000</u>	<u>\$ 320,000</u>	<u>\$ 7,060,000</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Purpose	Original Issue	June 30, 2011		Interest Rate	Balance July 1, 2010	Issued	Matured	Balance June 30, 2011
		Date	Amount					
Computer Technology	\$ 248,571	8/1/11	\$ 82,973	2.75%	\$ 248,571		\$ 80,314	\$ 168,257
		8/1/12	85,284	2.75%				
School Bus	44,701	10/1/11	8,462	2.75%		\$ 44,701		44,701
		10/1/12	8,694	2.75%				
		10/1/13	8,934	2.75%				
		10/1/14	9,179	2.75%				
		10/1/15	9,432	2.75%				
					\$ 248,571	\$ 44,701	\$ 80,314	\$ 212,958

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<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	\$ 632,865		\$ 632,865	\$ 632,865	
Total Revenues	<u>632,865</u>		<u>632,865</u>	<u>632,865</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	312,865		312,865	312,865	
Redemption of Principal	320,000		320,000	320,000	
Total Regular Debt Service	<u>632,865</u>		<u>632,865</u>	<u>632,865</u>	
Total Expenditures	<u>632,865</u>		<u>632,865</u>	<u>632,865</u>	
Excess/(Deficit) of Revenues Over/(Under) Expenditures					
	<u>1</u>		<u>1</u>	<u>1</u>	
Fund Balance, July 1	<u>1</u>		<u>1</u>	<u>1</u>	
Fund Balance, June 30	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -0-</u>
<u>Recapitulation of Fund Balance at June 30, 2011:</u>					
Restricted:					
Other Purposes			<u>\$ 1</u>		
			<u>\$ 1</u>		

STATISTICAL SECTION

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

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

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

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:							
Invested in capital assets, net of related debt	\$ 12,038,284	\$ 11,908,881	\$ 11,821,517	\$ 11,819,859	\$ 12,031,050	\$ 12,084,878	\$ 12,279,798
Restricted	315,647	519,808	973,037	1,419,364	1,898,700	1,778,193	1,761,859
Unrestricted	184,108	255,316	350,116	257,378	164,461	302,132	545,997
Total governmental activities net assets	12,538,039	12,684,004	13,144,670	13,496,601	14,094,211	14,165,203	14,587,654
Business-type activities							
Invested in capital assets, net of related debt				14,705	11,479	8,131	7,208
Unrestricted / (Deficit)	2,060	11,498	17,441	3,331	1,480	1,192	(8,781)
Total business-type activities net assets	2,060	11,498	17,441	18,036	12,959	9,323	(1,573)
District-wide							
Invested in capital assets, net of related debt	12,038,284	11,908,881	11,821,517	11,834,564	12,042,529	12,093,009	12,287,006
Restricted	315,647	519,808	973,037	1,419,364	1,898,700	1,778,193	1,761,859
Unrestricted	186,168	266,813	367,557	260,709	165,941	303,324	537,216
Total district net assets	\$ 12,540,099	\$ 12,695,502	\$ 13,162,111	\$ 13,514,637	\$ 14,107,170	\$ 14,174,526	\$ 14,586,081

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

Source: Borough of Demarest School District Financial Reports.

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

Fiscal Year Ending June 30,

	2005	2006	2007	2008	2009	2010	2011
Expenses							
Governmental Activities							
Instruction:							
Regular Instruction	\$ 4,426,627	\$ 4,359,484	\$ 4,692,133	\$ 5,026,792	\$ 5,064,205	\$ 5,106,670	\$ 5,112,029
Special Education Instruction	887,801	927,373	925,199	911,912	1,085,286	1,064,971	1,316,740
Other Special Instruction						308,093	243,156
School Sponsored Instruction	328,492	344,871	498,163	346,763	389,934	183,446	95,504
Support Services:							
Tuition	709,470	972,370	1,077,021	1,231,982	1,406,754	1,434,724	1,051,907
Student and Instruction Related Services	1,512,050	1,678,734	1,489,310	1,709,018	1,492,569	1,901,714	2,096,459
General and Business Administrative Services	661,499	722,588	729,776	428,158	318,309	420,369	367,817
School Administrative Services	472,193	499,638	531,396	572,760	449,951	485,698	486,133
Central Services				370,924	434,562	336,961	366,851
Plant Operations and Maintenance	1,020,718	1,109,231	1,249,971	1,282,142	1,217,462	1,187,798	22,397
Pupil Transportation	243,490	317,667	327,225	253,100	269,183	264,350	1,131,700
Capital Outlay					(210,764)	5,975	234,352
Interest on Long-term Debt	413,872	405,575	396,228	327,724	334,464	321,492	307,244
Unallocated Depreciation					2,720	2,720	
Total Governmental Activities Expenses	<u>10,676,212</u>	<u>11,337,533</u>	<u>11,916,422</u>	<u>12,461,276</u>	<u>12,254,635</u>	<u>13,024,981</u>	<u>13,002,900</u>
Business-type Activities:							
Food Service	182,890	174,224	177,855	188,296	203,998	194,622	196,651
Total Business-type Activities Expense	<u>182,890</u>	<u>174,224</u>	<u>177,855</u>	<u>188,296</u>	<u>203,998</u>	<u>194,622</u>	<u>196,651</u>
Total District-wide Expenses	<u>10,859,102</u>	<u>11,511,757</u>	<u>12,094,277</u>	<u>12,649,573</u>	<u>12,458,633</u>	<u>13,219,603</u>	<u>13,199,551</u>

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

Fiscal Year Ending June 30,

	2005	2006	2007	2008	2009	2010	2011
Program Revenues							
Governmental Activities:							
Charges for Services:							
Instruction (Tuition)				\$ 63,679			\$ 53,239
Operating Grants and Contributions	\$ 1,636,929	\$ 1,362,862	\$ 513,743	1,419,462	\$ 1,267,203	\$ 1,326,216	1,120,423
Total Governmental Activities Program Revenues	<u>1,636,929</u>	<u>1,362,862</u>	<u>513,743</u>	<u>1,483,141</u>	<u>1,267,203</u>	<u>1,326,216</u>	<u>1,173,662</u>
Business-type Activities:							
Charges for Services							
Food Service	180,715	183,662	183,799	186,783	184,076	189,554	184,353
Total Business-type Activities Program Revenues	<u>180,715</u>	<u>183,662</u>	<u>183,799</u>	<u>186,783</u>	<u>184,076</u>	<u>189,554</u>	<u>184,353</u>
Total District-wide Program Revenues	<u>1,817,644</u>	<u>1,546,524</u>	<u>697,542</u>	<u>1,669,924</u>	<u>1,451,279</u>	<u>1,515,770</u>	<u>1,358,015</u>
Net (Expense)/Revenue							
Governmental Activities	(9,039,283)	(9,974,670)	(11,402,679)	(10,978,135)	(10,987,432)	(11,698,765)	(11,829,238)
Business-type Activities	(2,175)	9,437	5,944	(1,514)	(19,922)	(5,068)	(12,298)
Total District-wide Net Expense	<u>(9,041,458)</u>	<u>(9,965,233)</u>	<u>(11,396,735)</u>	<u>(10,979,649)</u>	<u>(11,007,354)</u>	<u>(11,703,833)</u>	<u>(11,841,536)</u>
General Revenues and Other Changes in Net Assets:							
Governmental Activities:							
Taxes:							
Property Taxes, Levied for general Purposes	8,596,422	9,245,476	9,893,854	10,218,940	10,627,698	10,908,449	11,344,786
Property taxes, Levied for Debt Service Principal	161,105	203,375	649,950	638,388	604,143	600,085	632,865
Federal and State Aid Not Restricted	62,294	460,504	1,317,978	382,913	254,710	49,243	80,653
Tuition (Other Than Special Schools)		31,951	56,662				

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

	<u>Fiscal Year Ending June 30,</u>						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities (Cont'd):							
Investment Earnings	\$ 17,317	\$ 33,036	\$ 80,319	\$ 500	\$ 300	\$ 26,343	\$ 530
Miscellaneous Income	77,846	146,295	95,582	208,829	114,412	185,325	194,058
Cancellation of Accounts Payable						1,541	
Increase in Long Term Debt due to Refinancing			(231,000)				
Transfers	(1,903)			(1,052)	(16,221)	(1,229)	(1,203)
Total Governmental Activities	<u>8,913,082</u>	<u>10,120,636</u>	<u>11,863,345</u>	<u>11,448,517</u>	<u>11,585,042</u>	<u>11,769,757</u>	<u>12,251,689</u>
Business-type Activities:							
Investment Earnings				1,056	348	203	199
Special Item - Reappraisal of Capital Assets					(1,724)		
Transfers	1,903			1,052	16,221	1,229	1,203
Total Business-type Activities	<u>2,266</u>			<u>2,108</u>	<u>14,845</u>	<u>1,432</u>	<u>1,402</u>
Total District-wide General Revenues	<u>8,915,347</u>	<u>10,120,636</u>	<u>11,863,345</u>	<u>11,450,625</u>	<u>11,599,887</u>	<u>11,771,189</u>	<u>12,253,091</u>
Change in Net Assets							
Governmental Activities	(126,202)	145,965	460,666	470,382	597,610	70,992	422,451
Business-type Activities	91	9,437	5,944	595	(5,077)	(3,636)	(10,896)
Total District-wide Change in Net Assets	<u>\$ (126,110)</u>	<u>\$ 155,402</u>	<u>\$ 466,610</u>	<u>\$ 470,977</u>	<u>\$ 592,533</u>	<u>\$ 67,356</u>	<u>\$ 411,555</u>

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

Source: Borough of Demarest School District Financial Reports.

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

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

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

Source: Borough of Demarest School District Financial Reports

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

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

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

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

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

Source: Borough of Demarest School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Annual Totals</u>	<u>Tuition</u>	<u>Interest</u>	<u>Rentals</u>	<u>Miscellaneous</u>
2002	\$ 55,816	\$ 21,524	\$ 5,368		\$ 28,924
2003	86,553		7,910		78,643
2004	61,780	22,689	3,111		35,980
2005	95,163		17,317		77,846
2006	211,009	31,951	33,036		146,022
2007	224,073	56,662	71,829		95,582
2008	273,008	63,679	500		208,829
2009	114,263		300		113,963
2010	211,668		26,343	\$ 143,020	42,305
2011	247,033	53,239	25,420	110,000	58,374

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

Year Ended December 31,	Vacant Land	Residential	Commercial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2001	\$ 4,372,200	\$ 543,042,100	\$ 19,816,100		\$ 567,230,400	\$ 301,090	\$ 567,531,490	\$ 787,155,460	\$ 1.195
2002	3,962,100	549,455,300	19,816,100		573,233,500	303,812	573,537,312	829,282,024	1.299
2003*	11,982,000	1,048,004,000	49,416,900		1,109,402,900	303,812	1,109,706,712	869,424,080	0.754
2004	10,851,100	1,042,183,400	42,443,700	\$ 1,350,000	1,096,828,200	415,687	1,097,243,887	972,921,934	0.816
2005	23,938,600	1,050,060,500	37,275,600	1,350,000	1,112,624,700	397,963	1,113,022,663	1,092,747,520	0.853
2006	26,174,900	1,060,899,600	37,029,400	1,350,000	1,125,453,900	611,154	1,126,065,054	1,355,968,554	0.903
2007	25,416,600	1,078,919,200	37,029,400	1,350,000	1,142,715,200	589,577	1,143,304,777	1,378,125,458	0.936
2008	21,534,400	1,113,563,000	37,029,400	1,350,000	1,173,476,800	637,147	1,174,113,947	1,420,610,278	0.939
2009	15,953,300	1,141,824,700	37,029,400	1,350,000	1,196,157,400	852,876	1,197,010,276	1,459,346,350	0.952
2010	24,674,000	1,155,919,300	36,920,200	1,350,000	1,218,863,500	761,402	1,219,624,902	1,475,586,410	1.520

* - Revaluation became effective.

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

Reassessment occurs when ordered by the County Board of Taxation.

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

b Tax rates are per \$100

Source: Municipal Tax Assessor

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

Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	County	
2001	\$ 1.178	\$ 0.017	\$ 1.195	\$ 0.627	\$ 0.630	\$ 0.308	\$ 2.760
2002	1.299	0.000	1.299	0.661	0.689	0.321	2.970
2003*	0.700	0.054	0.754	0.372	0.426	0.168	1.720
2004	0.764	0.052	0.816	0.411	0.457	0.186	1.870
2005	0.800	0.053	0.853	0.433	0.478	0.196	1.960
2006	0.846	0.057	0.903	0.433	0.466	0.198	2.000
2007	0.882	0.054	0.936	0.427	0.480	0.217	2.060
2008	0.889	0.050	0.939	0.425	0.513	0.225	2.102
2009	0.902	0.050	0.952	0.435	0.545	0.244	2.176
2010	0.909	0.051	0.960	0.462	0.561	0.237	2.220

* - Revaluation became effective.

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

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

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

Source: Municipal Tax Collector and School Business Administrator.

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

<u>Fiscal Year Ended June 30,</u>	<u>2011</u>		<u>2002</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Alpine Country Club	\$ 32,323,800	2.65%		
Sylco Invesyments	7,940,500	0.65%		
American Properties	4,190,000	0.34%		
Individual Taxpayer #1	3,918,000	0.32%		
Individual Taxpayer #2	3,598,200	0.30%	Information Not Available	
Individual Taxpayer #3	3,107,800	0.25%		
Individual Taxpayer #4	3,050,400	0.25%		
Individual Taxpayer #5	2,966,500	0.24%		
9 Brenner Place LLC	2,925,800	0.24%		
Individual Taxpayer #6	2,568,300	0.21%		
Total	<u>\$ 66,589,300</u>	<u>5.46%</u>	<u>\$</u>	<u>0.00%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2005	\$ 8,757,527	\$ 8,757,527	100.00%	- 0 -
2006	9,448,851	9,448,851	100.00%	- 0 -
2007	10,543,804	10,543,804	100.00%	- 0 -
2008	10,857,328	10,857,328	100.00%	- 0 -
2009	11,231,841	11,231,841	100.00%	- 0 -
2010	11,508,534	11,508,534	100.00%	- 0 -
2011	11,977,651	11,977,651	100.00%	- 0 -

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.

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

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

Exhibit J-10

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

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2004	\$ 8,754,000			\$ 8,754,000	3.51%	\$ 1,802
2005	8,604,000			8,604,000	3.23%	1,767
2006	8,429,000		\$ 2,025,000	10,454,000	3.73%	2,124
2007	8,229,000		2,025,000	10,254,000	3.26%	2,052
2008	7,940,000	\$ 108,638	2,025,000	10,073,638	2.96%	1,989
2009	7,675,000	55,879	2,025,000	9,755,879	2.79%	1,911
2010	7,380,000	248,571	2,025,000	9,653,571	2.91%	1,874
2011	7,060,000	212,958	2,025,000	9,297,958	2.80%	1,805

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

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

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

Source: Borough of Demarest School District Financial Reports

Exhibit J-11

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

<u>Fiscal Year Ended June 30,</u>	<u>General Bonded Debt Outstanding</u>			
	<u>General Obligation Bonds</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2004	\$ 8,754,000	\$ 8,754,000	0.79%	\$ 1,802
2005	8,604,000	8,604,000	0.78%	1,767
2006	8,429,000	8,429,000	0.76%	1,712
2007	8,229,000	8,229,000	0.73%	1,646
2008	7,940,000	7,940,000	0.69%	1,568
2009	7,675,000	7,675,000	0.65%	1,504
2010	7,380,000	7,380,000	0.62%	1,432
2011	7,060,000	7,060,000	0.58%	1,370

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

- a See Exhibit J- 6 for property tax data. These ratios is calculated using valuation data for the previous calendar year.
- a See Exhibit J-14 for population data. These ratios is calculated using population estimate for the previous calendar year.

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

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Demarest	\$ 8,686,968	100.00%	\$ 7,441,695
Northern Valley Regional High School	19,710,000	13.97%	2,753,362
Bergen County General Obligation Debt	730,825,490	0.76%	<u>5,588,758</u>
Subtotal, Overlapping Debt			15,783,815
Demarest Borough School District Direct Debt			<u>9,297,958</u>
Total Direct and Overlapping Debt			<u>\$ 25,081,773</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized valuation basis	
2008	\$ 1,430,022,910
2009	1,446,556,295
2010	1,394,421,119
	<u>\$ 4,271,000,324</u>
Average equalized valuation of taxable property	\$ 1,423,666,775
Debt limit @ (3 % of average equalization value) ^a	42,710,003
Total Net Debt Applicable to Limit	<u>7,060,000</u>
Legal debt margin	<u>\$ 35,650,003</u>

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

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

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

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

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

Exhibit J-14

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

<u>Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2001	4,854	\$ 252,903,108	\$ 52,102	2.30%
2002	4,864	252,592,384	51,931	3.10%
2003	4,859	249,222,969	51,291	3.10%
2004	4,870	266,238,030	54,669	2.50%
2005	4,923	280,428,849	56,963	3.80%
2006	4,998	314,978,958	63,021	3.70%
2007	5,065	339,927,345	67,113	3.60%
2008	5,104	349,833,264	68,541	4.70%
2009	5,152	331,726,976	64,388	8.40%
2010	5,152 **	331,726,976	64,388 *	8.60%

* - Latest Bergen County per capita personal income available (2009) was used for calculation purposes.

** - Latest Demarest Borough population available (2009) was used for calculation purposes.

Sources:

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

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

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

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

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

NOT AVAILABLE

BOROUGH OF DEMAREST SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN 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>
Instruction							
Regular	49	48	48	49	51	51	57
Special education	21	20	21	21	21	21	13
Support Services:							
Student and instruction related services	12	12	14	15	16	16	24
School administrative services	2	2	2	2	2	2	2
General and business administrative services	11	11	11	11	11	11	12
Plant operations and maintenance	14	14	14	14	14	13	11
Food Service	1	1	1	1	1	1	1
Total	110	108	111	113	116	115	120

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

Source: District Personnel Records

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

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2002	715.0	\$ 7,703,944	\$ 10,775	1.41%	N/A	N/A	N/A	715.0	689.1	-0.2%	96.38%
2003	724.1	8,457,073	11,679	8.40%	63.5	1:11	N/A	724.1	696.5	1.3%	96.19%
2004	721.0	9,302,346	12,902	10.47%	N/A	1:14.7	1:9.9	721.0	697.7	-0.4%	96.77%
2005	723.1	9,811,281	13,568	5.16%	67	1:10.79	1:10.9	723.1	699.3	0.3%	96.71%
2006	723.0	10,627,373	14,699	8.33%	68	N/A	N/A	721.8	698.0	-0.2%	96.70%
2007	707.0	11,177,834	15,810	7.56%	69	1:13.4	1:10.1	707.0	680.0	-2.1%	96.18%
2008	665.0	11,738,676	17,652	11.65%	70	1:13.0	1:9.2	665.0	641.0	-5.9%	96.39%
2009	656.1	11,723,950	17,869	1.23%	72	1:9.6	1:9.7	656.1	630.7	-1.3%	96.13%
2010	662.2	12,399,482	18,725	4.79%	72	1:9.5	1:9.8	662.2	642.1	0.9%	96.96%
2011	670.0	12,248,909	18,282	-2.36%	70	1:9.6	1:9.5	664.9	633.0	0.4%	95.20%

N/A - Not Available

Note: Enrollment based on annual October district count.

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

Source: District records

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

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

Number of Schools at June 30, 2011

 Elementary = 2

 Middle School = 1

Source: District Facilities Office

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

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

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

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

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>					
			<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
County Road School	N/A	22,645	\$ 39,617	\$ 26,411	\$ 61,156	\$ 24,421	\$ 21,484
Luther Lee Emerson	SP#201893	25,300	63,509	30,012	68,318	27,280	42,616
Demarest Middle	SP#201892	53,235	48,512	63,625	143,758	57,419	54,468
District Total		101,180	\$ 151,638	\$ 120,048	\$ 273,232	\$ 109,120	\$ 118,568

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>					
			<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
County Road School	N/A	22,645	\$ 72,478	\$ 68,673	\$ 36,361	\$ 46,158	\$ 33,390
Luther Lee Emerson	SP#201893	25,300	130,434	68,666	67,066	76,179	49,880
Demarest Middle	SP#201892	53,235	89,233	63,127	52,480	45,098	68,399
District Total		101,180	\$ 292,145	\$ 200,466	\$ 155,907	\$ 167,435	\$ 151,669

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2011
UNAUDITED

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2011
UNAUDITED

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

Source: District records

SINGLE AUDIT SECTION



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Demarest School District, in the County of Bergen (the "Board") as of, and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

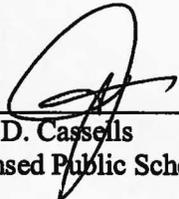
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, 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 13, 2011.

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

October 13, 2011
Mount Arlington, New Jersey


NISIVOCIA LLP



John D. Cassells
Licensed Public School Accountant #105



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



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

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

Compliance

We have audited the compliance of the Board of Education of the Borough of Demarest School District in the County of Bergen (the "Board") with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of its major state program for the fiscal year ended June 30, 2011. The Board's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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

In our opinion, the Board complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2011.

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

Internal Control Over Compliance

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

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

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

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

October 13, 2011
Mount Arlington, New Jersey


NISIVOCIA LLP



John D. Cassels
Licensed Public School Accountant #105



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

**BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Balance at June 30, 2011	
					Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor				Budgetary Accounts Receivable	Budgetary Deferred Revenue
U.S. Department of Education Passed-through State Department of Education: Special Revenue Fund:												
No Child Left Behind Consolidated Grant:												
Title III	84.365A	NCLB-1070-11	9/1/10-8/31/11	\$ 7,258				\$ 7,258	\$ (7,258)			
IDEA Special Education Cluster:												
L.D.E.A. Part B, Basic	84.027	IDEA-1070-11	9/1/10-8/31/11	142,397			\$ (5,747)		(110,199)	\$ (115,946)		
L.D.E.A. Part B, Basic	84.027	IDEA-1070-10	9/1/09-8/31/11	139,518	\$ (13,964)		1,008	14,494	(1,538)			
L.D.E.A. Part B, Basic	84.027	IDEA-1070-09	9/1/08-8/31/11	140,600			4,739		(4,739)			
L.D.E.A. Part B, Basic, Carryover	84.027	IDEA-1070-07	9/1/06-8/31/11	225,319			\$ 4,139		(4,139)			
L.D.E.A. Part B, Basic, Carryover	84.027	IDEA-1070-06	9/1/05-8/31/11	152,814			4,726		(4,726)			
L.D.E.A. Part B, Basic, Carryover	84.027	IDEA-1070-05	9/1/04-8/31/11	148,889			454		(454)			
L.D.E.A. Part B, Preschool	84.173	IDEA-1070-11	9/1/10-8/31/11	10,065					(10,022)	(10,022)		
L.D.E.A. Part B, Preschool	84.173	IDEA-1070-10	9/1/09-8/31/11	10,451	(3,419)	\$ 2,769		3,306	(4,996)	(2,340)		
L.D.E.A. Part B, Preschool	84.173	IDEA-1070-05	9/1/04-8/31/11	5,832			43		(43)			
L.D.E.A. Part B, Basic - ARRA	84.391	ARRA-1070-10	7/1/09-8/31/11	135,437	(5,856)			5,856	(129,581)	(129,581)		
L.D.E.A. Part B, Preschool - ARRA	84.392	ARRA-1070-10	7/1/09-8/31/11	4,903					(4,801)	(4,801)		
Total IDEA Special Education Cluster					(23,239)	2,769	9,362	23,656	(275,238)	(262,690)		
Total Special Revenue Fund					(23,239)	2,769	9,319	30,914	(282,496)	(262,690)		
Total Federal Awards					\$ (23,239)	\$ 2,769	\$ 9,319	\$ -0-	\$ 30,914	\$ (282,496)	\$ (262,690)	\$ -0-

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

**BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2011			MEMO	
				Budgetary Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor				GAAP Accounts Receivable	Budgetary Deferred Revenue	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education:														
General Fund:														
Special Education Categorical Aid	10-495-034-5120-089	7/1/09 - 6/30/10	\$ 244,078			\$ 26,265		\$ (26,265)						\$ 217,813
Categorical Security Aid	10-495-034-5120-084	7/1/09 - 6/30/10	31,996			3,443		(3,443)						28,553
Adjustment Aid	10-495-034-5120-085	7/1/09 - 6/30/10	14,241			1,532		(1,532)						12,709
Categorical Transportation Aid	10-495-034-5120-014	7/1/09 - 6/30/10	41,582			4,475		(4,475)						37,107
Extraordinary Special Education Costs	10-100-034-5120-473	7/1/09 - 6/30/10	163,490	\$ (163,490)			\$ 163,490							163,490
Reimbursed TPAF Social Security														
Contributions	10-495-034-5095-002	7/1/09 - 6/30/10	381,671	(19,043)			19,043							381,671
Extraordinary Special Education Costs	11-100-034-5120-473	7/1/10 - 6/30/11	181,830					\$ (181,830)		\$ (181,830)			\$ (181,830)	181,830
Additional Nonpublic Transportation Aid	11-495-034-5120-014	7/1/10 - 6/30/11	3,485					(3,485)		(3,485)			(3,485)	3,485
Reimbursed TPAF Social Security														
Contributions	11-495-034-5095-002	7/1/10 - 6/30/11	402,383				382,084	(402,383)		(20,299)			(20,299)	402,383
Total General Fund				<u>(182,533)</u>		<u>35,715</u>	<u>564,617</u>	<u>(587,698)</u>		<u>(205,614)</u>			<u>(205,614)</u>	<u>1,429,041</u>
Special Revenue Fund:														
Character Education Aid	06-100-034-5120-418	7/1/05 - 6/30/11	4,000		\$ 1,835			(737)			\$ 1,098			2,902
Character Education Aid	05-100-034-5120-418	7/1/04 - 6/30/11	4,000		1,500			(1,500)						4,000
Character Education Aid	04-100-034-5120-418	7/1/03 - 6/30/11	4,000		583			(583)						4,000
Total Special Revenue Fund					<u>3,918</u>			<u>(2,820)</u>			<u>1,098</u>			<u>10,902</u>
Capital Projects Fund:														
N.J. School Development Authority Grants:														
2001 Referendum Project: Middle School Additions and Renovations	SDA- 1070-040-01-892	7/1/09 - 6/30/11	3,177,391	(2,025,432)			611,723			(1,413,709)			(1,413,709)	3,175,844
Total Capital Projects Fund				<u>(2,025,432)</u>			<u>611,723</u>			<u>(1,413,709)</u>			<u>(1,413,709)</u>	<u>3,175,844</u>
Total New Jersey Department of Education				<u>(2,207,965)</u>	<u>3,918</u>	<u>35,715</u>	<u>1,176,340</u>	<u>(590,518)</u>		<u>(1,619,323)</u>	<u>1,098</u>		<u>(1,619,323)</u>	<u>4,615,787</u>
Total State Awards				<u>\$(2,207,965)</u>	<u>\$ 3,918</u>	<u>\$ 35,715</u>	<u>\$ 1,176,340</u>	<u>\$ (590,518)</u>	<u>\$ -0-</u>	<u>\$(1,619,323)</u>	<u>\$ 1,098</u>	<u>\$ -0-</u>	<u>\$(1,619,323)</u>	<u>\$ 4,615,787</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Demarest School District under programs of the federal and state governments for the fiscal year ended June 30, 2011. 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's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net assets or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund and Special Revenue Fund are presented in the accompanying schedules on the modified accrual basis.

The schedule of expenditures of state awards does not include the TPAF Non-Contributory Insurance and Post Retirement Medical contributions paid by the State on behalf of the District of \$14,751 and \$313,311, respectively. There is no reconciling difference between budgetary and GAAP bases of accounting.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 915,760	\$ 915,760
Special Revenue Fund	\$ 282,496	2,820	285,316
Total Awards	<u>\$ 282,496</u>	<u>\$ 918,580</u>	<u>\$ 1,201,076</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2011.

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

The District has completed grants awarded in the amount of \$2,035,610 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. The District has realized the grants in full on the budgetary basis and has collected \$621,901; therefore, \$1,413,709 is receivable on the budgetary basis as of June 30, 2011. The District realizes grants receivable on the GAAP basis as they are expended and drawn down.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the District's major state program.
- An unqualified report was issued on the District's compliance for its major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with Federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2011 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's major State program for the current fiscal year consisted of the following state award:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	7/1/10-6/30/11	\$ 402,383	\$ 402,383

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no prior year findings.