

**NORTH CALDWELL BOARD OF EDUCATION**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**North Caldwell, New Jersey**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
of the  
North Caldwell Board of Education  
North Caldwell, New Jersey  
For The Fiscal Year Ended June 30, 2012**

**Prepared by  
Business Office**

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## **INTRODUCTORY SECTION**

**NORTH CALDWELL BOARD OF EDUCATION**  
**132A GOULD AVENUE**  
**NORTH CALDWELL, NJ 07006**

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*Steven Hadley, President*  
*Mary Wojtowicz, Vice President*  
*Valerie Buccino*  
*Robert Kessler*  
*Robert Projansky*

*Telephone (973) 228-6438*  
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October 4, 2012

Honorable President and  
Members of the Board of Education  
North Caldwell School District  
County of Essex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the North Caldwell School District (District) for the fiscal year ended June 30, 2012, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the 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 U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non Profit Organizations", and the New Jersey OMB Circular 04-04. 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:** North Caldwell School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the District are included in this report. The North Caldwell Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 6. These include regular, as well as special education for handicapped youngsters. The District completed the 2011-2012 fiscal year with an enrollment of 675 students. The following details the changes in the students' average daily enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2011-12	676	.81%
2010-11	670	4.69%
2009-10	640	4.06%
2008-09	615	-3.15%
2007-08	635	-1.70%
2006-07	646	.94%
2005-06	640	2.07%
2004-05	627	1.46%
2003-04	618	2.64%
2002-03	602	-1.18%

**2. DISTRICT SUMMARY:** North Caldwell is a small community situated in northwest Essex County. The district is compact and strictly residential.

District goals encompass learning opportunities that help each student grow and develop intellectually, emotionally, physically, and socially. Both Grandview and Gould/Mountain schools emphasize a sound and basic curriculum. Individual student needs are addressed via differentiated instruction, as well as via the Renzulli Schoolwide Enrichment Program. There are Resource Centers in Grandview and Gould/Mountain for special needs students, as well as a full-day pre-school disabled class and two half-day integrated preschool disabilities classes at Grandview School. Heterogeneous groupings, augmented by flexible grouping, are used for instruction. The schools have upgraded computer technology components for all students.

Each library media center houses a minimum of twenty (20) computers. Additionally, there is a computer lab with a minimum of twenty (20) computers located in the Mountain building. All school computers have Internet accessibility. Smart Boards are installed in all first to sixth grade classrooms and resource centers.

The district has been able to attract excellent teaching staff over the years. Eighty percent of the teachers are tenured. More than half are on the MA+ level. Enrollment for the 2011-2012 school year is approximately 675 students. Homerooms average eighteen (18) students.

Each member of the five-person school board is elected to three-year terms and represents a cross-section of the community.

North Caldwell students continue on to West Essex Regional Junior and Senior High Schools for grades 7-12. West Essex is a four-district regional school which includes Essex Fells, Roseland, and Fairfield, as well as North Caldwell.

**3. STUDENT ACHIEVEMENT HIGHLIGHTS:** Students in the North Caldwell Schools continue to demonstrate significant academic progress in all disciplines. A balanced literacy program begins in Kindergarten, providing students with a variety of reading experiences. A standards based mathematics program (Trailblazers) is used in Grades K-5 and Connected Math is used in Grade 6.

At the third grade level, 93.3% of the students scored in the proficient or advanced proficient level in the area of Language Arts Literacy as measured by NJASK3. In the area of Mathematics, 96.6% of the third grade students scored in the proficient or advanced proficient level.

At the fourth grade level, 84.5% of the students scored at the proficient or advanced proficient level in the area of Language Arts Literacy, 94.9% of the students scored at the proficient or advanced proficient level in the area of mathematics and 100% of the students scored within the proficient and advanced proficient range in Science as measured by the NJASK4. At the fifth grade level 89.2% of the students scored at the proficient or advanced proficient in the area of Language Arts Literacy and 96.8% of the students scored at the proficient or advanced proficient level in the area of mathematics. At the sixth grade level, 96.9% of the students scored at the proficient or advanced proficient level in the area of Language Arts Literacy and 97.9% of the students scored at the proficient or advanced proficient level in the area of mathematics.

**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 accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

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

**7. CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements". 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.

**8. 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.

**9. OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins LLP, CPA's was selected by the Board's finance 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 and the related OMB Circular A-133 and New Jersey OMB Circular 04-04. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

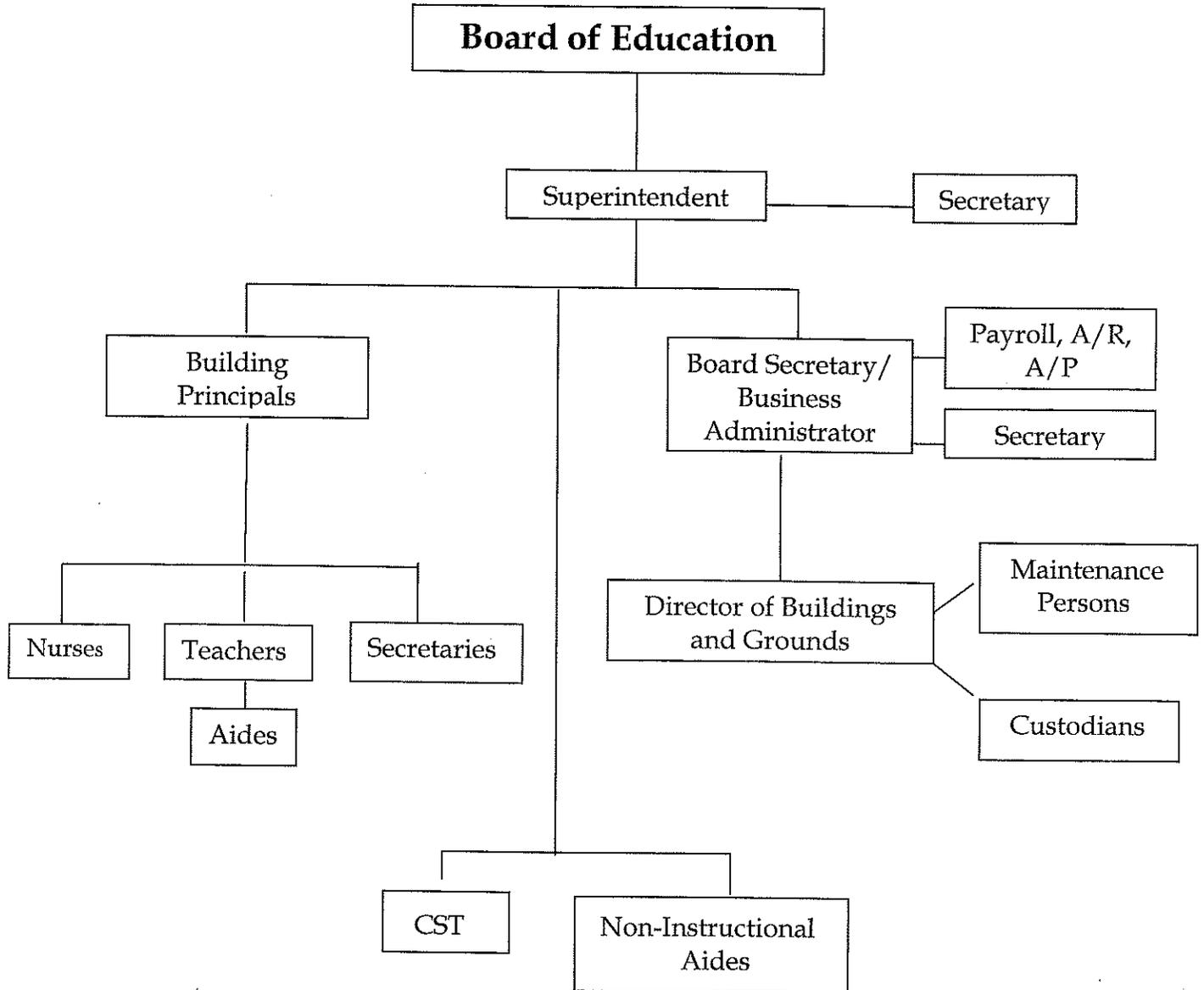
Respectfully submitted,



Wayne Demikoff  
Interim Business Administrator/Board Secretary

MS/gm

**NORTH CALDWELL BOARD OF EDUCATION**  
**ORGANIZATION CHART**  
 (Unit Control)



**NORTH CALDWELL BOARD OF EDUCATION**

**ROSTER OF OFFICIALS  
AT JUNE 30, 2012**

<b><u>Members of the Board of Education</u></b>	<b>Term Expires <u>January</u></b>
Steven Hadley, President	2013
Mary Wojtowicz, Vice President	2013
Robert Projansky	2014
Robert Kessler	2015
Valerie Buccino	2015

**Other Officials**

Linda Freda, Superintendent of Schools

Wayne Demikoff, Interim Business Administrator / Board Secretary

Richard Mondelli, Treasurer of School Monies

**NORTH CALDWELL BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**ARCHITECT**

The Musial Group  
191 Mill Lane  
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**OFFICIAL DEPOSITORY**

Valley National Bank  
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**FINANCIAL SECTION**

# LERCH, VINCI & HIGGINS, LLP

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DEBORAH K. LERCH, CPA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
RALPH M. PICONE, CPA, RMA, PSA  
EDWARD N. KERE, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Trustees  
North Caldwell Board of Education  
North Caldwell, 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 North Caldwell Board of Education as of and for the fiscal year ended June 30, 2012, which collectively comprise the Board of Education's basic financial statements as listed in the 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.

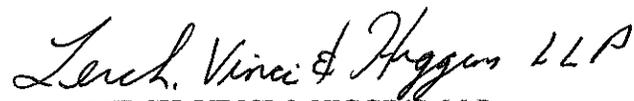
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Caldwell Board of Education's internal control over financial reporting. Accordingly, we express no such opinion. 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 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 previously 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 North Caldwell Board of Education as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2012 on our consideration of the North Caldwell Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

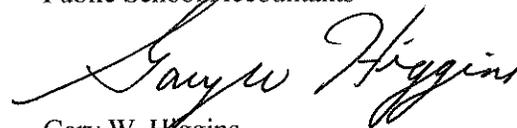
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Caldwell Board of Education's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid", and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Public School Accountants



Gary W. Higgins

Public School Accountant

PSA Number CS00814

Fair Lawn, New Jersey  
October 4, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NORTH CALDWELL BOARD OF EDUCATION  
NORTH CALDWELL, NEW JERSEY**

Management's Discussion and Analysis  
for the Fiscal Year Ended June 30, 2012

This discussion and analysis of the North Caldwell School District's financial performance provides an overall review of its financial activities for the fiscal year ended June 30, 2012. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

**Financial Highlights**

Key financial highlights for 2012 is as follows:

- General revenues accounted for \$11,491,790 or 87 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,642,308 or 13 percent of total revenues of \$13,134,098.
- The School District had \$11,967,003 in expenses; only \$1,642,308 of these expenses are offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$11,491,790 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$12,063,846 in revenues and \$11,598,064 in expenditures. The General Fund's fund balance increased by \$465,782 from the fiscal year ended June 30, 2011.

**Using this Comprehensive Annual Financial Report (CAFR)**

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

## **Using this Comprehensive Annual Financial Report (CAFR) (Continued)**

The Statement of Net Assets and Statement of Activities provides information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at significant funds with all other non-major funds presented in one total column. The General Fund is by far the most significant fund.

### **Reporting the School District as a Whole**

#### **Statement of Net Assets and the Statement of Activities**

While this document reports on all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and ask the question, "How did we do financially during the fiscal year ended June 30, 2012?" The Statement of Net Assets and the Statement of Activities answer that question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change is important because it tells the reader that, for the school district as a whole, its financial position improved or diminished. The causes of this change may be the result of many factors. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

- Governmental activities – All programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-Type Activity – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

### **Reporting the District's Most Significant Funds**

#### **Fund Financial Statements**

Fund financial reports provide detailed information about the District's funds. The District's governmental funds include the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

## Governmental Funds

The District's activities are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## Enterprise Fund

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

## The District as a Whole

The Statement of Net Assets provides one perspective of the District as a whole.

Table 1 provides a summary of the District's net assets as of June 30, 2012 and 2011.

**Table 1**  
**Net Assets**

	Governmental- Type Activities		Business- Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and Other Assets	\$ 2,654,558	\$ 2,254,604	\$ 6,213	\$ 4,534	\$ 2,660,771	\$ 2,259,138
Capital Assets, net of accumulated depreciation	<u>10,918,908</u>	<u>10,851,200</u>	<u>-</u>	<u>-</u>	<u>10,918,908</u>	<u>10,851,200</u>
Total Assets	<u>13,573,466</u>	<u>13,105,804</u>	<u>6,213</u>	<u>4,534</u>	<u>13,579,679</u>	<u>13,110,338</u>
<b>Liabilities</b>						
Long-term liabilities	6,632,267	7,286,255			6,632,267	7,286,255
Other Liabilities	<u>87,768</u>	<u>131,263</u>	<u>73</u>	<u>344</u>	<u>87,841</u>	<u>131,607</u>
Total Liabilities	<u>6,720,035</u>	<u>7,417,518</u>	<u>73</u>	<u>344</u>	<u>6,720,108</u>	<u>7,417,862</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Debt	4,481,945	3,778,953			4,481,945	3,778,953
Restricted	1,493,259	1,136,761			1,493,259	1,136,761
Unrestricted	<u>878,227</u>	<u>772,572</u>	<u>6,140</u>	<u>4,190</u>	<u>884,367</u>	<u>776,762</u>
Total Net Assets	<u>\$ 6,853,431</u>	<u>\$ 5,688,286</u>	<u>\$ 6,140</u>	<u>\$ 4,190</u>	<u>\$ 6,859,571</u>	<u>\$ 5,692,476</u>

The District's combined net assets as of June 30, 2012 and 2011 was \$6,859,571 and \$5,692,476, respectively.

Table 2 shows changes in net assets for fiscal year ended June 30, 2012 and 2011.

Table 2  
Changes in Net Assets

	Governmental- Type Activities		Business- Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$ 227,284	\$ 184,348	\$ 8,287	\$ 7,544	\$ 235,571	\$ 191,892
Grants and Contributions	1,406,737	1,229,544			1,406,737	1,229,544
General Revenues:						
Property Taxes	11,444,877	11,135,058			11,444,877	11,135,058
Other	46,901	41,705	12	15	46,913	41,720
Total Revenues	<u>13,125,799</u>	<u>12,590,655</u>	<u>8,299</u>	<u>7,559</u>	<u>13,134,098</u>	<u>12,598,214</u>
Program Expenses						
Instruction	7,301,164	6,868,273			7,301,164	6,868,273
Support Services:						
Student and Instruction Related Services	1,282,616	1,270,964			1,282,616	1,270,964
General Administration, School Administration, Business/Central Services	1,302,075	1,119,323			1,302,075	1,119,323
Plant Operations and Maintenance	1,410,664	1,323,531			1,410,664	1,323,531
Pupil Transportation	433,407	474,117			433,407	474,117
Interest on Debt	230,728	173,274			230,728	173,274
Food Service	-	-	6,349	6,786	6,349	6,786
Total Expenses	<u>11,960,654</u>	<u>11,229,482</u>	<u>6,349</u>	<u>6,786</u>	<u>11,967,003</u>	<u>11,236,268</u>
Change in Net Assets	1,165,145	1,361,173	1,950	773	1,167,095	1,361,946
Net Assets, Beginning of Year	<u>5,688,286</u>	<u>4,327,113</u>	<u>4,190</u>	<u>3,417</u>	<u>5,692,476</u>	<u>4,330,530</u>
Net Assets, End of Year	<u>\$ 6,853,431</u>	<u>\$ 5,688,286</u>	<u>\$ 6,140</u>	<u>\$ 4,190</u>	<u>\$ 6,859,571</u>	<u>\$ 5,692,476</u>

### Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirement to annually seek voter approval for District operations. Property taxes comprised 87 and 88 percent of revenues for governmental activities for the North Caldwell School District in fiscal years ended June 30, 2012 and 2011, respectively. The District's total revenues were \$13,125,799 and \$12,590,655 for the years ended June 30, 2012 and 2011, respectively. Federal, state, and local grants accounted for 11 and 11 percent of revenue for the fiscal years ended June 30, 2012 and 2011, respectively. The total cost of all programs and services was \$11,960,654 and \$11,229,482 in fiscal years ended June 30, 2012 and 2011, respectively. Instruction totaling \$7,301,164 and \$6,868,273 comprises 61 and 61 percent of District expenses for the fiscal years ended June 30, 2012 and 2011, respectively.

## Business-Type Activities

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

- Food service revenues exceeded expenses by \$1,950.
- Charges for services represent \$8,287 or 99.9 percent of revenue. This represents amounts paid for daily milk service.

## Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3  
Total Cost and Net Cost of Services

	<u>Total Cost of Services</u>		<u>Net cost of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Instruction	\$ 7,301,164	\$ 6,868,273	\$ 5,897,000	\$ 5,577,423
Support Services:				
Student and Instruction Related Services	1,282,616	1,270,964	1,274,468	1,253,032
General Administration, School Administration, Business/Central Services	1,302,075	1,119,323	1,200,604	1,030,533
Plant Operations and Maintenance	1,410,664	1,323,531	1,366,954	1,318,324
Pupil Transportation	433,407	474,117	356,879	463,004
Interest on Debt	230,728	173,274	230,728	173,274
<b>Total Expenses</b>	<u>\$ 11,960,654</u>	<u>\$ 11,229,482</u>	<u>\$ 10,326,633</u>	<u>\$ 9,815,590</u>

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

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

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

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

## Governmental Activities (Continued)

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

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

### The District's Funds

All governmental funds (i.e., general fund, special revenue fund, and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. For the years ended June 30, 2012 and 2011 total revenues amounted to \$13,125,799 and \$12,590,655 and expenditures were \$12,675,057 and \$11,651,216, respectively. Total revenues exceeded expenditures by \$450,742 for the year ended June 30, 2012.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2012 and 2011.

<u>Revenue</u>	<u>Amount</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2012</u>	<u>2011</u>		
Local Sources	\$ 11,719,062	\$ 11,361,111	\$ 357,951	3.15%
State Sources	1,253,835	1,071,785	182,050	16.99%
Federal Sources	152,902	157,759	(4,857)	-3.08%
Total	<u>\$ 13,125,799</u>	<u>\$ 12,590,655</u>	<u>\$ 535,144</u>	4.25%

The following schedule represents a summary of the governmental funds expenditures for the fiscal years ended June 30, 2012 and 2011.

<u>Expenditures</u>	<u>Amount</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2012</u>	<u>2011</u>		
Instruction	\$ 7,301,331	\$ 6,832,972	\$ 468,359	6.85%
Support Services	4,070,030	3,866,327	203,703	5.27%
Capital Outlay	428,846	67,556	361,290	534.80%
Debt Service:				
Principal	645,000	650,247	(5,247)	-0.81%
Interest	229,850	234,114	(4,264)	-1.82%
Total	<u>\$ 12,675,057</u>	<u>\$ 11,651,216</u>	<u>\$ 1,023,841</u>	8.79%

## General Fund Budgeting Highlights

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

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over expenditures in specific line item accounts.

## Capital Assets

As of June 30, 2012 and 2011, the District had \$10,918,908 and \$10,851,200 in land, buildings and building improvements and machinery and equipment net of depreciation, respectively. Table 4 shows capital assets at June 30, 2012 and 2011 net of depreciation.

Table 4  
Capital Assets (Net of Depreciation)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 52,316	\$ 52,316			\$ 52,316	\$ 52,316
Construction in Progress		43,500			-	43,500
Building and Building Improvements	15,000,868	14,591,563			15,000,868	14,591,563
Machinery and Equipment	461,328	398,287	\$ 81,941	\$ 81,941	543,269	480,228
	15,514,512	15,085,666	81,941	81,941	15,596,453	15,167,607
Less Depreciation	(4,595,604)	(4,234,466)	(81,941)	(81,941)	(4,677,545)	(4,316,407)
Total Capital Assets, Net of Depreciation	<u>\$ 10,918,908</u>	<u>\$ 10,851,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,918,908</u>	<u>\$ 10,851,200</u>

Additional information pertaining to capital assets can be found in Note 3 of the Notes to the Basic Financial Statements.

## Debt Administration

At June 30, 2012 and 2011, the District had \$6,632,267 and \$7,286,255 of outstanding long-term liabilities. Of this amount, \$123,848 and \$126,421 is for compensated absences and \$6,508,419 and \$7,159,834 is for bonds payable for school construction, respectively.

At June 30, 2012, the District's remaining legal debt margin was \$37,264,679.

Additional information pertaining to debt administration can be found in Note 3 to the Notes to the Basic Financial Statements.

## **For the Future**

Currently, the District is in sound financial condition. Everyone associated with the North Caldwell School District is grateful for the community support of the schools. The District's major concerns are continued enrollment growth and the ability to maintain optimum class sizes and excellent services. This, in an environment of uncertain state aid support, means an ever-increasing reliance on local property taxes.

In conclusion, the North Caldwell School District has committed itself to financial excellence for many years. Its system for financial planning, budgeting, and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

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

If you have questions about this report or need additional information, contact the School Business Administrator at the North Caldwell Board of Education, Gould Avenue, North Caldwell, NJ 07006.

**BASIC FINANCIAL STATEMENTS**

**NORTH CALDWELL BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,532,627	\$ 6,213	\$ 2,538,840
Receivables, net			
Receivables from Other Governments	49,497		49,497
Other	978		978
Deferred Charges	71,456		71,456
Capital Assets, net			
Not Being Depreciated	52,316		52,316
Being Depreciated	<u>10,866,592</u>	<u>-</u>	<u>10,866,592</u>
Total Assets	<u>13,573,466</u>	<u>6,213</u>	<u>13,579,679</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	9,046	73	9,119
Accrued Interest Payable	78,722		78,722
Noncurrent Liabilities			
Due within one year	675,000		675,000
Due beyond one year	<u>5,957,267</u>	<u>-</u>	<u>5,957,267</u>
Total Liabilities	<u>6,720,035</u>	<u>73</u>	<u>6,720,108</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,481,945		4,481,945
Restricted for			
Debt Service	20,721		20,721
Capital Projects	1,372,538		1,372,538
Maintenance	100,000		100,000
Unrestricted	<u>878,227</u>	<u>6,140</u>	<u>884,367</u>
Total Net Assets	<u>\$ 6,853,431</u>	<u>\$ 6,140</u>	<u>\$ 6,859,571</u>

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

NORTH CALDWELL BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction							
Regular	\$ 4,665,844	\$ 227,284	\$ 425,459		\$ (4,013,101)		\$ (4,013,101)
Special Education	2,635,320		751,421		(1,883,899)		(1,883,899)
Support Services							
Student and Instruction Related Services	1,282,616		8,148		(1,274,468)		(1,274,468)
General Administration Services	472,601		32,400		(440,201)		(440,201)
School Administration Services	450,189		33,956		(416,233)		(416,233)
Business/Central Services	379,285		35,115		(344,170)		(344,170)
Plant Operations and Maintenance	1,410,664		43,710		(1,366,954)		(1,366,954)
Pupil Transportation	433,407		76,528		(356,879)		(356,879)
Interest on Debt	230,728		-		(230,728)		(230,728)
<b>Total Governmental Activities</b>	<b>11,960,654</b>	<b>227,284</b>	<b>1,406,737</b>	<b>(10,326,633)</b>	<b>-</b>	<b>(10,326,633)</b>	
<b>Business-Type Activities</b>							
Food Service	6,349	8,287	-	-	-	\$ 1,938	1,938
<b>Total Business-Type Activities</b>	<b>6,349</b>	<b>8,287</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,938</b>	<b>1,938</b>
<b>Total Primary Government</b>	<b>\$ 11,967,003</b>	<b>\$ 235,571</b>	<b>\$ 1,406,737</b>	<b>\$ -</b>	<b>(10,326,633)</b>	<b>1,938</b>	<b>(10,324,695)</b>
<b>General Revenues</b>							
Taxes							
Property Taxes Levied for General Purposes					10,605,788		10,605,788
Property Taxes Levied for Debt Service					839,089		839,089
Investment Earnings					8,215	12	8,215
Miscellaneous Income					38,698	-	38,698
<b>Total General Revenues</b>					<b>11,491,778</b>	<b>12</b>	<b>11,491,790</b>
<b>Change in Net Assets</b>					<b>1,165,145</b>	<b>1,950</b>	<b>1,167,095</b>
<b>Net Assets, Beginning of Year</b>					<b>5,688,286</b>	<b>4,190</b>	<b>5,692,476</b>
<b>Net Assets, End of Year</b>					<b>\$ 6,853,431</b>	<b>\$ 6,140</b>	<b>\$ 6,859,571</b>

**FUND FINANCIAL STATEMENTS**

**NORTH CALDWELL BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,511,906		\$ 20,721	\$ 2,532,627
Due from Other Funds	42,270			42,270
Receivables from Other Governments	-	\$ 49,497	-	49,497
	<u>2,554,176</u>	<u>49,497</u>	<u>20,721</u>	<u>2,624,394</u>
Total Assets	<u>\$ 2,554,176</u>	<u>\$ 49,497</u>	<u>\$ 20,721</u>	<u>\$ 2,624,394</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to Other Funds		\$ 41,292		\$ 41,292
Accounts Payable	\$ 841	8,205	-	9,046
	<u>841</u>	<u>49,497</u>	<u>-</u>	<u>50,338</u>
Total Liabilities	<u>841</u>	<u>49,497</u>	<u>-</u>	<u>50,338</u>
<b>Fund Balances</b>				
<b>Restricted Fund Balance:</b>				
Capital Reserve Account	1,372,538			1,372,538
Emergency Reserve	250,000			250,000
Maintenance Reserve	100,000			100,000
Excess Surplus - Designated for Subsequent Year's Expenditures	444,460			444,460
Excess Surplus	350,000			350,000
Debt Service			\$ 20,721	20,721
<b>Assigned Fund Balance:</b>				
Year End Encumbrances	6,274			6,274
<b>Unassigned Fund Balance</b>				
General Fund	<u>30,063</u>	<u>-</u>	<u>-</u>	<u>30,063</u>
Total Fund Balances	<u>2,553,335</u>	<u>-</u>	<u>20,721</u>	<u>2,574,056</u>
Total Liabilities and Fund Balances	<u>\$ 2,554,176</u>	<u>\$ 49,497</u>	<u>\$ 20,721</u>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$15,514,512 and the accumulated depreciation is \$4,595,604. 10,918,908

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is: (78,722)

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

Bonds Payable	\$ (6,508,419)	
Deferred Charges for Issuance Costs	71,456	
Compensated Absences	<u>(123,848)</u>	
		<u>(6,560,811)</u>

Net assets of governmental activities \$ 6,853,431

**NORTH CALDWELL BOARD OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 10,605,788		\$ 839,089	\$ 11,444,877
Tuition	213,746			213,746
Program Fees	13,538			13,538
Interest	8,203			8,203
Miscellaneous	17,977	-	20,721	38,698
Total - Local Sources	<u>10,859,252</u>	<u>-</u>	<u>859,810</u>	<u>11,719,062</u>
State Sources	1,204,338	\$ 49,497		1,253,835
Federal Sources	256	152,646	-	152,902
Total Revenues	<u>12,063,846</u>	<u>202,143</u>	<u>859,810</u>	<u>13,125,799</u>
<b>EXPENDITURES</b>				
Current				
Regular Instruction	4,666,011			4,666,011
Special Education Instruction	2,446,088	189,232		2,635,320
Support Services				
Student and Instruction Related Services	1,267,395	8,148		1,275,543
General Administration Services	472,601			472,601
School Administration Services	449,384			449,384
Business/Central Services	378,977			378,977
Plant Operations and Maintenance	1,060,118			1,060,118
Pupil Transportation	433,407			433,407
Debt Service				
Principal			645,000	645,000
Interest			229,850	229,850
Capital Outlay	424,083	4,763	-	428,846
Total Expenditures	<u>11,598,064</u>	<u>202,143</u>	<u>874,850</u>	<u>12,675,057</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>465,782</u>	<u>-</u>	<u>(15,040)</u>	<u>450,742</u>
Fund Balance, Beginning of Year	<u>2,087,553</u>	<u>-</u>	<u>35,761</u>	<u>2,123,314</u>
Fund Balance, End of Year	<u>\$ 2,553,335</u>	<u>\$ -</u>	<u>\$ 20,721</u>	<u>\$ 2,574,056</u>

**NORTH CALDWELL BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE DISTRICT-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 450,742

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

Capital Outlay	\$ 428,846	
Depreciation Expense	<u>(361,138)</u>	
		67,708

In the statement of activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Compensated Absences		2,573
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The Issuance of Long Term Debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. Additionally, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is issued, whereas these amounts are deferred and amortized in the statement of activities:

Repayment of Bond Principal		645,000
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Governmental Funds report the effect of issuance costs, premiums and deferred amounts on refundings pertaining to bonds issued when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Deferred Amount of Refunding	(68,787)	
Amortization of Issuance Costs	(16,131)	
Amortization of Premium	<u>75,202</u>	
		(9,716)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in accrued interest		<u>8,838</u>
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Change in net assets of governmental activities		<u>\$ 1,165,145</u>
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**NORTH CALDWELL BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF NET ASSETS  
 AS OF JUNE 30, 2012**

	<b>Other Non-Major Enterprise Fund <u>Totals</u></b>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 6,213
Total Current Assets	6,213
Non Current Assets	
Equipment	81,941
Less: Accumulated Depreciation	(81,941)
Total Non Current Assets	-
Total Assets	6,213
<b>LIABILITIES</b>	
Accounts Payable	73
Total Liabilities	73
<b>NET ASSETS</b>	
Unrestricted	6,140
Total Net Assets	\$ 6,140

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**NORTH CALDWELL BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Other Non-Major Enterprise Fund <u>Totals</u></b>
<b>OPERATING REVENUES</b>	
Charges for Services	
Daily Sales	\$ 8,287
Total Operating Revenues	<u>8,287</u>
<b>OPERATING EXPENSES</b>	
Cost of Sales	<u>6,349</u>
Total Operating Expenses	<u>6,349</u>
Operating Income	<u>1,938</u>
<b>NONOPERATING REVENUES</b>	
Interest on Deposits	<u>12</u>
Total Nonoperating Revenues	<u>12</u>
Change in Net Assets	1,950
Net Assets, Beginning of Year	<u>4,190</u>
Net Assets, End of Year	<u>\$ 6,140</u>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**NORTH CALDWELL BOARD OF EDUCATION  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Other Non-Major Enterprise Fund <u>Totals</u></b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 8,287
Cash Payments to Suppliers for Goods and Services	<u>(6,620)</u>
Net Cash Provided by Operating Activities	<u>1,667</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Deposits	<u>12</u>
Net Cash Provided by Investing Activities	<u>12</u>
Net Increase in Cash and Cash Equivalents	1,679
Cash and Cash Equivalents, Beginning of Year	<u>4,534</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,213</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ <u>1,938</u>
Increase/(Decrease) in Accounts Payable	<u>(271)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,667</u>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**NORTH CALDWELL BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
AS OF JUNE 30, 2012**

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b><u>Agency Fund</u></b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 23,148	\$ 74,307
Total Assets	<u>23,148</u>	<u>\$ 74,307</u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings		\$ 31,980
Accrued Salary and Wages		1,497
Due to Other Funds		978
Due to Student Groups		39,852
Accounts Payable - State of NJ	<u>14,658</u>	<u>-</u>
Total Liabilities	<u>14,658</u>	<u>\$ 74,307</u>
<b>NET ASSETS</b>		
Held in Trust for Unemployment Claims	<u>\$ 8,490</u>	

**NORTH CALDWELL BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Unemployment Compensation <u>Trust Fund</u></b>
<b>ADDITIONS</b>	
Contributions	
Board	\$ 58,657
Employees	18,231
Interest on Deposits	<u>24</u>
Total Additions	<u>76,912</u>
<b>DEDUCTIONS</b>	
Unemployment Claims and Contributions	<u>77,089</u>
Total Deductions	<u>77,089</u>
Change in Net Assets	(177)
Net Assets, Beginning of Year	<u>8,667</u>
Net Assets, End of Year	<u>\$ 8,490</u>

The accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The North Caldwell Board of Education (the "Board" or the "District") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of five 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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the North Caldwell Board of Education this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

**B. Basic Financial Statements**

The basic financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements. Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business type activities incorporate data from the District's enterprise funds.

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basic Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental funds to be major funds.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, tuition, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal and state financial programs, with the exception of grants for major capital projects.

The *debt service fund* accounts for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following nonmajor proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides milk to students.

Additionally, the government reports the following fund type:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow private-sector guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid and miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity**

**1. *Deposits and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

**2. *Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2010-2011 and 2011-2012 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenue is recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred revenues. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1<sup>st</sup> in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**3. *Inventories***

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual items are purchased.

**NORTH CALDWELL BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**4. *Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	40
Machinery and Equipment	5

**5. *Compensated Absences***

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

**6. *Long-term obligations***

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and refunding gains or losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during 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 debt service expenditures.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**7. *Fund Equity***

With the implementation of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during fiscal year 2011, fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**Restricted Fund Balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Capital Reserve* – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

*Emergency Reserve* – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education.

*Maintenance Reserve* – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

*Reserved Excess Surplus – Designated for Subsequent Year's Expenditures* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2011 audited excess surplus that was appropriated in the 2012/2013 original budget certified for taxes.

*Reserved Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2012 audited excess surplus that is required to be appropriated in the 2013/2014 original budget certified for taxes.

*Debt Service* – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

**Assigned Fund Balance** – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

*Year-End Encumbrances* – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets or Equity (Continued)**

**7. Fund Equity (Continued)**

**Unassigned Fund Balance** – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

**8. Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption and is voted upon at the annual school election on the third Tuesday in April. Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2011/2012. During 2011/2012 the Board increased the original budget by \$611,676. The increase was funded by additional grant awards, the appropriation of prior year general fund extraordinary aid, the appropriation of prior year encumbrances and the appropriation of capital reserve funds..

On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 31, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law.

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**NORTH CALDWELL BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Information**

Encumbrance accounting is employed in the governmental funds. 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 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 which are reappropriated and honored during the subsequent fiscal year.

**B. Capital Reserve**

A capital reserve account was established by the District on October 3, 2000. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve 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 fiscal year ended June 30, 2012 is as follows:

Balance July 1, 2011	\$ 1,001,000
Increased by:	
Deposit Approved by Board Resolution	<u>621,538</u>
	1,622,538
Decreased by:	
Approved by Board Resolution	<u>250,000</u>
Balance, June 30, 2012	<u>\$ 1,372,538</u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects is \$2,004,549. The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's long range facilities plan.

**NORTH CALDWELL BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**C. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Reserved 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 reserve General Fund fund balance in excess of 2% of budget expenditures 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 excess fund balance at June 30, 2012 is \$794,460. Of this amount, \$444,460 was designated and appropriated in the 2012/2013 original budget certified for taxes and the remaining amount of \$350,000 will be appropriated in the 2013/2014 original budget certified for taxes.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2012, the book value of the Board's deposits was \$2,636,295 and bank balances of the Board's cash and deposits amounted to \$2,977,323. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash and cash equivalents" are categorized as:

<b><u>Depository Account</u></b>	<b><u>Bank Balance</u></b>
Insured	\$ <u>2,977,323</u>

**Investments**

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2012, the Board had no outstanding investments.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**B. Receivables**

Receivables as of June 30, 2012 for the district's individual major funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Revenue</u>	<u>Total</u>
Receivables:		
Intergovernmental-		
Restricted	\$ 49,497	\$ 49,497
	49,497	49,497
Gross Receivables		
Less: Allowance for		
Uncollectibles	-	-
Net Total Receivables	<u>\$ 49,497</u>	<u>\$ 49,497</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there was no deferred revenue reported in the governmental funds.

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance,</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance,</u> <u>June 30, 2012</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 52,316				\$ 52,316
Construction in Progress	43,500	-	-	\$ (43,500)	-
Total capital assets, not being depreciated	<u>95,816</u>	<u>-</u>	<u>-</u>	<u>(43,500)</u>	<u>52,316</u>
Capital assets, being depreciated:					
Buildings and Building Improvements	14,591,563	\$ 365,805		43,500	15,000,868
Machinery and equipment	398,287	63,041	-	-	461,328
Total capital assets being depreciated	<u>14,989,850</u>	<u>428,846</u>	<u>-</u>	<u>43,500</u>	<u>15,462,196</u>
Less accumulated depreciation for:					
Buildings and Building Improvements	(3,893,795)	(335,493)			(4,229,288)
Machinery and equipment	(340,671)	(25,645)	-	-	(366,316)
Total accumulated depreciation	<u>(4,234,466)</u>	<u>(361,138)</u>	<u>-</u>	<u>-</u>	<u>(4,595,604)</u>
Total capital assets, being depreciated, net	<u>10,755,384</u>	<u>67,708</u>	<u>-</u>	<u>43,500</u>	<u>10,866,592</u>
Government activities capital assets, net	<u>\$ 10,851,200</u>	<u>\$ 67,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,918,908</u>

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital Assets (Continued)**

	Balance, July 1, 2011	Increases	Decreases	Balance, June 30, 2012
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 81,941	-	-	\$ 81,941
Total capital assets being depreciated	<u>81,941</u>	<u>-</u>	<u>-</u>	<u>81,941</u>
Less accumulated depreciation for:				
Machinery and equipment	(81,941)	-	-	(81,941)
Total accumulated depreciation	<u>(81,941)</u>	<u>-</u>	<u>-</u>	<u>(81,941)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to functions/programs of the District as follows:

**Governmental activities:**

Instruction	
Regular	\$ 7,556
Total Instruction	<u>7,556</u>
Support Services	
Student and instruction Related Services	3,036
Operations and Maintenance of Plant	<u>350,546</u>
Total Support Services	<u>353,582</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 361,138</u>

**NORTH CALDWELL BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2012, is as follows:

**Due to/from other funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 41,292
General Fund	Agency Fund	<u>978</u>
Total		<u>\$ 42,270</u>

The above balance is the result of revenues earned in one fund which is due to another fund or to cover cash balances which were in an overdraft position.

The District expects the interfund balance to be liquidated within one year.

**E. Long-Term Debt**

**General Obligation Bonds**

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2012 is comprised of the following issue:

\$6,775,000, 2010 Refunding Bonds, due in annual installments of \$515,000 to \$720,000 through February 15, 2023, interest at 2.00% to 4.00%	<u>\$6,480,000</u>
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**NORTH CALDWELL BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Debt (Continued)**

**General Obligation Bonds (Continued)**

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

**Governmental Activities:**

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 675,000	\$ 209,925	\$ 884,925
2014	685,000	196,425	881,425
2015	700,000	182,725	882,725
2016	720,000	166,975	886,975
2017	535,000	145,376	680,376
2018-2022	2,650,000	401,774	3,051,774
2023	<u>515,000</u>	<u>20,600</u>	<u>535,600</u>
	<u>\$ 6,480,000</u>	<u>\$ 1,323,800</u>	<u>\$ 7,803,800</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2012 was as follows:

2.5 % of Equalized Valuation Basis (Municipal)	\$ 43,744,679
Less: Net Debt	<u>6,480,000</u>
Remaining Borrowing Power	<u>\$ 37,264,679</u>

**NORTH CALDWELL BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Debt (Continued)**

**Changes In Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 7,125,000		\$ 645,000	\$ 6,480,000	\$ 675,000
Add: Unamortized Premium (Net)	408,321		75,202	333,119	-
Less: Unamortized Deferred Amount of Refunding	<u>(373,487)</u>	<u>-</u>	<u>(68,787)</u>	<u>(304,700)</u>	<u>-</u>
	7,159,834	-	651,415	6,508,419	675,000
Compensated absences	<u>126,421</u>	<u>5,150</u>	<u>7,723</u>	<u>123,848</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 7,286,255</u>	<u>\$ 5,150</u>	<u>\$ 659,138</u>	<u>\$ 6,632,267</u>	<u>\$ 675,000</u>

For the governmental activities, the liabilities for compensated absences are generally liquidated by the general fund.

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the Morris Essex Insurance Group. The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

**NORTH CALDWELL BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

The Morris Essex Insurance Group provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund is on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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

<u>Fiscal Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 58,657	\$ 18,231	\$ 77,089	\$ 8,490
2011	47,796	16,647	61,452	8,667
2010		19,549	26,196	5,625

**B. Contingent Liabilities**

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

**Federal and State Awards** – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**C. Federal Arbitrage Regulations**

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2012, the District has not estimated its arbitrage earnings due to the IRS, if any.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

**Public Employees' Retirement System (PERS)** – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

**Teachers' Pension and Annuity Fund (TPAF)** – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

**Defined Contribution Retirement Program (DCRP)** – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

**Other Pension Funds**

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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 accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Investment Valuation**

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**Significant Legislation**

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which TPAF and PERS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- New members of TPAF and PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ to 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the TPAF and PERS is increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PERS members enrolled after June 28, 2011 (Tier 3 members), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. TPAF and PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years. For Fiscal Year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contributions for TPAF and PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (Continued)**

**Significant Legislation (Continued)**

This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the prosecutor's part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7<sup>th</sup> of the required amount, beginning in Fiscal Year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

**Funding Status and Funding Progress**

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and Police and Firemen's Retirement System ("PFRS") is 78.5 percent and \$10.7 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2010 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.91 percent for TPAF.

**NORTH CALDWELL BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.5% for PERS, 6.5% for TPAF and 5.50% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2012, 2011 and 2010 the Board was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and during the year ended June 30, 2012, the Board was required to contribute to DCRP the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2012	\$ 127,223	\$ 126,802	\$ 2,455
2011	118,361	13,171	2,076
2010	85,334	15,124	

During the previous two fiscal years, the State of New Jersey did not contribute to the TPAF for normal cost and accrued liability. The State contributed \$126,802 during 2011/2012 for normal cost pension, accrued liability and the NCGI premium. The fiscal years 2010/2011 and 2009/2010 the State contributed \$13,171 and \$15,124, respectively, for the NCGI premium only.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$322,967 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount, along with the on-behalf TPAF pension contribution, has been included in the district-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are cost sharing multiple employer defined benefit plans.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 547 state and local participating employers and contributing entities for Fiscal Year 2011.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

**Health Benefits Program Fund (HBPF) – Local Education** (including Prescription Drug Program Fund) – The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

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 the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Basis of Accounting**

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

**Significant Legislation**

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

As of July 1, 2010, the most recent actuarial valuation date, the State had a \$59.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$21.1 billion for state active and retired members and \$38.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**Actuarial Methods and Assumptions**

In the July 1, 2010, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2011, there were 93,323 retirees receiving post-retirement medical benefits and the State contributed \$935.5 million on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to 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 with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2012, 2011 and 2010 were \$254,905, \$279,753 and \$284,053, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**NOTE 5 SUBSEQUENT EVENTS**

On July 17, 2012 the District awarded a contract for \$461,700 for the Gould School Courtyard Project. This project will be entirely funded with funds on hand in the Capital Reserve Account in the General Fund.

**BUDGETARY COMPARISON SCHEDULES**

**NORTH CALDWELL BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
Local Tax Levy	\$ 10,605,788		\$ 10,605,788	\$ 10,605,788	
Tuition	167,138		167,138	213,746	\$ 46,608
Program Fees	7,000		7,000	13,538	6,538
Interest Income	7,500		7,500	8,203	703
Miscellaneous	-	-	-	17,977	17,977
<b>Total Local Sources</b>	<b>10,787,426</b>	<b>-</b>	<b>10,787,426</b>	<b>10,859,252</b>	<b>71,826</b>
<b>State Sources</b>					
Special Education Aid	74,655		74,655	74,655	
Transportation Aid		\$ 84,702	84,702	84,702	
Security Aid	29,172	19,124	48,296	48,296	
Extraordinary Aid	200,000		200,000	308,561	108,561
TPAF Pension-Post Retirement Medical Contribution (Non Budgeted)				254,905	254,905
TPAF Pension - On-Behalf Normal Costs (Non Budgeted)				114,513	114,513
TPAF Pension - On-Behalf NCGI Premium (Non Budgeted)				12,289	12,289
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	322,967	322,967
<b>Total State Sources</b>	<b>303,827</b>	<b>103,826</b>	<b>407,653</b>	<b>1,220,888</b>	<b>813,235</b>
<b>Federal Sources</b>					
Education Jobs Fund	-	256	256	256	-
<b>Total Federal Sources</b>	<b>-</b>	<b>256</b>	<b>256</b>	<b>256</b>	<b>-</b>
<b>Total Revenues</b>	<b>11,091,253</b>	<b>104,082</b>	<b>11,195,335</b>	<b>12,080,396</b>	<b>885,061</b>
<b>Instruction - Regular Programs</b>					
Salaries of Teachers					
Kindergarten	272,403	(4,000)	268,403	263,176	5,227
Grades 1-5	2,171,159	4,000	2,175,159	2,114,756	60,403
Grades 6-8	349,916		349,916	324,530	25,386
Regular Program - Home Instruction					
Salaries of Teachers	1,500		1,500	850	650
Regular Programs - Undistributed Instruction					
Other Purchased Services	76,356	6,254	82,610	72,415	10,195
General Supplies	117,980	80,930	198,910	172,075	26,835
Textbooks	80,000	177,191	257,191	242,031	15,160
Other Objects	2,000	-	2,000	-	2,000
<b>Total Regular Programs</b>	<b>3,071,314</b>	<b>264,375</b>	<b>3,335,689</b>	<b>3,189,833</b>	<b>145,856</b>
<b>Special Education Instruction</b>					
Multiple Disabilities					
Salaries of Teachers	5,000	-	5,000	-	5,000
<b>Total Multiple Disabilities</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>
<b>Resource Room</b>					
Salaries of Teachers	1,013,089	(510)	1,012,579	1,011,527	1,052
Other Salaries for Instruction	391,396	509	391,905	391,905	-
General Supplies	7,400	(5)	7,395	2,603	4,792
<b>Total Resource Room</b>	<b>1,411,885</b>	<b>(6)</b>	<b>1,411,879</b>	<b>1,406,035</b>	<b>5,844</b>
<b>Preschool Disabilities - Part-Time</b>					
Salaries of Teachers	110,033	5,304	115,337	115,337	-
Other Salaries for Instruction	1,500	(4)	1,496	-	1,496
General Supplies	550	9	559	559	-
<b>Total Preschool Disabilities - Part-Time</b>	<b>112,083</b>	<b>5,309</b>	<b>117,392</b>	<b>115,896</b>	<b>1,496</b>

Continued

**NORTH CALDWELL BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Special Education (Continued)					
Home Instruction					
Salaries of Teachers	\$ 10,000	\$ (5,304)	\$ 4,696	\$ 2,500	\$ 2,196
Total Home Instruction	<u>10,000</u>	<u>(5,304)</u>	<u>4,696</u>	<u>2,500</u>	<u>2,196</u>
Total Special Education	<u>1,538,968</u>	<u>(1)</u>	<u>1,538,967</u>	<u>1,524,431</u>	<u>14,536</u>
School Sponsored Co/ Extra-Curr. Activities					
Salaries	800	-	800	-	800
Total School Sponsored Cocurricular Activities	<u>800</u>	<u>-</u>	<u>800</u>	<u>-</u>	<u>800</u>
Total Instruction	<u>4,611,082</u>	<u>264,374</u>	<u>4,875,456</u>	<u>4,714,264</u>	<u>161,192</u>
Undistributed Expenditures					
Instruction					
Tuition to other LEAs with the State-Special	50,100		50,100		50,100
Tuition to Priv. Sch. For the Disabled W/ State	376,419	(33,000)	343,419	238,320	105,099
Total Undistributed Expenditures - Instruction	<u>426,519</u>	<u>(33,000)</u>	<u>393,519</u>	<u>238,320</u>	<u>155,199</u>
Health Services					
Salaries	148,469	256	148,725	148,725	-
Purchased Professional and Technical Services	200	1,000	1,200	835	365
Other Purchased Services	100	-	100	-	100
Supplies and Materials	1,538	1,000	2,538	2,364	174
Total Health Services	<u>150,307</u>	<u>2,256</u>	<u>152,563</u>	<u>151,924</u>	<u>639</u>
Other Support Serv. Students - Related Serv.					
Salaries	160,785	-	160,785	156,001	4,784
Purchased Professional-Educational Services	29,555	-	29,555	18,478	11,077
Supplies and Materials	5,000	-	5,000	4,001	999
Total Other Support Serv. Students - Related Serv.	<u>195,340</u>	<u>-</u>	<u>195,340</u>	<u>178,480</u>	<u>16,860</u>
Other Support Serv. Students - Extra. Svcs.					
Purchased Professional-Educational Services	98,544	-	98,544	88,436	10,108
Other Objects	-	101,125	101,125	67,113	34,012
Total Other Support Serv. Students - Extra Serv.	<u>98,544</u>	<u>101,125</u>	<u>199,669</u>	<u>155,549</u>	<u>44,120</u>

**NORTH CALDWELL BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Child Study Team					
Salaries of Other Professional Staff	\$ 369,070	\$ (101,189)	\$ 267,881	\$ 239,635	\$ 28,246
Salaries of Secretarial and Clerical Assistants	40,328	65	40,393	40,393	-
Other Salaries	75,000	-	75,000	54,992	20,008
Purchased Professional - Educational Services	5,000	1,140	6,140	6,140	-
Other Purchased Professional and Technical Services	35,000	(3,140)	31,860	5,283	26,577
Misc Purchased Services	3,900	-	3,900	342	3,558
Supplies and Materials	15,000	-	15,000	10,325	4,675
Other Objects	1,500	-	1,500	150	1,350
<b>Total Child Study Team</b>	<b>544,798</b>	<b>(103,124)</b>	<b>441,674</b>	<b>357,260</b>	<b>84,414</b>
Improvement of Instructional Services					
Salaries of Other Professional Staff	1,500	-	1,500	-	1,500
<b>Total Improvement of Instructional Services</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>
Educational Media Services/School Library					
Salaries	121,676	-	121,676	99,728	21,948
	6,000	-	6,000	-	6,000
Supplies and Materials	6,740	551	7,291	6,566	725
<b>Total Educational Media Serv./School Library</b>	<b>134,416</b>	<b>551</b>	<b>134,967</b>	<b>106,294</b>	<b>28,673</b>
Staff Training Services					
Purchased Professional-Educational Services	7,500	-	7,500	6,497	1,003
Other Purchased Services	2,525	-	2,525	111	2,414
<b>Total Staff Training Services</b>	<b>10,025</b>	<b>-</b>	<b>10,025</b>	<b>6,608</b>	<b>3,417</b>
Support Services General Administration					
Salaries	213,769	1	213,770	205,866	7,904
Legal Services	60,000	(23,809)	36,191	30,552	5,639
Audit Fees	20,000	-	20,000	17,385	2,615
Other Purchased Professional Services	5,000	36,000	41,000	38,360	2,640
Communications/Telephone	21,516	(16,516)	5,000	3,220	1,780
BOE Other Purchased Services	3,000	26,825	29,825	27,512	2,313
Miscellaneous Purchased Services	8,000	(6,000)	2,000	-	2,000
General Supplies	6,000	(1,200)	4,800	2,832	1,968
BOE In-House Training/Meeting Supplies	3,000	4,376	7,376	7,376	-
Miscellaneous Expenditures	4,000	(1,000)	3,000	39	2,961
BOE Membership Fees	12,100	2,500	14,600	12,102	2,498
<b>Total Support Services General Administration</b>	<b>356,385</b>	<b>21,177</b>	<b>377,562</b>	<b>345,244</b>	<b>32,318</b>
Support Services School Administration					
Salaries of Principal/Asst. Principals	212,975	2,777	215,752	215,752	-
Salaries of Other Professional Staff	10,000	(2,777)	7,223	7,186	37
Salaries of Secretarial and Clerical Assistants	83,856	-	83,856	79,459	4,397
Purchased Professional and Technical Services	10,000	-	10,000	2,050	7,950
Other Purchased Services	2,000	-	2,000	-	2,000
Supplies and Materials	5,320	-	5,320	4,475	845
Other Objects	3,000	-	3,000	-	3,000
<b>Total Support Services School Administration</b>	<b>327,151</b>	<b>-</b>	<b>327,151</b>	<b>308,922</b>	<b>18,229</b>

**NORTH CALDWELL BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Undistributed Expenditures (Continued)					
Central Services					
Salaries	\$ 209,461		\$ 209,461	\$ 203,116	\$ 6,345
Purchased Technical Services	4,000	\$ 6,611	10,611	6,048	4,563
Other Purchased Services	-	2,204	2,204	-	2,204
Supplies and Materials	3,000	296	3,296	3,296	-
Miscellaneous Expenditures	4,500	(2,500)	2,000	119	1,881
<b>Total Business and Other Support Services</b>	<b>220,961</b>	<b>6,611</b>	<b>227,572</b>	<b>212,579</b>	<b>14,993</b>
Administrative Information Technology					
Salaries	30,000	(1,403)	28,597	20,000	8,597
Purchased Technical Services	-	17,363	17,363	17,363	-
<b>Total Administrative Information Technology</b>	<b>30,000</b>	<b>15,960</b>	<b>45,960</b>	<b>37,363</b>	<b>8,597</b>
Required Maintenance for School Facilities					
Salaries	58,148	-	58,148	54,251	3,897
Cleaning, Repair and Maintenance Services	152,185	31,383	183,568	176,988	6,580
General Supplies	18,100	188	18,288	14,490	3,798
Other Objects	5,000	(4,000)	1,000	924	76
<b>Total Required Maintenance for School Facilities</b>	<b>233,433</b>	<b>27,571</b>	<b>261,004</b>	<b>246,653</b>	<b>14,351</b>
Custodial Services					
Salaries	373,872	5,001	378,873	373,044	5,829
Cleaning, Repair and Maint. Serv.	22,000	10,215	32,215	22,596	9,619
Other Purchased Property Services	9,000	143	9,143	8,576	567
Insurance	63,797	(18,505)	45,292	44,659	633
Miscellaneous Purchased Services	3,000	-	3,000	1,012	1,988
General Supplies	29,200	1,844	31,044	24,099	6,945
Energy (Electricity)	157,080	(107,071)	50,009	15,975	34,034
Energy (Natural Gas)	96,470	60,610	157,080	139,938	17,142
Energy (Gasoline)	2,000	1,697	3,697	3,697	-
<b>Total Custodial Services</b>	<b>756,419</b>	<b>(46,066)</b>	<b>710,353</b>	<b>633,596</b>	<b>76,757</b>
Student Transportation Services					
Salaries for Pupil Transportation					
(Between Home and School) - Regular	11,632		11,632	11,624	8
Contracted Services (Bet. Home and Sch) - Vendors	248,014		248,014	236,958	11,056
Contracted Services (Other than Between Home and School) - Vendors					
Home and School) - Vendors	2,000	6,025	8,025	8,025	
Contracted Services (Spl. Ed. Students) - Joint Agmts.	331,000	(6,025)	324,975	171,907	153,068
<b>Total Student Transportation Services</b>	<b>592,646</b>	<b>-</b>	<b>592,646</b>	<b>428,514</b>	<b>164,132</b>
Unallocated Benefits - Employee Benefits					
Social Security Contributions	107,715	35,000	142,715	142,104	611
Other Retirement Contributions - Regular	125,000	2,255	127,255	127,223	32
Other Retirement Contributions - DCRP	7,000		7,000	2,455	4,545
Unemployment Compensation	50,000	20,000	70,000	58,657	11,343
Workmen's Compensation	58,704	308	59,012	43,681	15,331
Health Benefits	2,170,991	(266,075)	1,904,916	1,877,405	27,511
Tuition Reimbursement	57,500		57,500	40,000	17,500
Other Employee Benefits	36,000	-	36,000	11,476	24,524
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>2,612,910</b>	<b>(208,512)</b>	<b>2,404,398</b>	<b>2,303,001</b>	<b>101,397</b>

**NORTH CALDWELL BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>EXPENDITURES</b>	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final To Actual</b>
<b>CURRENT EXPENDITURES (Continued)</b>					
TPAF Pension-Post Retirement Medical Contribution (Non Budgeted)				\$ 254,905	\$ (254,905)
TPAF Pension - On-Behalf Normal Costs (Non Budgeted)				114,513	(114,513)
TPAF Pension - On-Behalf NCGI Premium (Non Budgeted)				12,289	(12,289)
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	322,967	(322,967)
Total Undistributed Expenditures	6,691,354	(215,451)	6,475,903	6,414,981	60,922
Total Expenditures - Current Expenditures	11,302,436	48,923	11,351,359	11,129,245	222,114
<b>Capital Outlay</b>					
<b>Equipment</b>					
Undistributed Expenditures - Operation & Maint. of Plant Serv.	-	58,278	58,278	58,278	-
Total Equipment	-	58,278	58,278	58,278	-
<b>Facilities Acquisition and Construction Serv.</b>					
Other Facilities Acq. And Construction Svc.	-	372,000	372,000	365,805	6,195
Other Objects	8,298	-	8,298	8,298	-
Total Facilities Acquisition and Constr. Services	8,298	372,000	380,298	374,103	6,195
Total Capital Outlay	8,298	430,278	438,576	432,381	6,195
Transfer to Charter School	25,386	29,829	55,215	36,438	18,777
Total Expenditures	11,336,120	509,030	11,845,150	11,598,064	247,086
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(244,867)	(404,948)	(649,815)	482,332	1,132,147
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(244,867)	(404,948)	(649,815)	482,332	1,132,147
Fund Balance, Beginning of Year	2,399,501	-	2,399,501	2,399,501	-
Fund Balance, End of Year	\$ 2,154,634	\$ (404,948)	\$ 1,749,686	\$ 2,881,833	\$ 1,132,147
<b>Recapitulation of Fund Balance</b>					
<b>Restricted:</b>					
Capital Reserve Account				\$ 1,372,538	
Emergency Reserve				250,000	
Maintenance Reserve				100,000	
Excess Surplus - Designated for Subsequent Years Expenditures				444,460	
Excess Surplus				350,000	
Assigned Year-End Encumbrances				6,274	
Unassigned				358,561	
Reconciliation to Governmental Funds Statements (GAAP):				2,881,833	
Less: State Aid Payments Not Recognized on GAAP Basis				(328,498)	
Fund Balance Per Governmental Funds (GAAP)				\$ 2,553,335	

**NORTH CALDWELL BOARD OF EDUCATION  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOT APPLICABLE

**EDUCATION JOBS FUND -  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Expenditures:					
Special Education					
Preschool Disabilities					
Salaries of Teachers	\$ -	\$ 256	\$ 256	\$ 256	\$ -
	<u>\$ -</u>	<u>\$ 256</u>	<u>\$ 256</u>	<u>\$ 256</u>	<u>\$ -</u>

**NORTH CALDWELL BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Modified Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State		\$ 50,000	\$ 50,000	\$ 49,497	\$ (503)
Federal	\$ 100,000	52,646	152,646	152,646	-
Total Revenues	100,000	102,646	202,646	202,143	(503)
<b>EXPENDITURES</b>					
Instruction					
Purchased Professional/Technical Services		6,083	6,083	6,083	-
Tuition	100,000	35,415	135,415	135,415	-
General Supplies	-	47,734	47,734	47,734	-
Total Instruction	100,000	89,232	189,232	189,232	-
Support Services					
Purchased Professional/Technical Services		6,000	6,000	6,000	-
General Supplies	-	2,148	2,148	2,148	-
Total Support Services	-	8,148	8,148	8,148	-
Capital Outlay					
Equipment	-	5,266	5,266	4,763	503
Total Capital Outlay	-	5,266	5,266	4,763	503
Total Expenditures	100,000	102,646	202,646	202,143	503
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

**NORTH CALDWELL BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 12,080,396	(C-2) \$ 202,143
Difference - Budget to GAAP:		
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements (prior year)	311,948	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements (current year)	<u>(328,498)</u>	<u>-</u>
 Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 <u>\$ 12,063,846</u>	 <u>\$ 202,143</u>
 <b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 11,598,064	(C-2) \$ 202,143
 Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 <u>\$ 11,598,064</u>	 <u>\$ 202,143</u>

**SCHOOL LEVEL SCHEDULES**

**(General Fund)**

**NOT APPLICABLE**

**SPECIAL REVENUE FUND**

**NORTH CALDWELL BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>REVENUES</b>	<b>NCLB Title II A</b>	<b>IDEA Part B Basic</b>	<b>IDEA Part B Preschool</b>	<b>Special Education Achievement</b>	<b>Total</b>
Intergovernmental					
State	\$ 8,148	\$ 137,415	\$ 7,083	\$ 49,497	\$ 49,497
Federal				-	152,646
<b>Total Revenues</b>	<u>\$ 8,148</u>	<u>\$ 137,415</u>	<u>\$ 7,083</u>	<u>\$ 49,497</u>	<u>\$ 202,143</u>
<b>EXPENDITURES</b>					
Instruction					
Purchased Professional/Technical Services		\$ 6,083		\$ 6,083	
Tuition		\$ 135,415			135,415
General Supplies	-	2,000	1,000	\$ 44,734	47,734
<b>Total Instruction</b>	<u>-</u>	<u>137,415</u>	<u>7,083</u>	<u>44,734</u>	<u>189,232</u>
Support Services					
Purchased Professional/Technical Services	\$ 6,000				6,000
General Supplies	2,148			-	2,148
<b>Total Support Services</b>	<u>8,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,148</u>
Facilities Acquisitions/Construction					
Equipment				4,763	4,763
<b>Total Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,763</u>	<u>4,763</u>
<b>Total Expenditures</b>	<u>\$ 8,148</u>	<u>\$ 137,415</u>	<u>\$ 7,083</u>	<u>\$ 49,497</u>	<u>\$ 202,143</u>

**NORTH CALDWELL BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOT APPLICABLE**

**CAPITAL PROJECTS FUND**

**NOT APPLICABLE**

**ENTERPRISE FUND**

**EXHIBIT G-1**

**NORTH CALDWELL BOARD OF EDUCATION  
ENTERPRISE FUND  
COMBINING STATEMENT OF NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE  
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE  
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE  
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

**NORTH CALDWELL BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 39,852	\$ 34,455	\$ 74,307
Total Assets	<u>\$ 39,852</u>	<u>\$ 34,455</u>	<u>\$ 74,307</u>
<b>LIABILITIES</b>			
Payroll Deductions and Withholdings		\$ 31,980	\$ 31,980
Due to Other Funds		978	978
Accrued Salaries and Wages		1,497	1,497
Due to Student Groups	<u>\$ 39,852</u>	<u>-</u>	<u>\$ 39,852</u>
Total Liabilities	<u>\$ 39,852</u>	<u>\$ 34,455</u>	<u>\$ 74,307</u>

**NORTH CALDWELL BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

THIS STATEMENT IS NOT APPLICABLE  
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Balance, July 1, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2012</u>
Elementary Schools				
General Organization	\$ 30,511	\$ 71,819	\$ 62,478	\$ 39,852
 Total All Schools	 <u>\$ 30,511</u>	 <u>\$ 71,819</u>	 <u>\$ 62,478</u>	 <u>\$ 39,852</u>

NORTH CALDWELL BOARD OF EDUCATION  
 PAYROLL AGENCY FUND  
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Balance, July 1, <u>2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance, June 30, <u>2012</u></b>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	\$ 63,718	\$ 2,833,848	\$ 2,865,586	\$ 31,980
Accrued Salaries and Wages	994	3,894,346	3,893,843	1,497
Due to Other Funds	<u>634</u>	<u>344</u>	<u>-</u>	<u>978</u>
 Total	 <u>\$ 65,346</u>	 <u>\$ 6,728,538</u>	 <u>\$ 6,759,429</u>	 <u>\$ 34,455</u>

**LONG-TERM DEBT**

NORTH CALDWELL BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF BONDS PAYABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2011</u>	<u>Retired</u>	<u>Balance, June 30, 2012</u>
Construct Additions and Renovations to Grandview and Gould Mountain Schools	12/1/2002	\$ 8,635,000				\$ 410,000	410,000	\$ -
2010 Refunding Bonds	11/23/2010	6,775,000	2/15/13	\$ 675,000	2.00%			
			2/15/14	685,000	2.00%			
			2/15/15	700,000	2.25%			
			2/15/16	720,000	3.00%			
			2/15/17-18	535,000	4.00%			
			2/15/19-21	530,000	3.00-5.00%			
			2/15/22	525,000	3.50%			
			2/15/23	515,000	4.00%	6,715,000	235,000	6,480,000
						<u>\$ 7,125,000</u>	<u>\$ 645,000</u>	<u>\$ 6,480,000</u>

**NORTH CALDWELL BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF INTERGOVERNMENTAL LOANS PAYABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOT APPLICABLE**

**NORTH CALDWELL BOARD OF EDUCATION  
LONG-TERM DEBT  
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>REVENUES</b>	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Local Sources					
Local Tax Levy	\$ 839,089	\$	839,089	\$ 839,089	
Miscellaneous Revenue	-	-	-	20,721	\$ 20,721
<b>Total Revenues</b>	<u>839,089</u>	<u>-</u>	<u>839,089</u>	<u>859,810</u>	<u>20,721</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Principal	645,000		645,000	645,000	
Interest	229,850	-	229,850	229,850	-
<b>Total Expenditures</b>	<u>874,850</u>	<u>-</u>	<u>874,850</u>	<u>874,850</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,761)	-	(35,761)	(15,040)	20,721
Fund Balance, Beginning of Year	35,761	-	35,761	35,761	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ 20,721	\$ 20,721

## STATISTICAL SECTION

This part of the North Caldwell Board of Education'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 government's overall financial health.

### Contents

### Exhibits

#### **Financial Trends**

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

J-1 to J-5

#### **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

#### **Debt Capacity**

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

J-10 to J-13

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**NORTH CALDWELL BOARD OF EDUCATION**  
**NET ASSETS BY COMPONENT**  
**LAST NINE FISCAL YEARS**  
*(Unaudited)*  
*(accrual basis of accounting)*

	Fiscal Years								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 1,227,503	\$ 1,936,488	\$ 1,954,439	\$ 2,282,331	\$ 2,884,681	\$ 3,105,038	\$ 3,400,736	\$ 3,778,953	\$ 4,481,945
Restricted	17,324	172,266	149,875	25,003	25,002	25,027	250,026	1,136,761	1,493,259
Unrestricted	13,261	7,271	374,118	348,562	84,220	227,234	676,351	772,372	878,227
<b>Total governmental activities net assets</b>	<b>\$ 1,258,088</b>	<b>\$ 2,116,025</b>	<b>\$ 2,478,432</b>	<b>\$ 2,655,896</b>	<b>\$ 2,993,903</b>	<b>\$ 3,357,290</b>	<b>\$ 4,327,113</b>	<b>\$ 5,688,286</b>	<b>\$ 6,853,431</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 1,898	\$ 1,365	\$ 1,650	\$ 596	\$ 677	\$ 1,745	\$ 3,417	\$ 4,190	\$ 6,140
Restricted	1,898	1,365	1,650	596	677	1,745	3,417	4,190	6,140
<b>Total business-type activities net assets</b>	<b>\$ 1,898</b>	<b>\$ 1,365</b>	<b>\$ 1,650</b>	<b>\$ 596</b>	<b>\$ 677</b>	<b>\$ 1,745</b>	<b>\$ 3,417</b>	<b>\$ 4,190</b>	<b>\$ 6,140</b>
<b>District-wide</b>									
Invested in capital assets, net of related debt	\$ 1,227,503	\$ 1,936,488	\$ 1,954,439	\$ 2,282,331	\$ 2,884,681	\$ 3,105,038	\$ 3,400,736	\$ 3,778,953	\$ 4,481,945
Restricted	17,324	172,266	149,875	25,003	25,002	25,027	250,026	1,136,761	1,493,259
Unrestricted	15,159	8,636	375,768	349,158	84,897	228,979	679,768	776,762	884,367
<b>Total district net assets</b>	<b>\$ 1,259,986</b>	<b>\$ 2,117,390</b>	<b>\$ 2,480,082</b>	<b>\$ 2,656,492</b>	<b>\$ 2,994,580</b>	<b>\$ 3,359,044</b>	<b>\$ 4,330,530</b>	<b>\$ 5,692,476</b>	<b>\$ 6,859,571</b>

Note:  
 GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**NORTH CALDWELL BOARD OF EDUCATION**  
**CHANGES IN NET ASSETS**  
**LAST NINE FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Years								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>									
<b>Governmental activities</b>									
<b>Instruction</b>									
Regular	\$ 3,217,554	\$ 3,540,299	\$ 3,852,344	\$ 4,240,251	\$ 4,451,185	\$ 4,550,029	\$ 4,152,390	\$ 4,289,215	\$ 4,665,844
Special education	1,271,514	1,431,079	1,673,176	1,863,152	1,907,628	2,034,648	2,623,927	2,575,559	2,635,320
School Sponsored Activities and Athletics	875	964	991	1,020	1,002	942	980	3,499	
<b>Support Services:</b>									
Student & Instruction related services	933,776	1,082,992	1,126,128	1,231,778	1,124,945	1,259,091	1,318,848	1,270,964	1,282,616
General Administration services	360,763	359,407	323,211	373,704	398,672	392,709	398,452	379,141	472,601
School Administration services	457,289	483,717	447,901	520,958	475,665	454,043	483,494	428,637	450,189
Business / Central services	227,885	253,135	229,282	237,857	247,167	250,952	267,187	311,545	379,285
Plant operations and maintenance	684,241	861,602	901,263	1,039,207	1,418,809	1,491,578	1,512,247	1,323,531	1,410,664
Pupil transportation	460,394	445,388	461,233	512,942	589,725	587,573	603,845	474,117	433,407
Special Schools	18,089	24,579	29,386	29,347	28,789	19,793	8,246		
Interest on long-term debt	474,715	452,961	458,722	471,370	403,174	379,583	345,182	173,274	230,728
<b>Total governmental activities expenses</b>	<b>8,107,095</b>	<b>8,936,123</b>	<b>9,503,637</b>	<b>10,521,588</b>	<b>11,046,761</b>	<b>11,420,941</b>	<b>11,714,798</b>	<b>11,229,482</b>	<b>11,960,654</b>
<b>Business-type activities:</b>									
Food service	3,894	3,783	4,940	7,140	8,488	6,992	6,048	6,786	6,349
<b>Total business-type activities expense</b>	<b>3,894</b>	<b>3,783</b>	<b>4,940</b>	<b>7,140</b>	<b>8,488</b>	<b>6,992</b>	<b>6,048</b>	<b>6,786</b>	<b>6,349</b>
<b>Total district expenses</b>	<b>\$ 8,110,989</b>	<b>\$ 8,939,906</b>	<b>\$ 9,508,577</b>	<b>\$ 10,528,728</b>	<b>\$ 11,055,249</b>	<b>\$ 11,427,933</b>	<b>\$ 11,720,846</b>	<b>\$ 11,236,268</b>	<b>\$ 11,967,003</b>
<b>Program Revenues</b>									
<b>Governmental activities:</b>									
<b>Charges for services:</b>									
<b>Instruction</b>									
Special Schools	\$ 18,090	\$ 17,805	\$ 45,155	\$ 19,924	\$ 15,775	\$ 46,029	\$ 106,804	\$ 184,348	\$ 227,284
Operating grants and contributions	1,036,810	1,039,388	1,134,324	1,393,775	1,411,015	1,058,000	1,623,085	1,229,544	1,406,737
Capital grants and contributions	425,469	602,540	7,830	10,228	-	14,915	690		
<b>Total governmental activities program revenues</b>	<b>1,480,369</b>	<b>1,659,733</b>	<b>1,187,309</b>	<b>1,423,927</b>	<b>1,426,790</b>	<b>1,118,944</b>	<b>1,737,339</b>	<b>1,413,892</b>	<b>1,634,021</b>
<b>Business-type activities:</b>									
<b>Charges for services</b>									
Food service	3,001	1,906	3,128	3,716	4,888	8,060	7,713	7,544	8,287
Operating grants and contributions	1,380	1,344	2,097	2,370	3,681	-	-	-	-
<b>Total business type activities program revenues</b>	<b>4,381</b>	<b>3,250</b>	<b>5,225</b>	<b>6,086</b>	<b>8,569</b>	<b>8,060</b>	<b>7,713</b>	<b>7,544</b>	<b>8,287</b>
<b>Total district program revenues</b>	<b>\$ 1,484,750</b>	<b>\$ 1,662,983</b>	<b>\$ 1,192,534</b>	<b>\$ 1,430,013</b>	<b>\$ 1,435,359</b>	<b>\$ 1,127,004</b>	<b>\$ 1,745,052</b>	<b>\$ 1,421,436</b>	<b>\$ 1,642,308</b>
<b>Net (Expense)/Revenue</b>									
<b>Governmental activities</b>	<b>\$ (6,626,726)</b>	<b>\$ (7,276,390)</b>	<b>\$ (8,316,328)</b>	<b>\$ (9,097,661)</b>	<b>\$ (9,619,971)</b>	<b>\$ (10,301,997)</b>	<b>\$ (9,977,459)</b>	<b>\$ (9,815,590)</b>	<b>\$ (10,326,633)</b>
<b>Business-type activities</b>	<b>487</b>	<b>(533)</b>	<b>285</b>	<b>(1,054)</b>	<b>81</b>	<b>1,068</b>	<b>1,665</b>	<b>758</b>	<b>1,938</b>
<b>Total district-wide net expense</b>	<b>\$ (6,626,239)</b>	<b>\$ (7,276,923)</b>	<b>\$ (8,316,043)</b>	<b>\$ (9,098,713)</b>	<b>\$ (9,619,890)</b>	<b>\$ (10,300,929)</b>	<b>\$ (9,975,794)</b>	<b>\$ (9,814,832)</b>	<b>\$ (10,324,695)</b>
<b>General Revenues and Other Changes in Net Assets</b>									
<b>Governmental activities:</b>									
Property taxes levied for general purposes, net	\$ 6,559,960	\$ 7,146,042	\$ 7,573,691	\$ 8,145,825	\$ 8,815,316	\$ 9,708,904	\$ 9,793,792	\$ 10,214,962	\$ 10,605,788
Taxes levied for debt service	944,206	885,012	928,481	961,473	919,127	921,042	914,141	920,096	839,089
Unrestricted grants and contributions	24,090	33,728	35,416	35,098	46,674	345	-	-	-
Investment earnings	101,894	52,618	114,160	106,896	53,155	16,121	11,348	11,361	8,203
Miscellaneous income	43,977	16,927	26,987	25,833	17,055	18,981	240,839	30,344	38,698
Loss on Disposal of Capital Assets	-	-	-	-	106,651	-	(12,847)	-	-
<b>Total governmental activities</b>	<b>7,674,127</b>	<b>8,134,327</b>	<b>8,678,735</b>	<b>9,275,125</b>	<b>9,957,978</b>	<b>10,665,393</b>	<b>10,947,273</b>	<b>11,176,763</b>	<b>11,491,778</b>
<b>Business-type activities:</b>									
Investment earnings	-	-	-	-	-	-	7	15	12
Transfers	-	-	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>15</b>	<b>12</b>
<b>Total district-wide</b>	<b>\$ 7,674,127</b>	<b>\$ 8,134,327</b>	<b>\$ 8,678,735</b>	<b>\$ 9,275,125</b>	<b>\$ 9,957,978</b>	<b>\$ 10,665,393</b>	<b>\$ 10,947,280</b>	<b>\$ 11,176,778</b>	<b>\$ 11,491,790</b>
<b>Change in Net Assets</b>									
<b>Governmental activities</b>	<b>\$ 1,047,401</b>	<b>\$ 857,937</b>	<b>\$ 362,407</b>	<b>\$ 177,464</b>	<b>\$ 338,007</b>	<b>\$ 363,396</b>	<b>\$ 969,814</b>	<b>\$ 1,361,173</b>	<b>\$ 1,165,145</b>
<b>Business-type activities</b>	<b>487</b>	<b>(533)</b>	<b>285</b>	<b>(1,054)</b>	<b>81</b>	<b>1,068</b>	<b>1,672</b>	<b>773</b>	<b>1,950</b>
<b>Total district</b>	<b>\$ 1,047,888</b>	<b>\$ 857,404</b>	<b>\$ 362,692</b>	<b>\$ 176,410</b>	<b>\$ 338,088</b>	<b>\$ 364,464</b>	<b>\$ 971,486</b>	<b>\$ 1,361,946</b>	<b>\$ 1,167,095</b>

Note:  
GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

NORTH CALDWELL BOARD OF EDUCATION  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST NINE FISCAL YEARS

(Unaudited)  
 (modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>									
Reserved	\$ 123,220	\$ 187,257	\$ 589,763	\$ 502,729	\$ 206,811	\$ 809,013	\$ 1,167,913		
Unreserved	184,040	340,049	144,475	234,819	189,303	(279,607)	15,936	\$ 1,890,727	\$ 2,516,998
Restricted								40,518	
Committed								6,308	6,274
Assigned								150,000	30,063
Unassigned									
<b>Total general fund</b>	<b>\$ 307,260</b>	<b>\$ 527,306</b>	<b>\$ 734,238</b>	<b>\$ 737,548</b>	<b>\$ 396,114</b>	<b>\$ 529,406</b>	<b>\$ 1,183,849</b>	<b>\$ 2,087,553</b>	<b>\$ 2,553,335</b>
<b>All Other Governmental Funds</b>									
Reserved	\$ 4,083,729	\$ 9,706							
Unreserved	97,109	201,362	140,168	102,063	102,062	4,232	26	\$ 35,761	\$ 20,721
Restricted									
Committed									
Assigned									
Unassigned									
<b>Total all other governmental funds</b>	<b>\$ 4,180,838</b>	<b>\$ 201,362</b>	<b>\$ 149,874</b>	<b>\$ 102,063</b>	<b>\$ 102,062</b>	<b>\$ 4,232</b>	<b>\$ 26</b>	<b>\$ 35,761</b>	<b>\$ 20,721</b>

Note:  
 GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

Beginning with Fiscal Year 2012, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established 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. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

**NORTH CALDWELL BOARD OF EDUCATION**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**  
**(Unaudited)**  
*(modified accrual basis of accounting)*

	2004	2005	2006	2007	Fiscal Years 2008	2009	2010	2011	2012
<b>Revenues</b>									
Tax levy	\$ 7,504,166	\$ 8,031,054	\$ 8,502,172	\$ 9,107,298	\$ 9,734,443	\$ 10,629,946	\$ 10,707,933	\$ 11,135,058	\$ 11,444,877
Tuition							106,804	181,723	213,746
Program Fees	18,090	17,805	45,155	19,924	30,175	46,029	6,760	2,625	13,538
Interest earnings	101,894	52,618	114,160	106,896	53,155	16,121	11,348	11,361	8,203
Miscellaneous	43,977	16,927	8,967	25,833	2,655	18,981	240,839	30,344	38,698
State sources	1,336,921	1,513,940	1,043,182	1,285,581	1,326,905	867,743	1,309,141	1,071,785	1,253,835
Federal sources	149,448	161,716	134,388	153,520	130,786	205,517	314,634	157,759	152,902
<b>Total revenue</b>	<b>9,154,496</b>	<b>9,794,060</b>	<b>9,848,024</b>	<b>10,699,052</b>	<b>11,278,119</b>	<b>11,784,337</b>	<b>12,697,459</b>	<b>12,590,655</b>	<b>13,125,799</b>
<b>Expenditures</b>									
<b>Instruction</b>									
Regular instruction	3,208,250	3,326,445	3,704,559	4,079,293	4,492,308	4,550,703	4,170,578	4,223,395	4,666,011
Special education instruction	1,260,431	1,381,542	1,633,720	1,818,756	1,906,821	2,034,325	2,607,026	2,606,078	2,635,320
School sponsored activities and athletics	862	921	950	981	1,002	942	980	3,499	8,148
<b>Support Services:</b>									
Student & inst. related services	931,095	1,034,890	1,059,515	1,187,117	1,150,090	1,256,232	1,317,002	1,270,087	1,267,395
General administration services	356,618	348,682	313,008	362,130	398,672	392,709	398,452	379,141	472,601
School administration services	449,402	481,061	424,268	500,577	465,162	450,252	483,636	432,237	449,384
Business / Central services	224,130	241,134	218,890	222,877	246,906	250,478	266,926	311,545	378,977
Plant operations and maintenance	677,288	839,046	874,391	1,011,552	1,108,522	1,172,081	1,184,874	999,200	1,060,118
Pupil transportation	460,286	445,021	460,700	512,393	589,725	587,573	603,845	474,117	433,407
Special Schools	18,089	23,589	28,300	28,365	28,789	19,793	8,246		
Capital outlay	4,511,694	4,528,815	59,319	58,039	312,429	112,770	91,516	67,556	428,846
<b>Debt service:</b>									
Principal	421,312	441,312	461,312	481,312	506,312	531,312	556,312	650,247	645,000
Interest and other charges	522,893	461,032	467,168	480,161	412,816	389,705	357,829	234,114	229,850
Cost of Issuance of Refunding Bond								91,317	
Payment to Refunding Bond Escrow Agent								389,394	
<b>Total expenditures</b>	<b>13,042,350</b>	<b>13,553,490</b>	<b>9,706,100</b>	<b>10,743,553</b>	<b>11,619,554</b>	<b>11,748,875</b>	<b>12,047,222</b>	<b>12,131,927</b>	<b>12,675,057</b>
Excess (Deficiency) of revenues over (under) expenditures	(3,887,854)	(3,759,430)	141,924	(44,501)	(341,435)	35,462	650,237	458,728	450,742
<b>Other Financing sources (uses)</b>									
Payments to Refunding Escrow Agent								(6,720,000)	
Refunding Bond Proceeds								6,775,000	
Premium on Issuance of Refunding Bonds								425,711	
Premium on Temporary Notes			13,520						
Transfers in	70,542	18,822	15,024	1,997	1,620	588	37		
Transfers out	(70,542)	(18,822)	(15,024)	(1,997)	(1,620)	(588)	(37)		
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>13,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>480,711</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (3,887,854)</b>	<b>\$ (3,759,430)</b>	<b>\$ 155,444</b>	<b>\$ (44,501)</b>	<b>\$ (341,435)</b>	<b>\$ 35,462</b>	<b>\$ 650,237</b>	<b>\$ 939,439</b>	<b>\$ 450,742</b>
Debt service as a percentage of noncapital expenditures	11.07%	10.00%	9.62%	9.00%	8.13%	7.92%	7.65%	11.31%	7.14%

\* Noncapital expenditures are total expenditures less capital outlay.

Note:  
GASB requires that ten years of statistical data be presented. However, since the District implemented the new reporting model contained in GASB No. 34 in fiscal year 2004 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**NORTH CALDWELL BOARD OF EDUCATION  
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30</u>	<u>Interest on Deposits</u>	<u>Program Fees</u>	<u>Miscellaneous</u>	<u>Tuition</u>	<u>Prior Year Cancelled Payables</u>	<u>Total</u>
2003	\$ 3,348	\$ 22,519	\$ 5,436			\$ 31,303
2004	101,894	18,090	43,977			163,961
2005	33,796	17,805	16,927			68,528
2006	112,656	45,155	8,967			166,778
2007	104,899	19,924	25,833			150,656
2008	51,535	30,175	2,655			84,365
2009	15,533	46,029	18,981			80,543
2010	11,311	6,760		\$ 106,804	\$ 240,839	365,714
2011	11,361	2,625	30,344	181,723		226,053
2012	8,203	13,538	17,977	213,746		253,464

Source: School District's Financial Statements

EXHIBIT J-6

NORTH CALDWELL BOARD OF EDUCATION  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN YEARS  
 (Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct Local School Tax Rate <sup>a</sup>
2003	\$ 4,899,600	\$ 335,634,800	\$ 125,700	7,500	\$ 5,146,200	\$ 739,600	\$ 346,553,400	\$ 242,179	\$ 346,795,579	\$ 1,093,004,153	\$ 2.160
2004	5,335,600	339,351,200	94,900	4,000	5,762,600	739,600	351,287,900	209,334	351,497,234	1,214,251,097	2.280
2005	4,201,100	346,397,640	94,900	4,000	5,797,600	739,600	357,234,840	177,552	357,412,392	1,358,798,628	2.390
2006	6,786,400	352,882,076	94,900	4,000	5,677,800	739,600	366,184,776	151,567	366,336,343	1,552,535,185	2.490
2007	9,677,700	354,687,700	94,900	4,000	5,563,900	739,600	370,767,800	149,800	370,917,600	1,672,593,459	2.630
2008	60,873,600	1,723,979,600	624,200	4,000	32,327,600	2,916,300	1,820,725,300	713,300	1,821,438,600	1,764,573,995	0.584
2009	52,622,000	1,723,500,900	624,200	4,000	32,127,000	2,916,300	1,811,794,400	781,000	1,812,575,400	1,808,237,504	0.591
2010	36,736,800	1,568,711,600	642,900	4,000	29,817,300	2,916,300	1,638,828,900	761,600	1,639,590,500	1,835,275,774	0.680
2011	31,687,700	1,517,159,000	474,200	4,000	27,941,000	2,916,300	1,580,182,200	568,100	1,580,750,300	1,705,642,135	0.724
2012	27,965,000	1,477,834,400	424,000	4,000	25,749,200	2,916,300	1,534,892,900	572,300	1,535,465,200	1,629,143,891	0.762

N/A - Not available

Source: County Abstract of Rates

<sup>a</sup> Tax rates are per \$100

**NORTH CALDWELL BOARD OF EDUCATION  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
(Unaudited)  
(rate per \$100 of assessed value)**

Calendar Year	Total Direct Local School Tax Rate	Overlapping Rates			Total
		Regional High School District	Municipality	County	
2003	\$ 2.16	\$ 1.64	\$ 1.11	\$ 1.85	\$ 6.76
2004	2.28	1.75	1.12	1.84	6.99
2005	2.39	1.86	1.15	1.82	7.22
2006	2.49	1.72	1.18	1.86	7.25
2007	2.63	1.73	1.22	1.78	7.36
2008	(1) 0.58	0.37	0.27	0.38	1.60
2009	0.59	0.40	0.30	0.39	1.67
2010	0.68	0.45	0.34	0.46	1.93
2011	0.72	0.48	0.36	0.47	2.04
2012	0.76	0.48	0.38	0.49	2.11

(1) The Borough undertook a revaluation of real property that took effect in 2008.

Source: Tax Duplicate, Borough of North Caldwell

**NORTH CALDWELL BOARD OF EDUCATION  
PRINCIPAL PROPERTY TAXPAYERS,  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

Taxpayer	2012		2003	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Greenbrook Country Club	14,000,000	0.91%		
K. Hovnanian at North Caldwell LLC	11,270,700	0.73%		
K. Hovnanian at Hilltop	8,503,000	0.54%		
Hidden Ridge at North Caldwell	4,430,000	0.29%		
Individual Taxpayer 1	3,473,500	0.23%		
Individual Taxpayer 2	3,425,400	0.22%		
Individual Taxpayer 3	2,961,400	0.19%		
Individual Taxpayer 4	2,824,800	0.18%		
Individual Taxpayer 5	2,776,800	0.18%		
Individual Taxpayer 6	2,724,500	0.18%		
Individual Taxpayer 7	2,563,000	0.17%		
	<u>\$ 58,953,100</u>	<u>3.82%</u>		

NOT AVAILABLE

Source: Municipal Tax Assessor

**NORTH CALDWELL BOARD OF EDUCATION  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended June 30,	Local School Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 6,323,895	\$ 6,323,895	100.00%	
2004	7,504,166	7,504,166	100.00%	
2005	8,031,054	8,031,054	100.00%	
2006	8,502,172	8,502,172	100.00%	
2007	9,107,298	9,107,298	100.00%	
2008	9,734,443	9,734,443	100.00%	
2009	10,629,946	10,629,946	100.00%	
2010	10,707,933	10,707,933	100.00%	
2011	11,135,058	11,135,058	100.00%	
2012	11,444,877	11,444,877	100.00%	

**NORTH CALDWELL BOARD OF EDUCATION  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST EIGHT FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities			Total District	Population	Per Capita
	General Obligation Bonds	Intergovernmental Loans Payable				
2005	\$ 10,245,000	\$ 11,806	\$	10,256,806	7,182	\$ 1,428
2006	9,785,000	10,494		9,795,494	7,091	1,381
2007	9,305,000	9,182		9,314,182	7,034	1,324
2008	8,800,000	7,871		8,807,871	7,020	1,255
2009	8,270,000	6,559		8,276,559	7,071	1,170
2010	7,715,000	5,247		7,720,247	6,184	1,248
2011	7,125,000	-		7,125,000	6,193	1,150
2012	6,480,000	-		6,480,000	6,193 (1)	1,046

(1) - estimated

Source: District records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only eight years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**NORTH CALDWELL BOARD OF EDUCATION  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST EIGHT FISCAL YEARS  
(Unaudited)**

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Debt	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2005	\$ 10,256,806		\$ 10,256,806	2.87%	\$ 1,428
2006	9,795,494		9,795,494	2.67%	1,381
2007	9,314,182		9,314,182	2.51%	1,324
2008	8,807,871		8,807,871	0.48%	1,255
2009	8,276,559		8,276,559	0.45%	1,170
2010	7,720,247		7,720,247	0.47%	1,248
2011	7,125,000		7,125,000	0.45%	1,150
2012	6,480,000		6,480,000	0.42%	1,046

Source: District records

Notes:

- a See Exhibit J-6 for property tax data.
- b See Exhibit J-14 for population data.

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only eight years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**NORTH CALDWELL BOARD OF EDUCATION  
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING DEBT  
FOR YEAR ENDED DECEMBER 31, 2011  
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
West Essex Regional High School	\$ 5,186,220	\$ 5,186,220	
Borough of North Caldwell School District	7,125,000	7,125,000	
Borough of North Caldwell	<u>7,155,750</u>	<u>109,000</u>	<u>\$ 7,046,750</u>
	<u>\$ 19,466,970</u>	<u>\$ 12,420,220</u>	<u>7,046,750</u>
Overlapping Debt Apportioned to the Municipality:			
Essex County (3);(A):			6,356,114
Essex County Utilities Authority (2) (A)			<u>1,589,008</u>
			<u>7,945,122</u>
Total Direct and Overlapping Debt			<u>\$ 14,991,872</u>

(A) The debt for this entity was apportioned to the Borough of North Caldwell by dividing the Municipality's 2011 equalized value by the total 2011 equalized value for Essex County.

Sources:

- (1) Borough of North Caldwell 2011 Annual Debt Statement
- (2) Essex County Utilities Authority 2011 audit
- (3) Essex County 2011 Annual Debt Statement

**NORTH CALDWELL BOARD OF EDUCATION  
LEGAL DEBT MARGIN INFORMATION  
LAST EIGHT FISCAL YEARS  
(Unaudited)**

**Legal Debt Margin Calculation for Fiscal Year 2012**

Equalized valuation basis		
2011		\$ 1,675,163,999
2010		1,766,740,944
2009		<u>1,807,456,504</u>
		<u>\$ 5,249,361,447</u>
Average equalized valuation of taxable property		\$ 1,749,787,149
Debt limit (2.5% of average equalization value)		43,744,679
Total Net Debt Applicable to Limit		<u>6,480,000</u>
Legal debt margin		<u>\$ 37,264,679</u>

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 30,285,903	\$ 33,867,916	\$ 37,483,088	\$ 40,921,221	\$ 43,259,350	\$ 44,569,618	\$ 44,731,990	\$ 43,744,679
Total net debt applicable to limit	<u>10,256,806</u>	<u>9,795,494</u>	<u>9,314,182</u>	<u>8,807,871</u>	<u>8,276,559</u>	<u>7,720,563</u>	<u>7,125,000</u>	<u>6,480,000</u>
Legal debt margin	<u>\$ 20,029,097</u>	<u>\$ 24,072,422</u>	<u>\$ 28,168,906</u>	<u>\$ 32,113,350</u>	<u>\$ 34,982,791</u>	<u>\$ 36,849,055</u>	<u>\$ 37,606,990</u>	<u>\$ 37,264,679</u>
Total net debt applicable to the limit as a percentage of debt limit	33.87%	28.92%	24.85%	21.52%	19.13%	17.32%	15.93%	14.81%

Source: Annual Debt Statements

Note:  
GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only eight years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**NORTH CALDWELL BOARD OF EDUCATION  
DEMOGRAPHIC STATISTICS  
LAST TEN YEARS  
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income (1)</u>	<u>School District Population</u>
2003	1.8%	38,746	7,329
2004	1.4%	41,417	7,260
2005	2.8%	43,231	7,182
2006	3.0%	47,290	7,091
2007	2.7%	49,850	7,034
2008	3.3%	51,665	7,020
2009	6.6%	48,901	7,071
2010	6.7%	50,794	6,184
2011	6.4%	N/A	6,193
2012	N/A	N/A	6,193 (2)

Source: United States Bureau of Census  
School District Records

(1) Represents per capita income of the County of Essex

(2) Estimated

N/A - not available

NORTH CALDWELL BOARD OF EDUCATION  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)

<u>Employer</u>	<u>2012</u>		<u>2003</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

**NORTH CALDWELL BOARD OF EDUCATION**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST EIGHT FISCAL YEARS**  
**(Unaudited)**

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction								
Regular	52.0	52.0	59.0	58.0	46.2	46.0	44.0	45.4
Special education	17.0	17.0	16.0	19.5	32.8	36.3	34.8	36.8
Other instruction	5.0	5.0	6.0	4.0	2.2	3.0	9.0	9.0
Support Services:								
Student and instruction related services	5.0	4.0	4.0	4.0	4.0	4.0	2.0	2.0
General administration Services	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
School administrative Services	7.0	9.0	9.0	8.0	8.2	8.2	4.0	4.0
Other Administrative Services	1.0	2.0	2.0	1.0	1.0	1.0	3.0	3.0
Administrative Technology		1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	7.0	7.0	7.0	6.5	7.0	7.2	6.0	6.0
Other Support Services	5.0	5.0	7.0	5.0	2.0	2.0	2.0	2.0
Total	<u>102</u>	<u>105</u>	<u>114</u>	<u>110</u>	<u>107.4</u>	<u>111.7</u>	<u>107.8</u>	<u>111.2</u>

Source: District Personnel Records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 only eight years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

NORTH CALDWELL BOARD OF EDUCATION  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
(Unaudited)

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School						
2003	602.0	\$ 7,157,626	\$ 11,890	16.02%	46.0	1:13.1	N/A	N/A	602.0	576.3	-0.18%	95.75%	
2004	620.0	8,016,791	12,930	8.75%	46.0	1:13.5	N/A	N/A	617.9	594.1	2.64%	96.15%	
2005	635.0	8,061,452	12,695	-1.82%	50.5	1:12.6	N/A	N/A	626.9	603.5	1.46%	96.27%	
2006	645.0	8,730,374	13,555	6.62%	52.0	1:12.4	N/A	N/A	639.9	613.5	2.07%	95.87%	
2007	649.0	9,724,021	14,983	10.70%	59.0	1:11.0	N/A	N/A	645.9	621.0	0.94%	96.14%	
2008	634.0	10,387,995	16,385	9.36%	58.0	1:10.9	N/A	N/A	634.5	609.0	-1.76%	95.98%	
2009	614.0	10,715,088	17,451	6.51%	46.0	1:13.4	N/A	N/A	614.4	591.0	-3.17%	96.19%	
2010	640.0	11,041,565	17,252	-1.14%	46.0	1:14.0	N/A	N/A	640.0	614.4	4.17%	96.00%	
2011	662.0	10,699,299	16,162	-6.32%	41.2	1:16.0	N/A	N/A	670.1	637.8	4.70%	95.18%	
2012	675.0	11,371,361	16,846	4.23%	43.4	15:60	N/A	N/A	675.5	650.0	0.81%	96.23%	

Sources: District records

- Note:
- a Enrollment based on annual October district count.
  - b Operating expenditures equal total expenditures less debt service and capital outlay.
  - c Cost per pupil represents operating expenditures divided by enrollment.

NORTH CALDWELL BOARD OF EDUCATION  
 SCHOOL BUILDING INFORMATION  
 LAST TEN FISCAL YEARS  
 (Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>District Building</u>										
<u>Grandview Elementary School</u>										
Square Feet	52,430	52,430	52,430	52,430	52,430	52,430	52,430	52,430	52,430	52,430
Capacity (students)	385	385	385	385	385	385	385	385	385	385
Enrollment	337	366	365	372	384	375	366	367	381	390
<u>Gould Elementary/Middle School</u>										
Square Feet	34,175	34,175	34,175	34,175	34,175	34,175	34,175	34,175	34,175	34,175
Capacity (students)	327	327	327	327	327	327	327	327	327	327
Enrollment	265	254	270	273	265	259	248	277	281	285

Number of Schools at June 30, 2012  
 Elementary = 2

Source: District Records

**NORTH CALDWELL BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
FOR THE LAST TEN FISCAL YEARS**

UNDISTRIBUTED EXPENDITURES - REQUIRED  
MAINTENANCE FOR SCHOOL FACILITIES  
11-000-261-XXX

	Project # (s)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
*School Facilities											
Building A	N/A	\$ 71,424	\$ 78,493	\$ 111,202	\$ 136,560	\$ 153,723	\$ 168,713	\$ 171,048	\$ 134,139	\$ 108,114	\$ 121,971
Building B	N/A	100,682	72,211	82,124	109,220	123,347	129,016	139,949	133,668	107,507	124,682
Grand Total		<u>\$ 172,106</u>	<u>\$ 150,704</u>	<u>\$ 193,326</u>	<u>\$ 245,780</u>	<u>\$ 277,070</u>	<u>\$ 297,729</u>	<u>\$ 310,997</u>	<u>\$ 267,807</u>	<u>\$ 215,621</u>	<u>\$ 246,653</u>

Source: School District Records

Note:  
Beginning in fiscal year 2001, the New Jersey State Department of Education required Districts to report maintenance expenditures by location, therefore ten years of data is not required or available.

**NORTH CALDWELL BOARD OF EDUCATION  
SCHEDULE OF INSURANCE  
JUNE 30, 2012  
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJ School Board Association Insurance Fund		
Property - Blanket Building & Contents	\$ 24,963,265	\$ 5,000
Comprehensive General Liability	11,000,000	-
Comprehensive Automobile Liability	11,000,000	1,000/5,000
Boiler and Machinery - School Alliance Insurance Fund		
Property Damage	100,000,000	5,000
Umbrella Liability - School Alliance Insurance Fund		
Umbrella Policy	11,000,000	
Educator's Legal Liability - ACE		
Directors and Officer's Policy	11,000,000	5,000
Public Employees' Bond		
Business Administrator/Board Secretary	125,000	
Treasurer of School Moneys	200,000	

Source: School District's records

**SINGLE AUDIT SECTION**

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and Members  
of the Board of Trustees  
North Caldwell Board of Education  
North Caldwell, 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 North Caldwell Board of Education as of and for the fiscal year ended June 30, 2012, which collectively comprise the North Caldwell Board of Education's basic financial statements and have issued our report thereon dated October 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

### Internal Control Over Financial Reporting

Management of the North Caldwell Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the North Caldwell Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Caldwell Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Caldwell Board of Education'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 North Caldwell Board of Education's financial statements will not be prevented, or detected and corrected on a timely basis.

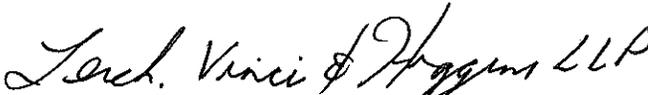
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

**Compliance and Other Matters**

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

We noted certain matters that we have reported to management of the North Caldwell Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated October 4, 2012.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the New Jersey State Department of Education and other state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants

  
Gary W. Higgins  
Public School Accountant  
PSA Number CS00814

Fair Lawn, New Jersey  
October 4, 2012

# LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

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## 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 04-04

### Independent Auditor's Report

Honorable President and Members  
of the Board of Trustees  
North Caldwell Board of Education  
North Caldwell, New Jersey

### Compliance

We have audited the North Caldwell Board of Education's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of North Caldwell Board of Education's major state programs for the fiscal year ended June 30, 2012. North Caldwell Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the North Caldwell Board of Education's management. Our responsibility is to express an opinion on North Caldwell Board of Education'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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and circulars 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 North Caldwell Board of Education'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 on North Caldwell Board of Education's compliance with those requirements.

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

### Internal Control Over Compliance

Management of North Caldwell Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered North Caldwell Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the 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 New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

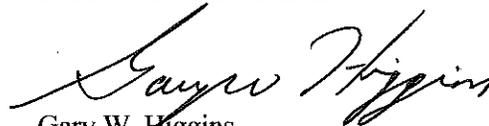
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state program 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 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 Board of Trustees, others within the District, the New Jersey State Department of Education and other state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



LERCH, VINCI & HIGGINS, LLP  
 Certified Public Accountants  
 Public School Accountants



Gary W. Higgins  
 Public School Accountant  
 PSA Number CS00814

Fair Lawn, New Jersey  
 October 4, 2012

**NORTH CALDWELL BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2011	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	(Accounts Receivable)	June 30, 2012 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>											
General Fund											
Education Jobs Fund	84.410A	ARRA3630-11	9/1/11-8/31/12	\$ 8,430	-	\$ 256	256	-	-	-	-
<b>U.S. Department of Education</b>											
<b>Passed-through State Department of Education</b>											
Special Revenue Fund											
NCLB Title II A	84.367A	NCLB3630-11	9/1/11-8/31/12	8,148	-	8,148	8,148	-	-	-	-
I.D.E.A. Part B-Basic	84.027	FT3630-11	9/1/11-8/31/12	137,415	-	137,415	137,415	-	-	-	-
I.D.E.A. Part B-Preschool	84.173	PS-3630-11	9/1/11-8/31/12	7,083	-	7,083	7,083	-	-	-	-
<b>Total U.S. Department of Education</b>						\$ 152,646	\$ 152,646				
<b>Total</b>						\$ 152,902	\$ 152,902				\$ -

Note: This schedule was not subject to an audit in accordance with OMB Circular A-133.

NORTH CALDWELL BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011		Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	June 30, 2012		Memo	
				Deferred Revenue (Accounts Receivable)	(Accounts Receivable)				Deferred Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
<b>State Department of Education</b>												
Current Expense												
Special Education Categorical Aid	12-495-034-5120-089	7/1/11-6/30/12	\$ 74,655	\$ -	\$ 67,478	\$ 74,655						\$ 74,655
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	48,296		43,710	48,296						48,296
Transportation Aid	12-495-034-5120-014	7/1/11-6/30/12	84,702		76,528	84,702						84,702
Extraordinary Sp. Ed. Aid	12-100-034-5120-473	7/1/11-6/30/12	308,561			308,561						308,561
Extraordinary Sp. Ed. Aid	11-100-034-5120-473	7/01/10-6/30/11	311,948	\$ (311,948)	311,948	311,948						311,948
TPAF Social Security Tax	12-495-034-5095-002	7/1/11-6/30/12	322,967		322,967	322,967						322,967
TPAF Social Security Tax	11-495-034-5095-002	7/1/10-6/30/11	333,672	(15,723)	15,723	114,513						114,513
TPAF Pension On-Behalf Normal Costs	12-495-034-5095-007	7/1/11-6/30/12	12,289		12,289	12,289						12,289
TPAF Pension On-Behalf NCGI Premium	12-495-034-5095-006	7/1/11-6/30/12	254,905		254,905	254,905						254,905
TPAF Pension PRM Contr.	12-495-034-5095-001	7/1/11-6/30/12										
<b>Total General Fund</b>				(327,671)	1,220,061	1,220,888				(328,498)		1,220,888
<b>Special Revenue Fund</b>												
Special Education Achievement Award Cooperative Agreement (CA)	SE12009	05/01/12-06/30/13	50,000			49,497				(49,497)		49,497
<b>Total Special Revenue Fund</b>						49,497				(49,497)		49,497
<b>Total State Financial Assistance</b>				(327,671)	1,220,061	1,270,385				(377,995)		1,270,385
<b>State Financial Assistance Not Subject to Single Audit Determination</b>												
General Fund												
TPAF Pension On-Behalf Normal Costs	12-495-034-5095-007	7/1/11-6/30/12	114,513		(114,513)	(114,513)						(114,513)
TPAF Pension On-Behalf NCGI Premium	12-495-034-5095-006	7/1/11-6/30/12	12,289		(12,289)	(12,289)						(12,289)
TPAF Pension PRM Contr.	12-495-034-5095-001	7/1/11-6/30/12	254,905		(254,905)	(254,905)						(254,905)
<b>Total State Financial Assistance Subject to Single Audit</b>				(327,671)	838,354	888,678				(377,995)		888,678

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 GENERAL**

The accompanying schedules present the activity of all federal and state financial assistance programs of the North Caldwell Board of Education. The Board of Education is defined in Note 1(A) to the Board's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1(C) to the Board's basic financial statements. The information in these schedules is presented in accordance with requirements of U.S. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2.. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$16,550 for the general fund and \$-0- for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 256	\$ 1,204,338	\$ 1,204,594
Special Revenue Fund	<u>152,646</u>	<u>49,497</u>	<u>202,143</u>
Total Financial Assistance	<u>\$ 152,902</u>	<u>\$ 1,253,835</u>	<u>\$ 1,406,737</u>

**NORTH CALDWELL BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

**NOTE 5 OTHER INFORMATION**

TPAF Social Security contributions in the amount of \$322,967 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2012. The amount reported as TPAF Pension System Contributions in the amount of \$126,802 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$254,905 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2012.

**NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's basic financial statements and the amount subject to State single audit and major program determination.



**NORTH CALDWELL BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

***Part 2 – Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

THERE ARE NONE.

**NORTH CALDWELL BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

*Part 3 – Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04.

**CURRENT YEAR FEDERAL AWARDS**

NOT APPLICABLE

**CURRENT YEAR STATE AWARDS**

THERE ARE NONE.

**NORTH CALDWELL BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 04-04.

**STATUS OF PRIOR YEAR FINDINGS**

THERE WERE NONE.