

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

North Haledon, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

North Haledon Board of Education

North Haledon, New Jersey

For The Fiscal Year Ended June 30, 2012

Prepared by

Business Office

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INTRODUCTORY SECTION

NORTH HALEDON BOARD OF EDUCATION

***201 Squaw Brook Road
North Haledon, New Jersey
973-427-8178 Fax 973-423-1514***

John Petrelli, Interim Superintendent
Nancy Di Bartolo, B.A./Board Sect.

September 17, 2012

Honorable President and
Members of the Board of Education
North Haledon School District
County of Passaic, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of the North Haledon School District for the fiscal year ended June 30, 2012 is hereby submitted. This report includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds 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 required supplementary information, as well as the auditors' report thereon. The financial section also includes Management's Discussion and Analysis, which is an overview of the District's current financial status and future outlook. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditors' 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 Haledon School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB No. 34. All funds of the District are included in this report. The North Haledon Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2011-2012 fiscal year with an enrollment of 714 students, which is .2 students below the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2002-2003	570.4	-1.003%
2003-2004	611.7	+7.187%
2004-2005	642.7	+5.11%
2005-2006	667.7	+3.88%
2006-2007	665.3	-0.03%
2007-2008	693.4	+4.22%
2008-2009	693.5	+0.00%
2009-2010	711.8	+2.64%
2010-2011	716.0	+0.59%
2011-2012	714.0	-0.28%

2. ECONOMIC CONDITION AND OUTLOOK: The Borough of North Haledon is predominately a residential community sitting on the Passaic/Bergen County border. With the completion of Route 287 and its connection to Route 208 an access to other areas of New Jersey has been given to the residents of North Haledon. The median value of homes and the median family income are above the state and national averages. The residents of the Borough represent professionals, management and skilled trades. There are a few small industrial concerns throughout the borough, but the major local employers are retail and service establishments such as banks, food stores, law offices, medical centers and several small shopping centers.

The Borough is practically saturated with much of the remaining land subject to severe development restrictions because of steep slopes and poor access. Many single lots throughout the Borough have been sold and developed into single-family homes. New construction during the past few years has increased the number of housing units from 2,098 to a current number of 2,937.

The referendum held on September 27, 2005 was successful. Final plans and specifications were developed, and after a successful bidding process, both projects were awarded. Memorial School ground breaking was held September, 2006 and work continued throughout the year. The project for the replacement Memorial School was completed in late spring 2008. At High Mountain School, the projects were awarded in September 20, 2006 and work began shortly thereafter. The new addition was completed and ready for to be occupied during the 2007-08 school year. These projects were financed with a Section 15 Grant from the State of New Jersey and the balance paid through district debt service.

3. MAJOR INITIATIVES: In September of 2012, The North Haledon School Board reorganized the administration of the district by eliminating the positions of Middle School principal/Superintendent and Middle School Vice Principal. These positions were replaced by elevating the Assistant Principal of High Mountain School to Principal and eliminating the dual role of Superintendent/Principal to Superintendent of Schools. During the 2011-2012 school year the district embarked on an initiative to implement block scheduling and heterogeneous grouping in the schools. These initiatives in addition to the continued implementation of Readers and Writers Workshops will continue through the 2012-2013 school year. The district implemented the HIB Law with training for both staff and students.

The district met the requirements of the law and continues to train staff and students to not only identify bullying but to prevent it from occurring in the district. Our teachers continue to excel by two of them being elected as Governor Teacher Award winners for 2011-2012 school year. The special services department continues to service our special needs students and their families by continuing to meet with them and offering services to meet their needs.

4. INTERNAL ACCOUNTING CONTROLS: The District's Management 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 (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by 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 a reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2012.

6. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the 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.

7. RISK MANAGEMENT: In order to obtain the best coverage at the lowest cost the District is a member of the Pooled Insurance Program of New Jersey. This program allowed us to negotiate better rates by group purchasing of a larger dollar amount of insurance. The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, workmen's comprehensive, hazard and theft insurance on property and contents, and fidelity bonds. The Board also carries Student Accident Insurance for school hours for all attending students. This policy is to complement any existing coverage already subscribed to by parent/guardians.

8. OTHER INFORMATION:

A) **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm for the Board is Lerch, Vinci, Higgins, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as amended and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditors' report on the basic financial statements and required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

9. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the North Haledon 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.

Respectfully submitted,

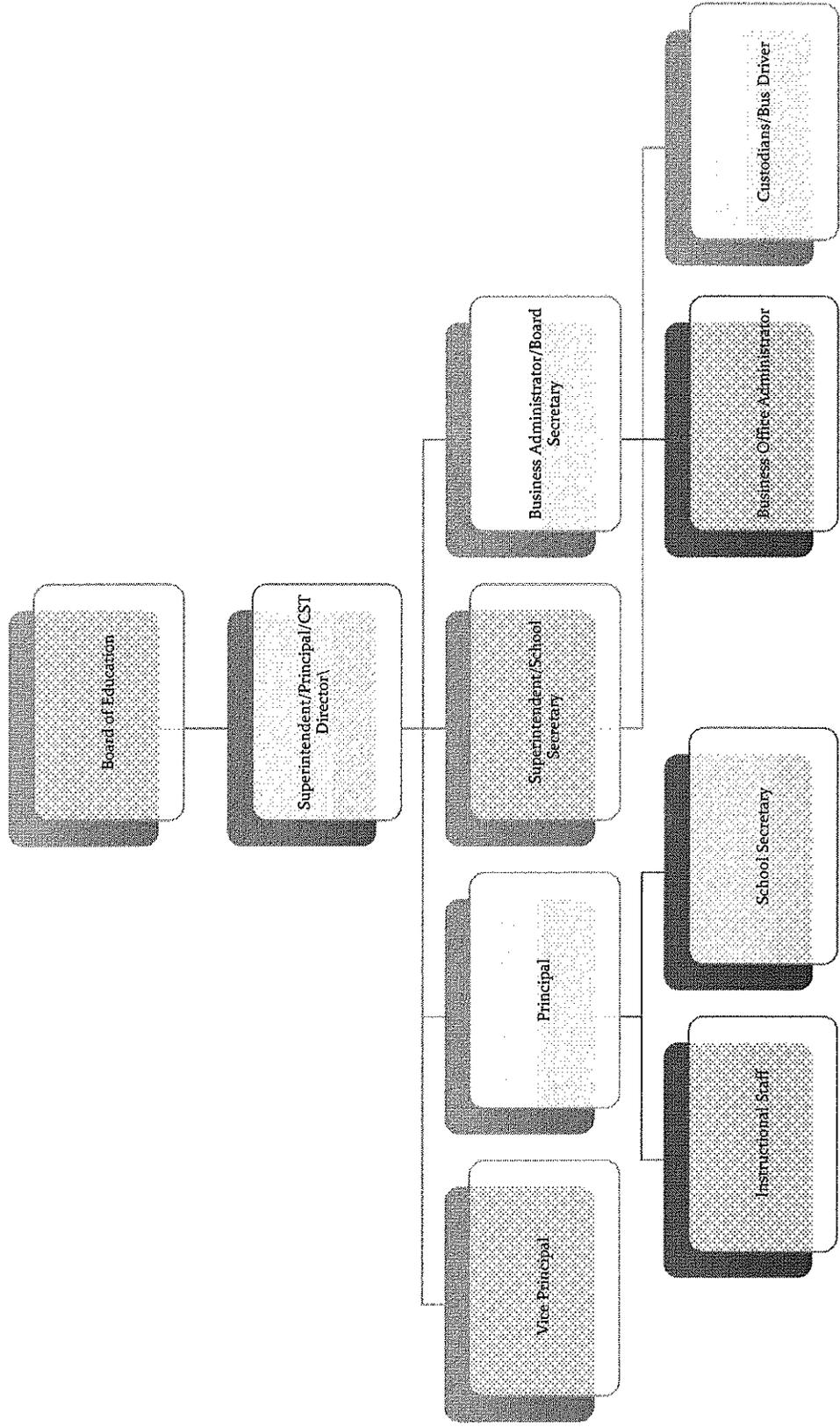


John Petrelli
Interim Superintendent of Schools



Nancy Di Bartolo
Business Administrator/Board Secretary

NORTH HALEDON SCHOOL DISTRICT



NORTH HALEDON BOARD OF EDUCATION
NORTH HALEDON, NEW JERSEY

Consultants and Advisors

Audit Firm

Lerch, Vinci & Higgins
17-17 Route 208
Fair Lawn, New Jersey

Attorney

Viola Lordi, Esq.
Wilentz Goldman & Spitzer P. A.
Woodbridge, New Jersey

Bond Attorney

Mc Manimon & Scotland
One Gateway Center
Newark, New Jersey

Architect

LAN Associates, Inc.
445 Godwin Avenue
Midland Park, New Jersey

Official Depository

Lakeland Bank
Belmont Avenue
North Haledon, NJ 07508

NORTH HALEDON BOARD OF EDUCATION
NORTH HALEDON, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2012

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Michael Jordan, President	2012
Paul Gorga, Vice President	2012
Lisa Antropow	2013
Dorothy Contegiacomo	2014
Peter Dudas	2014
Mary Foti	2012
Renate Lampe	2013
Michelle Melone	2014
Anthony Vaccaro	2013

Other Officials

Donna L. Cardiello, Superintendent/Principal

Nancy Di Bartolo, Business Administrator/Board Secretary

Barbara Veltri, Treasurer of School Monies

Viola Lordi, Esq., Solicitor

FINANCIAL SECTION

LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
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 Haledon Board of Education
North Haledon, 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 Haledon 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.

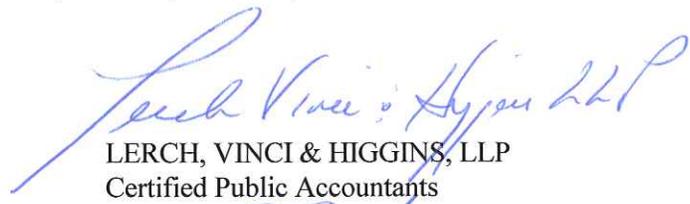
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by 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 Haledon 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 Haledon Board of Education as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

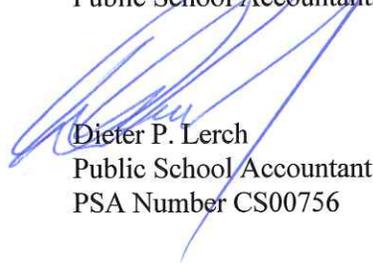
In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2012 on our consideration of the North Haledon Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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 Haledon Board of Education's basic financial statements as a whole. The introductory section, combining 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 have 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 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



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
October 3, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

This discussion and analysis of the North Haledon School District's financial performance provides an overview 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 the notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- District-Wide Financials - Overall revenues were \$11,246,102. General revenues accounted for \$9,469,478 or 85 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,776,624 or 15 percent of total revenues.
- District-Wide Financials - The School District had \$10,873,740 in the "Governmental Activities" expenses; \$1,571,298 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$9,469,306 were adequate to provide for these programs. The Business-Type activities had \$247,253 in expenses and revenues of \$205,498.
- Fund Financials - As of the close of the current fiscal year, the North Haledon Board of Education's governmental funds reported combined ending fund balances of \$961,126, an increase of \$180,090 in comparison with the prior year.
- Fund Financials - At the end of June 30, 2012, unassigned fund balance for the General Fund was \$241,466, a decrease of \$29,053.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the district-wide financial statements, fund financial statements and notes to the financial statements.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the North Haledon Board of Education's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the North Haledon Board of Education, reporting the North Haledon Board of Education's operation in more detail than the district-wide statements.
 - The governmental fund statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.

 - Proprietary fund statements offer short and long-term financial information about the activities the North Haledon Board of Education operates like a business.

 - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Figure A-1 summarizes the major features of the North Haledon Board of Education's financial statements, including the portion of the North Haledon Board of Education's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

Figure A-1 Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as regular, special education, transportation and building maintenance and administration	Activities the district operates similar to private businesses: Food Service
Required financial statements	Statements of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenue, Expenses, and Changes in Fund Net Assets Statement of Cash Flows
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

District-wide Statements

District-wide. The *District-wide financial statements* are designed to provide readers with a broad overview of the North Haledon Board of Education's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the North Haledon Board of Education's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, when assessing the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of the school buildings and other facilities.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

District-wide Statements (Continued)

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental activities*- Most of the District's basic services are included here, such as regular and special education, transportation, maintenance and administration services. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of the District's Food Service Fund.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The District has three kinds of funds:

Governmental funds - The District's basic services are included in the governmental funds, which generally focus on near-term inflows and outflows of spendable resources and the balances of spendable resources at year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide a reconciliation at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund, Special Revenue Fund and Debt Service Fund.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

Fund Financial Statements (Continued)

Proprietary Funds - The District maintains one type of Proprietary Fund, an Enterprise Fund, which is used to report the activity of the Food Service Fund. Proprietary Funds provide the same type of information as the district-wide financial statements and is presented as business-type activities in the district-wide financial statements.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government, such as the Unemployment, Payroll Agency Fund and the Student Activity Funds. Fiduciary Funds are *not* reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS OF THE NORTH HALEDON BOARD OF EDUCATION AS A WHOLE

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net assets. The District's combined net assets were \$7,641,382 on June 30, 2012. (See Table A-1).

A portion of the District's net assets (94 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide regular and special education, transportation, maintenance and administration services. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

**Statement of Net Assets
As of June 30, 2012 and 2011**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 1,052,025	\$ 1,071,697	\$ 41,039	\$ 75,279	\$ 1,093,064	\$ 1,146,976
Capital Assets	<u>27,303,483</u>	<u>27,983,728</u>	<u>56,901</u>	<u>65,976</u>	<u>27,360,384</u>	<u>28,049,704</u>
Total Assets	<u>28,355,508</u>	<u>29,055,425</u>	<u>97,940</u>	<u>141,255</u>	<u>28,453,448</u>	<u>29,196,680</u>
Long-Term Liabilities	20,434,647	21,093,717			20,434,647	21,093,717
Other Liabilities	<u>377,419</u>	<u>585,130</u>	<u>-</u>	<u>1,560</u>	<u>377,419</u>	<u>586,690</u>
Total Liabilities	<u>20,812,066</u>	<u>21,678,847</u>	<u>-</u>	<u>1,560</u>	<u>20,812,066</u>	<u>21,680,407</u>
Net Assets:						
Invested in capital assets, net of related debt	7,197,174	7,085,305	56,901	65,976	7,254,075	7,151,281
Restricted	103	98,270			103	98,270
Unrestricted	<u>346,165</u>	<u>193,003</u>	<u>41,039</u>	<u>73,719</u>	<u>387,204</u>	<u>266,722</u>
Total Net Assets	<u>\$ 7,543,442</u>	<u>\$ 7,376,578</u>	<u>\$ 97,940</u>	<u>\$ 139,695</u>	<u>\$ 7,641,382</u>	<u>\$ 7,516,273</u>

Governmental activities. Governmental activities increased the District's net assets by \$166,864.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

**Table A-2
Changes in Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011**

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues						
Charges for Services	\$ 12,110	\$ 16,273	\$ 148,394	\$ 143,974	\$ 160,504	\$ 160,247
Operating Grants and Contributions	1,414,664	1,140,296	56,932	53,035	1,471,596	1,193,331
Capital Grants and Contributions	144,524	148,304			144,524	148,304
General Revenues						
Property Taxes	9,453,714	9,190,961			9,453,714	9,190,961
Other	15,592	17,655	172	488	15,764	18,143
Federal/State Aid Not Restricted	-	11,259	-	-	-	11,259
Total Revenues	<u>11,040,604</u>	<u>10,524,748</u>	<u>205,498</u>	<u>197,497</u>	<u>11,246,102</u>	<u>10,722,245</u>
Expenses						
Instruction						
Regular	4,733,315	4,535,027			4,733,315	4,535,027
Special Education	1,710,074	2,016,580			1,710,074	2,016,580
Other Instruction	232,737	193,059			232,737	193,059
School Sponsored Activities and Athletics	57,387	29,543			57,387	29,543
Support Services						
Student and Instruction Related Serv.	1,199,127	1,128,038			1,199,127	1,128,038
General Administrative Services	381,580	434,950			381,580	434,950
School Administrative Services	377,641	267,744			377,641	267,744
Plant Operations and Maintenance	720,879	765,954			720,879	765,954
Pupil Transportation	324,312	369,401			324,312	369,401
Central Services	239,716	207,851			239,716	207,851
Food Services			247,253	267,264	247,253	267,264
Interest on Debt and Other Charges	896,972	923,799	-	-	896,972	923,799
Total Expenses	<u>10,873,740</u>	<u>10,871,946</u>	<u>247,253</u>	<u>267,264</u>	<u>11,120,993</u>	<u>11,139,210</u>
Change in Net Assets	166,864	(347,198)	(41,755)	(69,767)	125,109	(416,965)
Net Assets, Beginning of Year	<u>7,376,578</u>	<u>7,723,776</u>	<u>139,695</u>	<u>209,462</u>	<u>7,516,273</u>	<u>7,933,238</u>
Net Assets, End of Year	<u>\$ 7,543,442</u>	<u>\$ 7,376,578</u>	<u>\$ 97,940</u>	<u>\$ 139,695</u>	<u>\$ 7,641,382</u>	<u>\$ 7,516,273</u>

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

Table A-2 Revenues by Source- Governmental Activities
For Fiscal Year 2012

Governmental activities. The District's total governmental revenues were \$11,040,604. The local share of the revenues, that included property taxes, interest, unrestricted state aid and miscellaneous revenue, amounted to \$9,469,306 or 86% of total revenues. Funding from state and federal sources amounted to \$1,571,298 or 14%.

The District's governmental expenses are predominantly related to instruction and support services. Instruction totaled \$6,733,513 (62%), student and other support services totaled \$3,243,255 (30%) and interest on long-term debt total \$896,972 (8%) of total expenditures. (See Table A-4.)

Table A-3 Revenues by Source – Governmental Activities
For Fiscal Year 2012

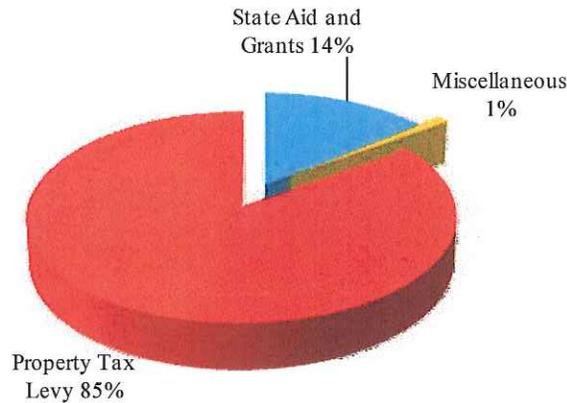
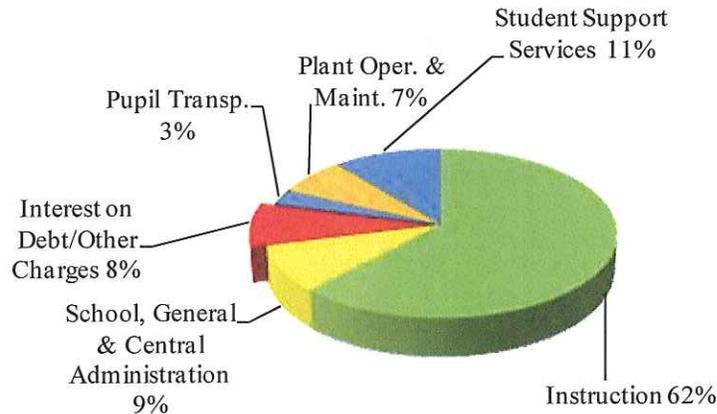


Table A-4 Expenditures by Type- Governmental Activities
For Fiscal Year 2012



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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

**Table A-5
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2012 and 2011**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Governmental Activities				
Instruction				
Regular	\$ 4,733,315	\$ 4,535,027	\$ 4,051,698	\$ 3,819,089
Special Education	1,710,074	2,016,580	1,000,791	1,683,379
Other Instruction	232,737	193,059	167,716	135,159
School Sponsored Activities and Athletics	57,387	29,543	52,697	26,281
Support Services				
Student and Instruction Related Svcs.	1,199,127	1,128,038	1,109,908	975,248
General Administrative Services	381,580	434,950	381,580	434,950
School Administrative Services	377,641	267,744	377,641	267,744
Plant Operations and Maintenance	720,879	765,954	720,879	765,954
Pupil Transportation	324,312	369,401	302,844	327,619
Central Services	239,716	207,851	239,716	207,851
Interest on Debt/Other Charges	<u>896,972</u>	<u>923,799</u>	<u>896,972</u>	<u>923,799</u>
Total Governmental Activities	<u>\$ 10,873,740</u>	<u>\$ 10,871,946</u>	<u>\$ 9,302,442</u>	<u>\$ 9,567,073</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2012 was \$247,253. These costs were funded by operating grants and charges for services and investment earnings (Detailed on Table A-2). The operations resulted in a decrease in net assets of \$41,755.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the District completed the year, its governmental funds reported a combined fund balance of \$961,126. As of June 30, 2011 the fund balance was \$781,036. The major decrease in fund balance is due to a decrease in state aid revenues and the use of budgeted fund balance.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$11,040,604 and expenditures were \$10,860,514.

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>Year Ended June 30,</u>		<u>Amount of</u>	<u>Percent</u>
	<u>2012</u>	<u>2011</u>	<u>Increase</u>	<u>Increase</u>
			<u>(Decrease)</u>	<u>(Decrease)</u>
Local Sources	\$ 9,518,621	\$ 9,224,889	\$ 293,732	2.8%
State Sources	1,276,861	1,063,277	213,584	2.03%
Federal Sources	<u>245,122</u>	<u>236,582</u>	<u>8,540</u>	0.08%
 Total Revenues	 <u>\$ 11,040,604</u>	 <u>\$ 10,524,748</u>	 <u>\$ 515,856</u>	

The major decrease in State sources is the result of state aid deductions.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

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

	<u>Year Ended June 30,</u>		Amount of	Percent
	<u>2012</u>	<u>2011</u>	Increase	Increase
			(Decrease)	(Decrease)
Instruction	\$ 6,066,124	\$ 6,123,921	\$ (57,797)	-0.53%
Undistributed Expenditures	3,191,912	3,126,981	64,931	0.59%
Capital Outlay	45,147	136,458	(91,311)	-0.83%
Debt Service				
Principal	650,000	620,000	30,000	0.27%
Interest	907,331	933,681	(26,350)	-0.24%
	<u> </u>	<u> </u>	<u> </u>	
Total Expenditures	<u>\$ 10,860,514</u>	<u>\$ 10,941,041</u>	<u>\$ (80,527)</u>	

General and Special Revenue Fund

Budgetary Highlights

The District's budget is prepared according to New Jersey law and is based on generally accepted accounting principles on the basis of cash receipts, disbursement and encumbrances. The primary funds are the General Fund and Special Revenue Fund (grants and restricted aid).

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 overexpenditures in specific line item accounts.

Capital Assets and Debt Administration. The North Haledon Board of Education's investment in capital assets for its governmental and business type activities as of June 30, 2012 amounts to \$27,360,384 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, construction in progress and machinery and equipment.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

**Table A-6
Capital Assets
(net of depreciation) at June 30**

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 46,910	\$ 46,910			\$ 46,910	\$ 46,910
Buildings	30,499,074	30,499,074			30,499,074	30,499,074
Machinery and Equipment	<u>1,008,847</u>	<u>963,700</u>	<u>\$ 97,651</u>	<u>\$ 95,601</u>	<u>1,106,498</u>	<u>1,059,301</u>
Total	31,554,831	31,509,684	97,651	95,601	31,652,482	31,605,285
Less: Accumulated Depreciation	<u>4,251,348</u>	<u>3,525,956</u>	<u>40,750</u>	<u>29,625</u>	<u>4,292,098</u>	<u>3,555,581</u>
Total	<u>\$ 27,303,483</u>	<u>\$ 27,983,728</u>	<u>\$ 56,901</u>	<u>\$ 65,976</u>	<u>\$ 27,360,384</u>	<u>\$ 28,049,704</u>

Additional information on North Haledon Board of Education's capital assets can be found in Note 3 of this report.

Debt Administration. As of June 30, 2012 the school district had long-term debt and outstanding long-term liabilities in the amount of \$20,434,647 as stated in Table A-7.

**Table A-7
Long-Term Debt
Outstanding Long-Term Liabilities**

	<u>2012</u>	<u>2011</u>
Bonds Payable	\$ 20,350,000	\$ 21,000,000
Compensated Absences Payable	<u>84,647</u>	<u>93,717</u>
Total	<u>\$ 20,434,647</u>	<u>\$ 21,093,717</u>

Additional information on North Haledon Board of Education's long-term debt can be found in Note 3.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2012**

FOR THE FUTURE

Currently, the District is in superior financial condition. Everyone associated with the North Haledon School District is grateful for the community support of the schools. A major concern is the financial support required to maintain appropriate class sizes and services. This, in an environment of flat state aid support, means an ever-increasing reliance on local property taxes.

In conclusion, the North Haledon School District has committed itself to financial and educational excellence. 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 Haledon Board of Education, 201 Squawbrook Road, North Haledon, NJ 07508.

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 938,071	\$ 34,006	\$ 972,077
Receivables, net			
Receivables from Other Governments	64,502	3,792	68,294
Deferred Charges	43,370		43,370
Inventory		3,241	3,241
Due from Other Funds	6,082		6,082
Capital Assets			
Not Being Depreciated	46,910		46,910
Being Depreciated, net	<u>27,256,573</u>	<u>56,901</u>	<u>27,313,474</u>
Total Assets	<u>28,355,508</u>	<u>97,940</u>	<u>28,453,448</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	41,192	-	41,192
Accrued Interest Payable	329,890		329,890
Unearned Revenue	6,337		6,337
Noncurrent Liabilities			
Due Within One Year	685,000		685,000
Due Beyond One Year	<u>19,749,647</u>	<u>-</u>	<u>19,749,647</u>
Total Liabilities	<u>20,812,066</u>	<u>-</u>	<u>20,812,066</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,197,174	56,901	7,254,075
Restricted for			
Capital Projects	103		103
Debt Service			-
Unrestricted	<u>346,165</u>	<u>41,039</u>	<u>387,204</u>
Total Net Assets	<u>\$ 7,543,442</u>	<u>\$ 97,940</u>	<u>\$ 7,641,382</u>

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

NORTH HALEDON 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
Governmental Activities							
Instruction							
Regular	\$ 4,733,315		\$ 537,093	\$ 144,524	\$ (4,051,698)		\$ (4,051,698)
Special Education	1,710,074		709,283		(1,000,791)		(1,000,791)
Other Instruction	232,737		65,021		(167,716)		(167,716)
School Sponsored Activities and Athletics	57,387		4,690		(52,697)		(52,697)
Support Services							
Student and Instruction Related Services	1,199,127		89,219		(1,109,908)		(1,109,908)
General Administrative Services	381,580				(381,580)		(381,580)
School Administrative Services	377,641				(377,641)		(377,641)
Plant Operations and Maintenance	720,879				(720,879)		(720,879)
Pupil Transportation	324,312	\$ 12,110	9,358		(302,844)		(302,844)
Business Services	239,716				(239,716)		(239,716)
Interest on Debt and Other Charges	896,972				(896,972)		(896,972)
Total Governmental Activities	10,873,740	12,110	1,414,664	144,524	(9,302,442)		(9,302,442)
Business-Type Activities							
Food Service	247,253	\$ 148,394	56,932			\$ (41,927)	(41,927)
Total Business-Type Activities	247,253	148,394	56,932			(41,927)	(41,927)
Total Primary Government	\$ 11,120,993	\$ 160,504	\$ 1,471,596	\$ 144,524	(9,302,442)	(41,927)	(9,344,369)
General Revenues							
Property Taxes					9,453,714		9,453,714
Investment Earnings					2,799	172	2,971
Miscellaneous Income					12,793		12,793
Federal and State Aid not Restricted							
Total General Revenues					9,469,306	172	9,469,478
Change in Net Assets					166,864	(41,755)	125,109
Net Assets, Beginning of Year					7,376,578	139,695	7,516,273
Net Assets, End of Year					\$ 7,543,442	\$ 97,940	\$ 7,641,382

FUND FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 735,998		\$ 201,141	\$ 932	\$ 938,071
Investments					-
Receivables from Other Governments	9,358	\$ 55,144			64,502
Due from Other Funds	<u>45,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,343</u>
Total Assets	<u>\$ 790,699</u>	<u>\$ 55,144</u>	<u>\$ 201,141</u>	<u>\$ 932</u>	<u>\$ 1,047,916</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 29,894				\$ 29,894
Intergovernmental Payable - State		\$ 11,298			11,298
Due to Other Funds		37,509	\$ 820	\$ 932	39,261
Deferred Revenue	<u>-</u>	<u>6,337</u>	<u>-</u>	<u>-</u>	<u>6,337</u>
Total Liabilities	<u>29,894</u>	<u>55,144</u>	<u>820</u>	<u>932</u>	<u>86,790</u>
Fund Balances					
Restricted Fund Balance					
Capital Reserve Account	103				103
Capital Projects			100,321		100,321
Excess Surplus	79,344				79,344
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	150,937				150,937
Committed Fund Balance					-
Year-End Encumbrances	42,870		100,000		142,870
Assigned Fund Balance					
Designated for Subsequent Year's Expenditures	111,577				111,577
Year-end Encumbrances	134,508				134,508
Unassigned Fund Balance					
General Fund	<u>241,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,466</u>
Total Fund Balances	<u>760,805</u>	<u>-</u>	<u>200,321</u>	<u>-</u>	<u>961,126</u>
Total Liabilities and Fund Balances	<u>\$ 790,699</u>	<u>\$ 55,144</u>	<u>\$ 201,141</u>	<u>\$ 932</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 \$31,554,831 and the accumulated depreciation is \$4,251,348.

27,303,483

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is:

(329,890)

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	\$ 20,350,000
Less: Deferred charge for Issuance Costs (to be amortized over the life of the debt)	(43,370)
Compensated Absences Payable	<u>84,647</u>

(20,391,277)

Net assets of governmental activities

\$ 7,543,442

**NORTH HALEDON 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>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 7,994,550			\$ 1,459,164	\$ 9,453,714
Transportation	12,110				12,110
Interest	2,743		\$ 56		2,799
Miscellaneous	12,793	\$ 37,205	-	-	49,998
Total - Local Sources	<u>8,022,196</u>	<u>37,205</u>	<u>56</u>	<u>1,459,164</u>	<u>9,518,621</u>
State Sources	1,111,739	20,598	144,524		1,276,861
Federal Sources	18,369	226,753	-	-	245,122
Total Revenues	<u>9,152,304</u>	<u>284,556</u>	<u>144,580</u>	<u>1,459,164</u>	<u>11,040,604</u>
EXPENDITURES					
Current					
Regular Instruction	4,040,203	20,459			4,060,662
Special Education Instruction	1,549,616	165,722			1,715,338
Other Instruction	192,165	40,572			232,737
School-Sponsored Activities and Athletics	36,789	20,598			57,387
Support Services and Undistributed Costs					
Student and Instruction Related Services	1,176,230				1,176,230
General Administrative Services	389,644				389,644
School Administrative Services	365,589				365,589
Plant Operations and Maintenance	699,858				699,858
Pupil Transportation	320,875				320,875
Business Services	239,716				239,716
Debt Service					
Principal				650,000	650,000
Interest and Other Charges				907,331	907,331
Capital Outlay	7,942	37,205	-	-	45,147
Total Expenditures	<u>9,018,627</u>	<u>284,556</u>	<u>-</u>	<u>1,557,331</u>	<u>10,860,514</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>133,677</u>	<u>-</u>	<u>144,580</u>	<u>(98,167)</u>	<u>180,090</u>
Other Financing Sources					
Transfers In (Out)	56	-	(56)	-	-
Net Change in Fund Balances	133,733	-	144,524	(98,167)	180,090
Fund Balance, Beginning of Year	627,072	-	55,797	98,167	781,036
Fund Balance, End of Year	<u>\$ 760,805</u>	<u>\$ -</u>	<u>\$ 200,321</u>	<u>\$ -</u>	<u>\$ 961,126</u>

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

**NORTH HALEDON 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) \$ 180,090

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 depreciations in the current period.

Capital Outlay	\$ 45,147	
Depreciation Expense	<u>(725,392)</u>	
		(680,245)

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		9,070
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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.		650,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details are as follows:

Decrease in Accrued Interest	10,359	
Amortization of Deferred Charge on Issuance Costs	<u>(2,410)</u>	
		<u>7,949</u>

Change in net assets of governmental activities		<u>\$ 166,864</u>
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NORTH HALEDON BOARD OF EDUCATION
PROPRIETARY FUND
ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

	<u>Enterprise Fund-</u> <u>Food Service</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 34,006
Intergovernmental Receivable	
State	203
Federal	3,589
Inventories	<u>3,241</u>
Total Current Assets	<u>41,039</u>
Capital Assets	
Equipment	97,651
Less: Accumulated Depreciation	<u>(40,750)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>56,901</u>
Total Assets	<u>97,940</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS	
Invested in Capital Assets	56,901
Encumbrances Payable	2,330
Unrestricted	<u>38,709</u>
Total Net Assets	<u><u>\$ 97,940</u></u>

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

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

	Enterprise Fund - Food Service
OPERATING REVENUES	
Charges for Services	
Daily Sales	\$ 148,394
	<hr/>
Total Operating Revenues	148,394
	<hr/>
OPERATING EXPENSES	
Cost of Sales	96,148
Salaries and Wages	112,625
Employee Benefits	7,831
Insurance	4,738
Management Fee	7,600
Supplies and Materials	4,686
Depreciation	11,125
Miscellaneous	2,500
	<hr/>
Total Operating Expenses	247,253
	<hr/>
Operating Loss	(98,859)
	<hr/>
NONOPERATING REVENUES	
Interest Income	172
State Sources	
State School Lunch Program	2,401
Federal Sources	
National School Lunch Program	42,876
Special Milk Program	71
Commodities - Food Distribution Program	11,584
	<hr/>
Total Nonoperating Revenues	57,104
	<hr/>
Change in Net Assets	(41,755)
	<hr/>
Net Assets, Beginning of Year	139,695
	<hr/>
Net Assets, End of Year	\$ 97,940
	<hr/> <hr/>

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

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

	Other Non-Major Enterprise Fund - Food Service
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 148,394
Cash Payments for Employees' Salaries and Benefits	(120,456)
Cash Payments to Suppliers for Goods and Services	<u>(118,581)</u>
Net Cash Provided by/(Used for) Operating Activities	<u>(90,643)</u>
Cash Flows from Investing Activities	
Interest Income	<u>172</u>
Net Cash Provided by Investing Financing Activities	<u>172</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	<u>(2,050)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(2,050)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>56,822</u>
Net Cash Provided by Noncapital Financing Activities	<u>56,822</u>
Net Increase in Cash and Cash Equivalents	(35,699)
Cash and Cash Equivalents, Beginning of Year	<u>69,705</u>
Cash and Cash Equivalents, End of Year	<u>\$ 34,006</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ <u>(98,859)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities	
Depreciation	11,125
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	(1,560)
(Increase)/Decrease in Inventory	<u>(1,349)</u>
Total Adjustments	<u>8,216</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (90,643)</u>
Non-Cash Investing Capital and Financing Activities	
Value Received for Food Distribution Program	<u>\$ 11,584</u>

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

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

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 9,196	\$ 71,983
Total Assets	<u>9,196</u>	<u>\$ 71,983</u>
LIABILITIES		
Payroll Deductions and Withholdings		\$ 11,227
Accrued Salaries and Wages		2,302
Due to State of New Jersey	\$ 19	
Due to General Fund	6,082	
Due to Student Groups	<u>.</u>	<u>58,454</u>
Total Liabilities	<u>6,101</u>	<u>\$ 71,983</u>
NET ASSETS		
Held in Trust for Unemployment Claims	<u>\$ 3,095</u>	

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

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

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
Employees	\$ 14,320
Board Contribution	36,500
Interest	<u>34</u>
Total Additions	<u>50,854</u>
DEDUCTIONS	
Unemployment Claims and Contributions	<u>51,162</u>
Total Deductions	<u>51,162</u>
Change in Net Assets	(308)
Net Assets, Beginning of Year	<u>3,403</u>
Net Assets, End of Year	<u>\$ 3,095</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH HALEDON 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 Haledon 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 nine 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 Haledon 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 HALEDON 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 on 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 and enterprise 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 HALEDON 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 and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds.

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 major 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 food service to students as well as a la carte and catering services for teachers and special events.

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, investment earnings and miscellaneous revenues.

**NORTH HALEDON 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)

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. Federal and State subsidies for the food service operation are considered nonoperating revenues.

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 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 1st 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.

**NORTH HALEDON 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)

3. Inventories

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA.

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	40
Building Improvements	20
Machinery and Equipment	5-10

5. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal and 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. Proprietary Funds accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. 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.

**NORTH HALEDON 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)

6. *Long-term obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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.

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.

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.

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.)

**NORTH HALEDON 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)

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.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2012/2013 District budget certified for taxes.

Year-End Encumbrances – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustees 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.

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

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 \$316,201. The increase was funded by grant awards and the reappropriation of prior year general fund encumbrances.

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. The Board did not elect to move its annual election to the date of the general elections.

**NORTH HALEDON 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 (Continued)

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.

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. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Special Education			
Multiple Disabilities			
Other Salaries for Instruction	\$48,689	\$62,785	(\$14,096)

The above variances were offset with other available resources.

C. Capital Reserve

A capital reserve account was established by the District on September 27, 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.

**NORTH HALEDON 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. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2012 is as follows:

Balance July 1, 2011	<u>\$ 103</u>
Balance June 30, 2012	<u>\$ 103</u>

The June 30, 2012 LRF balance of local support costs of uncomplete capital project is \$1.

D. 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 \$230,281. Of this amount, \$150,937 was designated and appropriated in the 2012/2013 original budget certified for taxes and the remaining amount of \$79,344 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 \$1,053,256 and bank balances of the Board's cash and deposits amounted to \$1,227,687. The Board's deposits which are displayed on the balance sheets and statement of net assets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	<u>\$ 1,227,687</u>

**NORTH HALEDON 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)

A. Deposits and Investments (Continued)

Investments (Continued)

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 investments.

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

Investment and interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with Board policy.

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>General Fund</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 9,358	\$ 55,144	\$ 3,792	\$ 68,294
Gross Receivables	9,358	55,144	3,792	68,294
Less: Allowance for Uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 9,358</u>	<u>\$ 55,144</u>	<u>\$ 3,792</u>	<u>\$ 68,294</u>

**NORTH HALEDON 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 (Continued)

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, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ <u>6,337</u>
 Total Deferred Revenue for Governmental Funds	 \$ <u>6,337</u>

C. Capital Assets

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

	Balance, <u>July 1, 2011</u>	<u>Increases</u>	<u>Decrease</u>	<u>Adjustments</u>	Balance, <u>June 30, 2012</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ <u>46,910</u>	-	-	-	\$ <u>46,910</u>
 Total capital assets, not being depreciated	 <u>46,910</u>	 -	 -	 -	 <u>46,910</u>
 Capital assets, being depreciated:					
Buildings	30,499,074			-	30,499,074
Machinery and equipment	<u>963,700</u>	\$ <u>45,147</u>	-	-	<u>1,008,847</u>
Total capital assets being depreciated	<u>31,462,774</u>	<u>45,147</u>	-	-	<u>31,507,921</u>
 Less accumulated depreciation for:					
Buildings	(3,225,868)	(646,293)			(3,872,161)
Machinery and equipment	<u>(300,088)</u>	<u>(79,099)</u>	-	-	<u>(379,187)</u>
Total accumulated depreciation	<u>(3,525,956)</u>	<u>(725,392)</u>	-	-	<u>(4,251,348)</u>
 Total capital assets, being depreciated, net	 <u>27,936,818</u>	 <u>(680,245)</u>	 -	 -	 <u>27,256,573</u>
 Governmental activities capital assets, net	 <u>\$ 27,983,728</u>	 <u>\$ (680,245)</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 27,303,483</u>

**NORTH HALEDON 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, <u>July 1, 2011</u>	<u>Increases</u>	<u>Decrease</u>	<u>Adjustments</u>	Balance, <u>June 30, 2012</u>
Business-type activities:					
Capital assets, being depreciated:					
Machinery and equipment	\$ 95,601	\$ 2,050	-	-	\$ 97,651
Total capital assets being depreciated	<u>95,601</u>	<u>2,050</u>	<u>-</u>	<u>-</u>	<u>97,651</u>
Less accumulated depreciation for:					
Machinery and equipment	(29,625)	(11,125)	-	-	(40,750)
Total accumulated depreciation	<u>(29,625)</u>	<u>(11,125)</u>	<u>-</u>	<u>-</u>	<u>(40,750)</u>
Total capital assets, being depreciated, net	<u>65,976</u>	<u>(9,075)</u>	<u>-</u>	<u>-</u>	<u>56,901</u>
Business-type activities capital assets, net	<u>\$ 65,976</u>	<u>\$ (9,075)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,901</u>

**NORTH HALEDON 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)

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

Governmental Activities:	
Instruction	
Regular	\$ 654,402
Total Instruction	<u>654,402</u>
Support Services	
Support Services-Students	22,897
General Administration	8,084
School Administration	12,052
Pupil Transportation	3,437
Operations and Maintenance of Plant	<u>24,520</u>
Total Support Services	<u>70,990</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 725,392</u>
Business-Type Activities:	
Food Service Fund	<u>\$ 11,125</u>

Construction Commitments

The District has the following active construction projects as of June 30, 2012:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Construction of New Memorial School and High Mountain Expansion	<u>\$ 30,141,954</u>	<u>\$ 100,000</u>

**NORTH HALEDON 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 Fund	\$ 37,509
General Fund	Capital Projects Fund	820
General Fund	Debt Service Fund	932
General Fund	Unemployment Fund	<u>6,082</u>
		<u>\$ 45,343</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

	<u>Transfer In:</u>	
	<u>General Fund</u>	<u>Total</u>
Transfer Out:		
Capital Projects Fund	<u>\$ 56</u>	<u>\$ 56</u>
	<u>\$ 56</u>	<u>\$ 56</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**NORTH HALEDON 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

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 are comprised of the following issues:

\$22,835,000, 2005 Bonds, due in annual installments of \$685,000 to \$1,575,000 through February 15, 2030, interest at 4.250% to 4.375%	<u>\$ 20,350,000</u>
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Intergovernmental Loan Payable

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

Governmental Activities:

Fiscal Year Ending June 30,	Serial Bonds		Total
	Principal	Interest	
2013	\$ 685,000	\$ 879,706	\$ 1,564,706
2014	715,000	850,594	1,565,594
2015	750,000	820,206	1,570,206
2016	785,000	788,331	1,573,331
2017	820,000	754,969	1,574,969
2017-2021	4,730,000	3,217,244	7,947,244
2022-2026	5,980,000	2,096,719	8,076,719
2027-2031	<u>5,885,000</u>	<u>658,654</u>	<u>6,543,654</u>
	<u>\$ 20,350,000</u>	<u>\$ 10,066,423</u>	<u>\$ 30,416,423</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:

3% of Equalized Valuation Basis (Municipal)	\$ 42,905,067
Less: Net Debt	<u>20,350,283</u>
Remaining Borrowing Power	<u>\$ 22,554,784</u>

**NORTH HALEDON 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:

	Balance, July 1, 2011	Additions	Reductions	Balance, June 30, 2012	Due Within One Year
Governmental activities:					
Bonds Payable	\$ 21,000,000		\$ 650,000	\$ 20,350,000	\$ 685,000
Compensated Absences	93,717	\$ 15,840	24,910	84,647	-
Governmental Activity Long-Term Liabilities	<u>\$ 21,093,717</u>	<u>\$ 15,840</u>	<u>\$ 674,910</u>	<u>\$ 20,434,647</u>	<u>\$ 685,000</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 commercial 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 Pooled Insurance Program. The Program 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.

The Pooled Insurance Program provide 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 respective insurance funds are 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.

**NORTH HALEDON 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 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:

Fiscal Year Ended <u>June 30,</u>	Employee <u>Contributions</u>	District <u>Contribution</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2012	\$ 14,320	\$ 36,500	\$ 51,162	\$ 3,095
2011	13,185	-	18,033	3,403
2010	2,103	16,000	27,378	8,203

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, 2011, the District had no estimated arbitrage earnings due to the IRS. The accrued liability for estimated arbitrage of \$300,907 was remitted to the IRS in January, 2011.

**NORTH HALEDON 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.

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.

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 HALEDON 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 $\frac{1}{4}$ 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 HALEDON 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)

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.

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.

**NORTH HALEDON 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)

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)) the following amounts:

<u>Year Ended</u> <u>June 30,</u>	<u>PERS</u>	<u>On-behalf</u> <u>TPAF</u>
2012	\$ 74,081	\$ 135,937
2011	90,571	12,988
2010	50,547	13,071

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 \$135,937 during 2011/2012 for normal cost pension, accrued liability and the NCGI premium. For fiscal years 2010/2011 and 2009/2010, the State contributed \$12,988 and \$13,071, 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 \$332,612 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.

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.

**NORTH HALEDON 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)

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 514 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.

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 HALEDON 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 HALEDON 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)

Post-Retirement Medical Benefits Contributions (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 \$273,271, \$275,872 and \$245,484, 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.

BUDGETARY COMPARISON SCHEDULES

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
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>
REVENUES					
Local Sources					
Local Tax Levy	\$ 7,994,550		\$ 7,994,550	\$ 7,994,550	
Transportation	16,000		16,000	12,110	\$ (3,890)
Interest			-	2,743	2,743
Miscellaneous Revenue	6,259	-	6,259	12,793	6,534
Total Local Sources	8,016,809	-	8,016,809	8,022,196	5,387
State Sources					
Special Education Aid	203,879	\$ 83,516	287,395	287,395	
Additional Nonpublic Transportation Aid				9,358	9,358
Extraordinary Aid				87,159	87,159
On-behalf TPAF Pension System Payments - Normal Cost (Non-Budget)				122,763	122,763
On-behalf TPAF Pension System Payments - NCGI Premium (Non-Budget)				13,174	13,174
On-behalf TPAF Pension System Payments - Post Retirement Medical Contribution (Non-Budget)				273,271	273,271
Reimbursed TPAF Social Security Payments (Non-Budget)	-	-	-	332,612	332,612
Total State Sources	203,879	83,516	287,395	1,125,732	838,337
Federal Sources					
Education Jobs Fund	17,811	558	18,369	18,369	-
Total Federal Sources	17,811	558	18,369	18,369	-
Total Revenues	8,238,499	84,074	8,322,573	9,166,297	843,724
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	247,832	66,070	313,902	313,902	
Grades 1-5	1,304,343	(43,621)	1,260,722	1,257,459	3,263
Grades 6-8	990,906	37,724	1,028,630	1,025,366	3,264
Regular Program - Home Instruction					
Salaries of Teachers	1,000	35	1,035	1,035	
Regular Programs - Undistributed Instruction					
Purchased Professional/Educational Services	18,000	(1,078)	16,922	16,922	
Purchased Technical Services	30,000	(1,462)	28,538	28,538	
Other Purchased Services	32,000	3,086	35,086	33,614	1,472
Travel	935	(683)	252	252	
General Supplies	150,000	8,921	158,921	103,210	55,711
Textbooks	5,000	32,462	37,462	1,093	36,369
Total Regular Programs	2,780,016	101,454	2,881,470	2,781,391	100,079

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
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>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 155,749	\$ (17,380)	\$ 138,369	\$ 138,369	
Other Salaries for Instruction	42,435	849	43,284	43,284	
Purchased Professional-Educational Services	1,000	(1,000)			
Other Purchased Services	125	(125)			
General Supplies	1,200	165	1,365	1,023	\$ 342
Total Learning and/or Language Disabilities	<u>200,509</u>	<u>(17,491)</u>	<u>183,018</u>	<u>182,676</u>	<u>342</u>
Multiple Disabilities					
Salaries of Teachers	55,280	85,060	140,340	133,068	7,272
Other Salaries for Instruction	89,602	(40,913)	48,689	62,785	(14,096)
Purchased Professional-Educational Services	10,000	7,111	17,111	17,111	
Other Purchased Services	125	(125)			
General Supplies	1,735	3,432	5,167	4,935	232
Total Multiple Disabilities	<u>156,742</u>	<u>54,565</u>	<u>211,307</u>	<u>217,899</u>	<u>(6,592)</u>
Special Education					
Resource Room					
Salaries of Teachers	403,533	(51,150)	352,383	352,383	
Other Purchased Services	125	(125)			
General Supplies	1,500	2,528	4,028	4,020	8
Total Resource Room	<u>405,158</u>	<u>(48,747)</u>	<u>356,411</u>	<u>356,403</u>	<u>8</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	55,925	360	56,285	56,285	
Other Salaries for Instruction	48,025	61,200	109,225	105,872	3,353
Purchased Professional-Educational Services	25,000	(9,452)	15,548	12,713	2,835
Other Purchased Services	200	(200)			
General Supplies	1,200	(361)	839	635	204
Total Preschool Disabilities - Part-Time	<u>130,350</u>	<u>51,547</u>	<u>181,897</u>	<u>175,505</u>	<u>6,392</u>
Special Education					
Home Instruction					
Salaries of Teachers	1,000	(1,000)	-	-	-
Total Preschool Disabilities - Part-Time	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Special Education	<u>893,759</u>	<u>38,874</u>	<u>932,633</u>	<u>932,483</u>	<u>150</u>

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
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>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Basic Skills/Remedial					
Salaries of Teachers	\$ 77,611	\$ 51,363	\$ 128,974	\$ 128,974	
General Supplies	200	177	377	377	-
Total Basic Skills/Remedial	<u>77,811</u>	<u>51,540</u>	<u>129,351</u>	<u>129,351</u>	<u>-</u>
Bilingual Education					
Salaries of Teachers	3,500		3,500	3,500	
General Supplies	100	(100)	-	-	-
Total Bilingual Education	<u>3,600</u>	<u>(100)</u>	<u>3,500</u>	<u>3,500</u>	<u>-</u>
School Sponsored Cocurricular Activities					
Salaries	25,000	583	25,583	25,411	\$ 172
Total School Sponsored Cocurricular Activities	<u>25,000</u>	<u>583</u>	<u>25,583</u>	<u>25,411</u>	<u>172</u>
Total Instruction	<u>3,780,186</u>	<u>192,351</u>	<u>3,972,537</u>	<u>3,872,136</u>	<u>100,401</u>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State-Special	40,564	45,590	86,154	76,049	10,105
Tuition to CSSD & Reg. Day Schools	58,590	16,710	75,300	75,300	
Tuition to Priv. Sch. for the Handicap					
Within the State	66,708		66,708	66,376	332
Tuition - Other	15,132	(15,132)	-	-	-
Total Undistributed Expenditures - Instruction	<u>180,994</u>	<u>47,168</u>	<u>228,162</u>	<u>217,725</u>	<u>10,437</u>
Health Services					
Salaries	127,430	6,233	133,663	130,423	3,240
Purchased Professional and Technical Services	1,000		1,000	1,000	
Other Purchased Services	100	(64)	36	36	
Supplies and Materials	1,500	709	2,209	2,190	19
Total Health Services	<u>130,030</u>	<u>6,878</u>	<u>136,908</u>	<u>133,649</u>	<u>3,259</u>
Other Support Serv. Students - Related Serv.					
Salaries	197,840	(8,652)	189,188	183,976	5,212
Purchased Services		16,158	16,158	16,158	
Supplies and Materials	700		700	435	265
Other Objects	200	-	200	-	200
Total Other Support Serv. Students - Related Serv.	<u>198,740</u>	<u>7,506</u>	<u>206,246</u>	<u>200,569</u>	<u>5,677</u>

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
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>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Other Support Serv. Students - Extra. Svcs.					
Salaries	\$ 56,714	\$ 707	\$ 57,421	\$ 57,421	
Purchased Professional-Educational Services	35,000	9,667	44,667	44,667	
Supplies and Materials	1,000	1,565	2,565	2,565	-
Total Other Support Serv. Students - Extra Svcs.	92,714	11,939	104,653	104,653	-
Other Support Services-Students-Guidance					
Other Purchased Prof. And Tech. Services					
Supplies and Materials	-	-	-	-	-
Total Other Support Services - Students - Guidance	-	-	-	-	-
Other Support Services-Students-Child Study Teams					
Salaries of Other Professional Staff	225,134	109	225,243	225,243	
Purchased Professional - Educational Services	4,300	1,539	5,839	5,839	
Misc. Purchased Services	250	(131)	119	119	
Supplies and Materials	1,500	682	2,182	2,182	
Other Objects	1,200	210	1,410	1,410	-
Total Other Support Services - Students - Special Services	232,384	2,409	234,793	234,793	-
Improvement of Instructional Services					
Salaries of Supervisors of Instruction					
	25,075	(25,075)			
Other Purchased Services	100	17	117	117	
Supplies and Materials	500	(500)			
Other Objects	1,100	(1,100)	-	-	-
Total Improvement of Instructional Services	26,775	(26,658)	117	117	-
Educational Media Services/School Library					
Salaries	149,789		149,789	149,789	
Purchased Professional and Technical Services	18,700	(1,155)	17,545	17,545	
Other Purchased Services	125		125	125	
Supplies and Materials	10,300	(189)	10,111	10,012	\$ 99
Other Objects	850	(85)	765	749	16
Total Educational Media Serv./School Library	179,764	(1,429)	178,335	178,220	115
Staff Training Services					
Purchased Professional/Educational Services					
	38,168	3,200	41,368	36,626	4,742
Total Staff Training Services	38,168	3,200	41,368	36,626	4,742

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
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>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Support Services General Administration					
Salaries	\$ 140,615	\$ 11,283	\$ 151,898	\$ 151,631	\$ 267
Legal Services	30,000	8,493	38,493	37,468	1,025
Audit Fees	21,000	20,345	41,345	21,245	20,100
Other Purchased Professional Services	1,800	1,702	3,502	3,502	
Purchased Technical Services	7,500	(585)	6,915	6,915	
Communications/Telephone	45,000	(4,933)	40,067	40,067	
Travel		963	963	963	
BOE Other Purchased Services	2,000	5,370	7,370	870	6,500
Other Purchased Services	28,750	(8,890)	19,860	19,759	101
General Supplies	4,000	(2,236)	1,764	1,702	62
BOE In-House Training/Meeting Supplies	100	(100)			
Miscellaneous Expenditures	2,000	10,630	12,630	12,630	
BOE Membership Dues and Fees	4,003	736	4,739	4,739	-
Total Support Services General Administration	286,768	42,778	329,546	301,491	28,055
Support Services School Administration					
Salaries of Principal/Asst. Principals	168,500	7,510	176,010	176,010	
Salaries of Secretarial and Clerical Assistants	98,988	(9,350)	89,638	89,638	
Purchased Professional/Tech. Services	500	(425)	75	75	
Other Purchased Services	250	(137)	113	113	
Supplies and Materials	2,000	2,761	4,761	4,577	184
Other Objects	1,500	8,564	10,064	9,380	684
Total Support Services School Administration	271,738	8,923	280,661	279,793	868
Central Services					
Salaries	146,100	2,255	148,355	148,355	
Purchased Professional Services	22,000	2,459	24,459	22,459	2,000
Purchased Technical Services	5,000	(300)	4,700	4,700	
Misc. Purchased Services - Lease	4,200	(453)	3,747	3,747	
Supplies and Materials	1,450	1,173	2,623	2,623	
Miscellaneous Expenditures	1,800	(101)	1,699	1,699	-
Total Central Services	180,550	5,033	185,583	183,583	2,000
Administration Information Technology					
Purchased Technical Services	5,000	3,219	8,219	8,219	-
Total Administration Information Technology	5,000	3,219	8,219	8,219	-
Required Maintenance for School Facilities					
Salaries	86,394	(11,537)	74,857	74,857	
Cleaning, Repair and Maint. Serv.	30,000	4,565	34,565	29,277	5,288
General Supplies	2,000	7,863	9,863	4,320	5,543
Miscellaneous Expenditures	-	-	-	-	-
Total Required Maintenance for School Facilities	118,394	891	119,285	108,454	10,831

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
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>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Other Operation and Maintenance of Plant					
Salaries	\$ 180,316	\$ (32,758)	\$ 147,558	\$ 143,558	\$ 4,000
Purchased Prof. And Technical Serv.	25,000	(8,334)	16,666	16,267	399
Cleaning, Repair and Maintenance	3,000	30,760	33,760	25,705	8,055
Other Purchased Property Services	5,000	(332)	4,668	4,668	
Insurance	80,000	(6,654)	73,346	73,346	
Miscellaneous Purchased Services	2,000	(2,000)			
General Supplies	35,000	521	35,521	35,521	
Energy (Heat and Electricity)	260,000	(33,482)	226,518	211,813	14,705
Total Other Operation and Maintenance of Plant	590,316	(52,279)	538,037	510,878	27,159
Security					
General Supplies	25,000	-	25,000	9,985	15,015
Total Security	25,000	-	25,000	9,985	15,015
Student Transportation Services					
Salaries of Non-Instructional Aides	9,946	1,756	11,702	11,702	
Salaries for Pupil Transportation (Between Home and School) - Special	48,617	(8,967)	39,650	38,974	676
Management fees- ESC & CTSA Transportation	5,000	(475)	4,525	4,315	210
Cleaning, Repair and Maintenance Services	7,000		7,000	3,043	3,957
Contract Services -(Bet. Home and School) Vend.	65,957	4,059	70,016	63,652	6,364
Contracted Serv.-(Bet. Home and Sch.) Joint Agr.	150,000	(41,200)	108,800	103,166	5,634
Contracted Services (Spl. Ed. Students) - ESCs & CTS	61,320	23,832	85,152	78,587	6,565
Miscellaneous Expenditures	-	1,070	1,070	1,069	1
Total Student Transportation Services	347,840	(19,925)	327,915	304,508	23,407
Unallocated Benefits - Employee Benefits					
Social Security Contributions	68,000	4,400	72,400	72,317	83
Other Retirement Contributions-Regular	80,000	(5,919)	74,081	74,081	
Unemployment Compensation	15,000	21,500	36,500	36,500	
Workmen's Compensation	60,594	(1,500)	59,094	55,168	3,926
Health Benefits	1,354,649	(77,626)	1,277,023	1,266,994	10,029
Tuition Reimbursement	24,500		24,500	21,600	2,900
Other Employee Benefits	22,500	(2,500)	20,000	17,625	2,375
Total Unallocated Benefits - Employee Benefits	1,625,243	(61,645)	1,563,598	1,544,285	19,313
On-behalf TPAF Pension System Payments -					
Normal Cost (Non-Budget)				122,763	(122,763)
On-behalf TPAF Pension System Payments -					
NCCI Premium (Non-Budget)				13,174	(13,174)
On-behalf TPAF Pension System Payments -					
Post-Retirement Medical Contribution (Non-Budget)				273,271	(273,271)
Reimbursed TPAF Social Security Payments (Non-Budget)	-	-	-	332,612	(332,612)
Total Undistributed Expenditures	4,530,418	(21,992)	4,508,426	5,099,368	(590,942)
Total Expenditures - Current Expenditures	8,310,604	170,359	8,480,963	8,971,504	(490,541)

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
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>
EXPENDITURES					
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures - Non - Instructional		\$ 7,942	\$ 7,942	\$ 7,942	
Facilities Acquisition and Construction Services					
Other Objects	\$ 39,181	-	39,181	39,181	-
Total Capital Outlay	39,181	7,942	47,123	47,123	-
Total Expenditures	\$ 8,349,785	178,301	8,528,086	9,018,627	\$ (490,541)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(111,286)	(94,227)	(205,513)	147,670	353,183
Other Finance Sources					
Transfers In				56	56
Fund Balance, Beginning of Year	718,130	-	718,130	718,130	-
Fund Balance, End of Year	\$ 606,844	\$ (94,227)	\$ 512,617	\$ 865,856	\$ 353,239
Recapitulation of Fund Balance					
Restricted					
Capital Reserve				\$ 103	
Excess Surplus				79,344	
Excess Surplus - Designated for Subsequent Year's Expenditures				150,937	
Committed					
Year-End Encumbrances				42,870	
Assigned					
Year-End Encumbrances				134,508	
Designated for Subsequent Year's Expenditures				111,577	
Unassigned				346,517	
Reconciliation to Governmental Funds Statements (GAAP):				865,856	
Less: Final State Aid Payments Not Recognized on GAAP Basis				(105,051)	
Fund Balance Per Governmental Funds (GAAP)				\$ 760,805	

EXHIBIT C-1a

NORTH HALEDON BOARD OF EDUCATION
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

NOT APPLICABLE

EXHIBIT C-1b

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - EDUCATION JOBS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES					
Federal Sources					
Education Jobs Fund	\$ 17,811	\$ 558	\$ 18,369	\$ 18,369	-
Total Revenues	\$ 17,811	\$ 558	\$ 18,369	\$ 18,369	\$ -
EXPENDITURES					
CURRENT EXPENDITURES					
Special Education					
Multiple Disabilities					
Other Salaries for Instruction	\$ 17,811	\$ 558	\$ 18,369	\$ 18,369	-
Total Expenditures	17,811	558	18,369	18,369	-
Total Expenditures	\$ 17,811	\$ 558	\$ 18,369	\$ 18,369	\$ -

**NORTH HALEDON BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) 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>
REVENUES					
Intergovernmental					
Local		\$ 37,285	\$ 37,285	\$ 37,205	\$ (80)
State		47,799	47,799	21,553	(26,246)
Federal	\$ 201,536	35,005	236,541	232,018	(4,523)
Total Revenues	<u>201,536</u>	<u>120,089</u>	<u>321,625</u>	<u>290,776</u>	<u>(30,849)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	35,022	(2,962)	32,060	32,060	
Purchased Professional/Educational Services		47,799	47,799	21,553	26,246
Tuition	140,017	13,422	153,439	153,439	
Other Purchased Services		8,415	8,415	8,415	
General Supplies	8,287	2,108	10,395	10,390	5
Total Instruction	<u>183,326</u>	<u>68,782</u>	<u>252,108</u>	<u>225,857</u>	<u>26,251</u>
Support Services					
Personal Services-Employee Benefits		10,930	10,930	6,412	4,518
Purchased Professional/Educational Services	18,210	3,092	21,302	21,302	-
Total Support Services	<u>18,210</u>	<u>14,022</u>	<u>32,232</u>	<u>27,714</u>	<u>4,518</u>
Facilities Acquisition and Construction					
Instructional Equipment	-	37,285	37,285	37,205	80
Total Facilities Acq. and Construction	<u>-</u>	<u>37,285</u>	<u>37,285</u>	<u>37,205</u>	<u>80</u>
Total Expenditures	<u>201,536</u>	<u>120,089</u>	<u>321,625</u>	<u>290,776</u>	<u>30,849</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTH HALEDON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
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 Funds 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.

	General Fund		Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 9,166,297	(C-2)	\$ 290,776
Difference - Budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.			
Encumbrances, June 30, 2012			(6,220)
State Aid payment recognized for GAAP purposes, not recognized for Budgetary statements (2010/2011 State Aid)	91,058		
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements (2011/2012 State Aid)	<u>(105,051)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 9,152,304</u>		<u>\$ 284,556</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 9,018,627	(C-2)	\$ 290,776
Differences - Budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.			
Encumbrances, June 30, 2012	<u>-</u>		<u>(6,220)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 9,018,627</u>		<u>\$ 284,556</u>

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

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

	NCLB Title I	NCLB Title II.A	NCLB Title III	IDEIA Part B, Basic	IDEIA Part B, Preschool	PTO Donations	Compensatory Education	Total Exhibit E-1a	Total 2012
REVENUES									
Intergovernmental						\$ 37,205			\$ 37,205
Local	\$ 40,572	\$ 19,202	\$ 1,257	\$ 162,572	\$ 8,415	-	\$ 14,311	\$ 7,242	21,553
State									232,018
Federal									
Total Revenues	\$ 40,572	\$ 19,202	\$ 1,257	\$ 162,572	\$ 8,415	\$ 37,205	\$ 14,311	\$ 7,242	\$ 290,776
EXPENDITURES									
Instruction									
Salaries of Teachers	\$ 32,060								\$ 32,060
Purchased Professional/Educational Services				\$ 153,439			\$ 14,311	\$ 7,242	21,553
Tuition					\$ 8,415				153,439
Other Purchased Services			\$ 1,257	9,133					8,415
General Supplies									10,390
Total Instruction	32,060	-	1,257	162,572	8,415	-	14,311	7,242	225,857
Support Services									
Purchased Professional/Educational Services	2,100	\$ 19,202							21,302
Personal Services - Employee Benefits	6,412								6,412
Total Support Services	8,512	19,202							27,714
Facilities Acquisition and Construction									
Non - Instructional Equipment						\$ 37,205			37,205
Total Facilities Acq. and Construction						37,205			37,205
Transfer to Charter School									
Total Expenditures	\$ 40,572	\$ 19,202	\$ 1,257	\$ 162,572	\$ 8,415	\$ 37,205	\$ 14,311	\$ 7,242	\$ 290,776

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

	Initial Exam. & Class	Supple- mental Instruction	Corrective Speech	Exhibit E-1a Total 2012
REVENUES				
Intergovernmental	\$ 4,347	\$ 2,105	\$ 790	\$ 7,242
State	<u>4,347</u>	<u>2,105</u>	<u>790</u>	<u>7,242</u>
Total Revenues				
	\$ 4,347	\$ 2,105	\$ 790	\$ 7,242
EXPENDITURES				
Instruction	\$ 4,347	\$ 2,105	\$ 790	\$ 7,242
Purchased Professional/Educational Services	<u>4,347</u>	<u>2,105</u>	<u>790</u>	<u>7,242</u>
Total Instruction				
	\$ 4,347	\$ 2,105	\$ 790	\$ 7,242
Total Expenditures				

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

NOT APPLICABLE

CAPITAL PROJECTS FUND

NORTH HALEDON BOARD OF EDUCATION
 CAPITAL PROJECTS FUND
 SUMMARY SCHEDULE OF PROJECT EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Project Description</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Balance, June 30, 2012</u>
		<u>Prior Years</u>	<u>Current Year</u>	
High Mountain School Expansion	\$ 11,987,451	\$ 11,972,181		\$ 15,270
Construction of Memorial School	<u>18,355,107</u>	<u>18,169,773</u>	\$ -	<u>185,334</u>
	<u>\$ 30,342,558</u>	<u>\$ 30,141,954</u>	<u>\$ -</u>	<u>\$ 200,604</u>
Appropriation Balance June 30, 2012				\$ 200,604
Less: Bond Authorizations Not Issued				<u>283</u>
Fund Balance, Budgetary Basis				<u>\$ 200,321</u>

**NORTH HALEDON BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

REVENUES AND OTHER FINANCING SOURCES	
Interest on Investments	\$ <u>56</u>
Total Revenues and Other Financing Sources	<u>56</u>
EXPENDITURES AND OTHER FINANCING USES	
Construction Costs	<u>-</u>
Total Expenditures and Other Financing Uses	<u>-</u>
Other Financing Sources (Uses)	
Transfers Out	<u>(56)</u>
Net Changes in Fund Balance	-
Fund Balance, Beginning of Year	<u>200,321</u>
Fund Balance, End of Year	<u><u>\$ 200,321</u></u>
Reconciliation to GAAP:	
Fund Balance - Budgetary Basis	\$ 200,321
Less - SCC Grant Revenue not realized on GAAP Basis	<u>-</u>
Fund Balance - GAAP Basis	<u><u>\$ 200,321</u></u>

**NORTH HALEDON BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
HIGH MOUNTAIN EXPANSION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Bond Proceeds	\$ 8,775,528		\$ 8,775,528	
SCC Grant Proceeds	3,211,640	-	3,211,640	-
Total Revenues	11,987,168	-	11,987,168	-
EXPENDITURES AND OTHER FINANCING SOURCES				
Construction Costs	9,688,620		9,688,620	
Purchased Professional and Technical Services	2,283,561	-	2,283,561	-
Total Expenditures and Other Financing Uses	11,972,181	-	11,972,181	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 14,987	\$ -	\$ 14,987	\$ -

Additional Project Information:

Project Number	3640-050-05-1000
Grant Date	01/18/2005
Bond Authorization Date	09/27/2005
Bonds Authorized	\$ 8,775,811
Bonds Issued	8,775,528
SCC Grant Authorized	3,211,640
Original Authorized Cost	11,987,451
Additional Authorized Cost	-
Revised Authorized Cost	11,987,451
Percentage Increase Over Original	
Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	2008
Revised Target Completion Date	N/A

**NORTH HALEDON BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
CONSTRUCTION OF MEMORIAL SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Bond Proceeds and Transfers	\$ 15,059,472		\$ 15,059,472	
SCC Grant Proceeds	3,295,635	-	3,295,635	-
	<u>18,355,107</u>	<u>-</u>	<u>18,355,107</u>	<u>-</u>
EXPENDITURES AND OTHER FINANCING SOURCES				
Construction Costs	16,527,472		16,527,472	
Purchased Professional and Technical Services	1,642,301	-	1,642,301	-
	<u>18,169,773</u>	<u>-</u>	<u>18,169,773</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 185,334</u>	<u>\$ -</u>	<u>\$ 185,334</u>	<u>\$ -</u>
 Additional Project Information:				
Project Number	3640-060-05-1000			
Grant Date	04/25/2005			
Bond Authorization Date	09/27/2005			
Bonds Authorized	\$ 15,059,472			
Bonds Issued	15,049,472			
SCC Grant Authorized	3,295,635			
Original Authorized Cost	18,355,107			
Additional Authorized Cost	-			
Revised Authorized Cost	18,355,107			
 Percentage Increase Over Original				
Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	2008			
Revised Target Completion Date	N/A			

ENTERPRISE FUND

EXHIBIT G-1

**NORTH HALEDON BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
AS OF 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 HALEDON 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>
ASSETS			
Cash	\$ 58,454	\$ 13,529	\$ 71,983
Total Assets	<u>\$ 58,454</u>	<u>\$ 13,529</u>	<u>\$ 71,983</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 11,227	\$ 11,227
Accrued Salaries and Wages		2,302	2,302
Due to Student Groups	\$ 58,454	-	58,454
Total Liabilities	<u>\$ 58,454</u>	<u>\$ 13,529</u>	<u>\$ 71,983</u>

**NORTH HALEDON 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>
High Mountain School	\$ 51,124	\$ 745,554	\$ 738,224	\$ 58,454
Total	<u>\$ 51,124</u>	<u>\$ 745,554</u>	<u>\$ 738,224</u>	<u>\$ 58,454</u>

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

	Balance, July 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2012</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 11,734	\$ 2,335,392	\$ 2,335,899	\$ 11,227
Accrued Salaries and Wages	<u>2,039</u>	<u>3,479,717</u>	<u>3,479,454</u>	<u>2,302</u>
 Total	 <u>\$ 13,773</u>	 <u>\$ 5,815,109</u>	 <u>\$ 5,815,353</u>	 <u>\$ 13,529</u>

LONG-TERM DEBT

**NORTH HALEDON BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Annual Maturities Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2011</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2012</u>
General Improvements - 2005	1/15/2006	\$ 23,835,000	2/15/2013	\$ 685,000	4.25%	21,000,000	-	650,000	20,350,000
			2/15/2014	715,000					
			2/15/2015	750,000					
			2/15/2016	785,000					
			2/15/2017	820,000					
			2/15/2018	860,000					
			2/15/2019	900,000					
			2/15/2020	945,000					
			2/15/2021	990,000					
			2/15/2022	1,035,000					
			2/15/2023	1,085,000					
			2/15/2024	1,140,000					
			2/15/2025	1,195,000					
		2/15/2026	1,250,000						
		2/15/2027	1,310,000						
		2/15/2028	1,370,000						
		2/15/2029	1,435,000						
		2/15/2030	1,505,000						
		2/15/2031	1,575,000						
						\$ 21,000,000	\$ -	\$ 650,000	\$ 20,350,000
						\$ 21,000,000	\$ -	\$ 650,000	\$ 20,350,000

**NORTH HALEDON BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOT APPLICABLE

NORTH HALEDON BOARD OF EDUCATION
 LONG-TERM DEBT
 BUDGETARY COMPARISON SCHEDULE
 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>
REVENUES					
Local Sources					
Local Tax Levy	\$ 1,459,164	\$	1,459,164	\$ 1,459,164	\$
Interest	-	-	-	-	-
Total Revenues	<u>1,459,164</u>	-	<u>1,459,164</u>	<u>1,459,164</u>	-
EXPENDITURES					
Regular Debt Service					
Principal	650,000		650,000	650,000	
Interest	907,331	-	907,331	907,331	-
Total Expenditures	<u>1,557,331</u>	-	<u>1,557,331</u>	<u>1,557,331</u>	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,167)	-	(98,167)	(98,167)	-
Other Finance Sources Transfer Out	-	-	-	-	-
Net Change in Fund Balance	(98,167)	-	(98,167)	(98,167)	-
Fund Balance, Beginning of Year	<u>98,167</u>	-	<u>98,167</u>	<u>98,167</u>	-
Fund Balance, End of Year	-	\$	-	\$	-

STATISTICAL SECTION

This part of the North Haledon 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 HALEDON BOARD OF EDUCATION
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities								
Invested In Capital Assets, Net Of Related Debt	\$ 154,240	\$ 156,892	\$ 1,125,472	\$ 6,426,750	\$ 7,059,255	\$ 7,024,823	\$ 7,085,305	\$ 7,197,174
Restricted	103	486,637	990,285	875,431	600,270	229,270	98,270	103
Unrestricted	679,308	109,424	255,907	(138,175)	34,031	469,683	193,003	346,165
Total Governmental Activities Net Assets	\$ 833,651	\$ 752,953	\$ 2,371,664	\$ 7,164,006	\$ 7,693,556	\$ 7,723,776	\$ 7,376,578	\$ 7,543,442
Business-Type Activities								
Invested In Capital Assets, Net Of Related Debt	\$ 15,772	\$ 14,186	\$ 12,600	\$ 32,889	\$ 57,154	\$ 51,322	\$ 65,976	\$ 56,901
Restricted	87,745	102,909	121,579	127,829	124,442	158,140	73,719	41,039
Unrestricted	103,517	117,095	134,179	160,718	181,596	209,462	139,695	97,940
Total Business-Type Activities Net Assets								
District-Wide								
Invested In Capital Assets, Net Of Related Debt	\$ 170,012	\$ 171,078	\$ 1,138,072	\$ 6,459,639	\$ 7,116,409	\$ 7,076,145	\$ 7,151,281	\$ 7,254,075
Restricted	103	486,637	990,285	875,431	600,270	229,270	98,270	103
Unrestricted	767,053	212,333	377,486	(10,346)	158,473	627,823	266,722	387,204
Total District Net Assets	\$ 937,168	\$ 870,048	\$ 2,505,843	\$ 7,324,724	\$ 7,875,152	\$ 7,933,238	\$ 7,516,273	\$ 7,641,382

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 eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

NORTH HALEDON BOARD OF EDUCATION
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenses								
Governmental Activities								
Instruction								
Regular	\$ 3,209,605	\$ 3,435,237	\$ 3,545,480	\$ 3,498,492	\$ 4,493,765	\$ 4,536,548	\$ 4,535,027	\$ 4,733,315
Special Education	1,381,174	1,601,360	1,829,284	1,966,009	1,752,199	1,887,519	2,016,580	1,710,074
Other Instruction	144,381	141,779	206,673	238,398	167,480	168,557	193,059	232,737
School Sponsored Activities and Athletics	26,963	22,493	40,595	28,033	29,019	50,895	29,543	57,387
Support Services:								
Student & Instruction Related Services	654,690	663,008	688,405	857,646	835,291	879,123	1,128,038	1,199,127
School Administrative Services	191,381	237,324	251,005	132,956	238,083	253,493	267,744	377,641
General Administration	297,388	363,609	347,857	390,900	366,254	337,125	434,950	381,580
Plant Operations And Maintenance	486,423	489,666	756,298	610,094	742,729	737,769	765,954	720,879
Pupil Transportation	351,611	387,194	482,507	529,472	450,771	406,767	369,401	324,312
Other Support Services	206,637	210,781	-	229,766	249,665	285,569	207,851	239,716
Interest On Long-Term Debt	6,562	453,083	1,041,286	997,326	973,977	949,486	923,799	896,972
Arbitrage Rebate	-	-	-	300,907	-	-	-	-
Total Governmental Activities Expenses	6,956,815	8,005,534	9,189,390	9,779,999	10,299,233	10,492,851	10,871,946	10,873,740
Business-Type Activities:								
Food Service	98,510	126,562	124,798	127,424	163,463	175,031	267,264	247,253
Total Business-Type Activities Expense	98,510	126,562	124,798	127,424	163,463	175,031	267,264	247,253
Total District Expenses	\$ 7,055,325	\$ 8,132,096	\$ 9,314,188	\$ 9,907,423	\$ 10,462,696	\$ 10,667,882	\$ 11,139,210	\$ 11,120,993
Program Revenues								
Governmental Activities:								
Charges For Services:								
Special Education	\$ 38,000	\$ 45,100	\$ 20,500	\$ 2,151	-	-	\$ 16,273	\$ 12,110
Transportation	-	-	-	-	-	-	-	-
Operating Grants And Contributions	1,116,645	1,195,113	1,542,778	1,513,382	\$ 1,306,000	\$ 1,542,717	1,140,296	1,414,664
Capital Grants And Contributions	-	32,536	650,728	4,555,092	976,091	-	148,304	144,524
Total Governmental Activities Program Revenues	1,154,645	1,272,749	2,214,006	6,070,625	2,282,091	1,542,717	1,304,873	1,571,298
Business-Type Activities:								
Charges For Services								
Food Service	112,856	115,317	116,794	123,053	146,562	150,962	143,974	148,394
Operating Grants And Contributions	23,852	24,823	25,088	30,910	37,779	51,482	53,035	56,932
Total Business Type Activities Program Revenues	136,708	140,140	141,882	153,963	184,341	202,444	197,009	205,326
Total District Program Revenues	\$ 1,291,353	\$ 1,412,889	\$ 2,355,888	\$ 6,224,588	\$ 2,466,432	\$ 1,745,161	\$ 1,501,882	\$ 1,776,624
Net (Expense)/Revenue								
Governmental Activities	\$ (5,802,170)	\$ (6,732,785)	\$ (6,975,384)	\$ (3,709,374)	\$ (8,017,142)	\$ (8,950,134)	\$ (9,567,073)	\$ (9,302,442)
Business-Type Activities	38,198	13,578	17,084	26,539	20,878	27,413	(70,255)	(41,927)
Total District-Wide Net Expense	\$ (5,763,972)	\$ (6,719,207)	\$ (6,958,300)	\$ (3,682,835)	\$ (7,996,264)	\$ (8,922,721)	\$ (9,637,328)	\$ (9,344,369)
General Revenues And Other Changes In Net Assets								
Governmental Activities:								
Property Taxes Levied For General Purposes, Net	\$ 5,902,945	\$ 6,036,742	\$ 7,477,461	\$ 8,184,427	\$ 8,512,052	\$ 8,892,469	\$ 9,190,961	\$ 9,453,714
Taxes Levied For Debt Service	-	-	-	-	-	-	-	-
Unrestricted Grants And Contributions	75,970	76,667	77,481	75,709	4,547	48,778	11,259	-
Investment Earnings	6,443	508,771	1,032,657	241,097	24,025	6,370	5,070	2,799
Miscellaneous Income	12,300	29,907	6,496	483	6,068	32,737	12,585	12,793
Transfers	-	-	-	-	-	-	-	-
Total Governmental Activities	5,997,658	6,652,087	8,594,095	8,501,716	8,546,692	8,980,354	9,219,875	9,469,306
Business-Type Activities:								
Investment Earnings	-	-	-	-	-	453	488	172
Transfers	-	-	-	-	-	-	-	-
Total Business-Type Activities	-	-	-	-	-	453	488	172
Total District-Wide	\$ 5,997,658	\$ 6,652,087	\$ 8,594,095	\$ 8,501,716	\$ 8,546,692	\$ 8,980,807	\$ 9,220,363	\$ 9,469,478
Change In Net Assets								
Governmental Activities	\$ 195,488	\$ (80,698)	\$ 1,618,711	\$ 4,792,342	\$ 529,550	\$ 30,220	\$ (347,198)	\$ 166,864
Business-Type Activities	38,198	13,578	17,084	26,539	20,878	27,866	(69,767)	(41,755)
Total District	\$ 233,686	\$ (67,120)	\$ 1,635,795	\$ 4,818,881	\$ 550,428	\$ 58,086	\$ (416,965)	\$ 125,109

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 eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**NORTH HALEDON BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS**
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
General Fund								
Restricted								
Committed								
Assigned								
Unassigned								
Reserved	\$ 607,001	\$ 587,912	\$ 397,910	\$ 85,028	\$ 228,852	\$ 241,535	\$ 262,326	\$ 230,384
Unreserved	175,087	114,021	208,996	272,568	307,410	702,655	94,227	42,870
Total General Fund	<u>\$ 782,088</u>	<u>\$ 701,933</u>	<u>\$ 606,906</u>	<u>\$ 357,596</u>	<u>\$ 536,262</u>	<u>\$ 944,190</u>	<u>\$ 627,072</u>	<u>\$ 760,805</u>
All Other Governmental Funds								
Restricted								
Committed								
Assigned								
Unassigned								
Reserved		\$ 1,046,439	\$ 12,710,424	\$ 1,678,903	\$ 609,958	\$ 179,618	\$ 55,797	\$ 100,321
Unreserved	(626)	21,726,586	(2,008,586)	463,300	487,052	73,520	98,167	100,000
Total All Other Governmental Funds	<u>\$ (626)</u>	<u>\$ 22,773,025</u>	<u>\$ 10,701,838</u>	<u>\$ 2,142,203</u>	<u>\$ 1,097,010</u>	<u>\$ 253,138</u>	<u>\$ 153,964</u>	<u>\$ 200,321</u>

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 eight 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 2011, 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 HALEDON BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

Fiscal Year Ended June 30,

	2005	2006	2007	2008	2009	2010	2011	2012
Revenues								
Tax Levy	\$ 5,902,945	\$ 6,036,742	\$ 7,477,461	\$ 8,184,427	\$ 8,512,052	\$ 8,892,469	\$ 9,190,961	\$ 9,453,714
Tuition Charges	38,000	45,100	20,500	2,151				
Transportation Charges							16,273	12,110
Interest Earnings	6,443	508,771	1,032,657	241,097	24,025	6,371	5,070	2,799
Miscellaneous	12,300	29,907	6,496	483	6,068	32,737	12,585	49,998
State Sources	970,828	1,099,142	2,024,305	5,961,092	2,108,390	1,272,139	1,063,277	1,276,861
Federal Sources	221,787	205,174	246,682	183,091	178,248	319,356	236,582	245,122
Total Revenue	7,152,303	7,924,836	10,808,101	14,572,341	10,828,783	10,523,072	10,524,748	11,040,604
Expenditures								
Instruction								
Regular Instruction	3,160,500	3,338,103	3,489,716	3,497,653	3,643,226	3,895,504	3,883,305	4,060,662
General Education Instruction	1,378,478	1,277,733	1,833,473	1,963,907	1,745,097	1,893,782	2,018,014	1,715,338
Other Special Instruction	144,381	144,432	206,673	238,398	167,480	168,557	193,059	232,737
School-Sponsored Activities and Athletics	26,963	22,493	40,595	28,033	29,019	31,830	29,543	57,387
Support Services:								
Student & Inst. Related Services	651,781	977,930	686,598	857,201	819,360	886,950	1,111,794	1,176,230
General Administration	301,998	359,064	348,229	389,888	356,812	322,066	426,866	389,644
School Administrative Services	183,515	226,270	245,228	131,870	224,808	244,100	259,982	365,589
Plant Operations And Maintenance	479,281	480,339	754,154	608,997	717,977	741,421	738,377	699,858
Pupil Transportation	351,611	387,194	482,507	529,472	447,334	384,592	365,964	320,875
Other Support Services	199,101	207,638		228,738	249,566	279,110	223,998	239,716
Capital Outlay	8,218	1,520,179	13,197,097	13,060,290	1,746,649	557,135	136,458	45,147
Debt Service:								
Principal	60,000	60,000	575,000	540,000	565,000	595,000	620,000	650,000
Interest And Other Charges	7,875	4,725	1,115,045	1,306,839	982,982	958,969	933,681	907,331
Bond Issuance Cost		60,240						
Total Expenditures	6,953,702	9,066,340	22,974,315	23,381,286	11,695,310	10,959,016	10,941,041	10,860,514
Excess (Deficiency) Of Revenues								
Over (Under) Expenditures	198,601	(1,141,504)	(12,166,214)	(8,808,945)	(866,527)	(435,944)	(416,293)	180,090
Other Financing Sources (Uses)								
Bond Proceeds		23,835,000						
Approved Budget Transfer In					160,180			
Approved Budget Transfer Out					(160,180)			
Transfers In		486,534	990,182	214,519	16,019	242,971	774	56
Transfers Out	-	(486,534)	(990,182)	(214,519)	(16,019)	(242,971)	(774)	(56)
Total Other Financing Sources (Uses)	-	23,835,000	-	-	-	-	-	-
Net Change In Fund Balances	198,601	\$ 22,693,496	\$ (12,166,214)	\$ (8,808,945)	\$ (866,527)	\$ (435,944)	\$ (416,293)	\$ 180,090
Debt Service As A Percentage Of								
Noncapital Expenditures	0.98%	0.86%	17.29%	21.78%	21.78%	17.56%	16.79%	16.82%

* 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 eight years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
OTHER LOCAL REVENUE BY SOURCE
LAST TEN YEARS
(Unaudited)**

Fiscal Year Ended <u>June 30,</u>	<u>Tuition</u>	<u>Transportation</u>	<u>Interest on Invest.</u>	<u>Refunds</u>	<u>Misc.</u>	<u>Total</u>
2003	\$ 36,000		\$ 1,445	\$ 5,258	\$ 11,330	\$ 54,033
2004	54,000		3,056	5,730	39,481	102,267
2005	38,000		6,443		12,300	56,743
2006	45,100		22,237		29,907	97,244
2007	20,500		42,475		6,496	69,471
2008	2,151		26,578		483	29,212
2009	-		8,006		6,068	14,074
2010	-		3,400		32,737	36,137
2011	-	\$ 16,273	4,296		12,585	33,154
2012	-	12,110	2,743	353	12,440	27,646

NORTH HALEDON 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	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2003	\$ 8,429,700	\$ 335,081,200	\$ 354,800	\$ 11,800	\$ 17,079,700	\$ 2,199,600	N/A	\$ 363,156,800	\$ 457,124	\$ 363,613,924	\$ 793,722,305	\$ 1.51
2004	21,441,800	349,277,400	354,800	11,800	17,089,100	2,147,700	N/A	390,322,600	442,073	390,764,673	968,024,126	1.51
2005	13,246,700	378,280,700	354,800	11,800	17,225,800	2,147,700	N/A	411,267,500	366,953	411,634,453	1,158,540,707	1.47
2006	4,255,000	413,740,400	224,800	11,800	17,074,200	2,147,700	N/A	437,451,400	407,893	437,859,293	1,489,799,091	1.71
2007	3,721,600	418,440,600	224,800	9,300	16,998,300	2,147,000	N/A	441,542,300	407,893	441,950,193	1,489,799,091	1.85
2008	3,379,000	422,150,200	224,800	9,300	17,270,300	2,147,700	N/A	445,181,300	393,097	445,574,397	1,574,584,398	1.91
2009	3,204,600	424,852,600	224,800	9,300	18,123,600	2,147,700	N/A	448,562,600	412,748	448,975,348	1,590,496,406	1.98
2010	2,618,100	418,423,900	224,800	9,300	17,729,600	2,147,700	N/A	441,153,400	432,330	441,585,730	1,492,140,716	2.08
2011	2,553,400	419,383,900	224,800	9,300	17,734,900	2,147,700	N/A	442,054,000	371,880	442,425,880	1,417,911,637	2.14
2012	8,720,600	1,106,681,100	571,100	11,100	59,508,400	6,346,700	N/A	1,181,839,000	371,880	1,182,210,880	3,282,934,216	0.82

Source: County Abstract of Ratables

^a Tax rates are per \$100

**NORTH HALEDON BOARD OF EDUCATION
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(UNAUDITED)**

<u>Calendar Year</u>	<u>North Haledon School District</u>	<u>Manchester School District</u>	<u>North Haledon Borough</u>	<u>Passaic County</u>	<u>Total</u>
2003	\$ 1.51	\$ 0.90	\$ 1.37	\$ 1.27	\$ 5.05
2004	1.51	0.80	1.35	1.38	5.04
2005	1.47	0.73	1.48	1.48	5.16
2006	1.71	0.79	1.52	1.64	5.66
2007	1.85	0.73	1.55	1.67	5.80
2008	1.91	0.64	1.73	1.79	6.07
2009	1.98	0.64	1.80	1.79	6.21
2010	2.08	0.66	1.99	1.80	6.53
2011	2.14	0.66	2.01	1.85	6.66
2012	0.82	0.26	0.80	0.69	2.57

Source: Tax Duplicate

* The Borough undertook a revaluation.

**NORTH HALEDON 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
High Mountain Realty/Kennedy	\$ 7,840,000	0.66%		
Sicomac Realty LLC & Rosehall Rlty LLC	4,579,000	0.39%		
535 Associates, LLC	4,388,300	0.37%		
1243 Belmont Ave. Corp.	4,013,100	0.34%		
High Mountain Realty Group, LLC	3,674,000	0.31%		
Tannis, William Sr.	3,195,200	0.27%		
Rainmaker Capital of No. Haledon, LLC	3,153,900	0.27%		
Hofer Heights, LLC	2,839,100	0.24%		
Overlook Properties LLC	2,143,500	0.18%		
Rudd-O'Conner, LLC	2,068,800	0.17%		
Shotmeyer/Kennedy			\$ 1,646,200	0.45%
K. Hovnanian @ North Haledon			1,634,600	0.44%
Danza Group VII			1,512,800	0.42%
Mountain Center Realty			1,450,900	0.40%
1243 Belmont Ave. Corp.			1,360,100	0.37%
Hofer Heights			1,201,600	0.33%
William Tanis			1,188,000	0.33%
High Mountain Plaza, LLC			940,000	0.26%
Ideal Industrial Pk.			807,800	0.22%
NJTT, LLC			774,100	0.21%
	<u>\$ 37,894,900</u>	<u>3.21%</u>	<u>\$ 12,516,100</u>	<u>3.43%</u>

Source - Municipal Tax Assessor

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

Fiscal Year Ended June 30,	School Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2003	\$ 5,052,142	\$ 5,052,142	100.00%	-
2004	5,482,126	5,482,126	100.00%	-
2005	5,902,945	5,902,945	100.00%	-
2006	6,036,742	6,036,742	100.00%	-
2007	7,477,461	7,477,461	100.00%	-
2008	8,184,427	8,184,427	100.00%	-
2009	8,512,052	8,512,052	100.00%	-
2010	8,892,469	8,892,469	100.00%	-
2011	9,190,961	9,190,961	100.00%	-
2012	9,453,714	9,453,714	100.00%	-

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

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities			Total District	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2005	\$ 120,000	N/A	N/A	N/A	N/A	\$ 120,000	8,893	\$ 13	
2006	23,895,000	N/A	N/A	N/A	N/A	23,895,000	8,864	2,696	
2007	23,320,000	N/A	N/A	N/A	N/A	23,320,000	8,843	2,570	
2008	22,780,000	N/A	N/A	N/A	N/A	22,780,000	8,851	2,574	
2009	22,215,000	N/A	N/A	N/A	N/A	22,215,000	8,897	2,497	
2010	21,620,000	N/A	N/A	N/A	N/A	21,620,000	8,423	2,567	
2011	21,000,000	N/A	N/A	N/A	N/A	21,000,000	8,432	2,491	
2012	20,350,000	N/A	N/A	N/A	N/A	20,350,000	8,432 *	2,413	

Source: District records
* 2012 population data was not available

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 HALEDON 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 Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2005	\$ 120,000		\$ 120,000	0.03%	\$ 13
2006	23,895,000		23,895,000	5.46%	2,681
2007	23,320,000		23,320,000	5.32%	2,570
2008	22,780,000		22,780,000	5.11%	2,574
2009	22,215,000		22,215,000	4.95%	2,497
2010	21,620,000		21,620,000	4.90%	2,567
2011	21,000,000		21,000,000	4.75%	2,491
2012	20,350,000		20,350,000	1.72%	2,413

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 HALEDON BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt:			
Borough of North Haledon	\$ 14,080,545	\$ 4,136	\$ 14,076,409
North Haledon Board of Education	<u>21,000,000</u>	<u>21,000,000</u>	<u>-</u>
	<u>\$ 35,080,545</u>	<u>\$ 21,004,136</u>	<u>\$ 14,076,409</u>
 Net Overlapping Debt of School District:			
County of Passaic		8,980,829	
PCUA		1,570,435	
PVSC		<u>994,657</u>	
			<u>11,545,921</u>
 Total Direct and Overlapping Bonded Debt as of December 31, 2011			 <u>\$ 25,622,330</u>

Source: 2011 Debt Statement, Borough of North Haledon

NORTH HALEDON BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Legal Debt Margin Calculation for Fiscal Year 2012

Equalized Valuation Basis	
2011	\$ 1,386,183,757
2010	1,412,594,941
2009	1,491,727,968
	<u>\$ 4,290,506,666</u>

Average equalized valuation of taxable property	\$ 1,430,168,889
Debt limit (3 % of average equalization value)	42,905,067 ^a
Total Net Debt Applicable to Limit	20,350,283
Legal debt margin	<u>\$ 22,554,784</u>

Fiscal Year

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 19,725,653	\$ 21,547,354	\$ 24,047,338	\$ 27,853,594	\$ 32,814,365	\$ 38,545,930	\$ 43,167,259	\$ 46,128,175	\$ 46,313,490	\$ 44,824,204	\$ 42,905,067
Total net debt applicable to limit	343,000	235,000	180,000	120,000	23,895,283	23,320,000	22,780,283	22,215,283	21,620,283	21,000,283	20,350,283
Legal debt margin	\$ 19,382,653	\$ 21,312,354	\$ 23,867,338	\$ 27,733,594	\$ 8,919,082	\$ 15,225,930	\$ 20,386,976	\$ 23,912,892	\$ 24,693,207	\$ 23,823,921	\$ 22,554,784
Total net debt applicable to the limit as a percentage of debt limit	1.74%	1.09%	0.75%	0.43%	72.82%	60.5%	52.8%	48.2%	46.7%	46.9%	47.4%

**NORTH HALEDON BOARD OF EDUCATION
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)**

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2003	8,234	\$ 32,585	5.5%
2004	8,638	33,370	4.2%
2005	8,893	35,269	2.5%
2006	8,864	37,865	2.5%
2007	8,843	40,223	2.4%
2008	8,851	41,556	3.1%
2009	8,897	40,426	6.1%
2010	8,423	42,228	6.2%
2011	8,432	N/A	6.1%
2012	N/A	N/A	N/A

Source: New Jersey State Department of Education

**NORTH HALEDON BOARD OF EDUCATION
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

PRIOR YEAR INFORMATION NOT AVAILABLE

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction				
Regular	42	43	43	43
Special Education	13.5	14.5	15.2	14.5
Other Special Education	7.5	9.5	9.5	9.2
Vocational	-	-	-	
Other Instruction	-	-	-	
Non Public School Program	-	-	-	
Adult/Continuing Education	-	-	-	
Support Services				
Student & Instruction Related	4	4	4	4
General Administration	1	1	1	1
School Administrative Services	4	4	4	4
Other Administrative Services	-	-		
Central Services	2	2	2	2
Administrative Technology	-	-		
Plant & Operation Maintenance	6.5	7.5	6.7	6.1
Other Support Services	3	3	3	3
Transportation	1	1	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>84.50</u>	<u>89.50</u>	<u>89.10</u>	<u>87.90</u>

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

Fiscal Year	Pupil/Teacher Ratio										Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE) ^c				
2003	570.4	\$ 5,784,045	\$ 10,140	6.56%	57	8	8	N/A	570.4	546.8	-0.44%	95.86%	
2004	611.4	6,305,835	10,314	1.71%	59	8	8	N/A	611.4	588.3	7.19%	96.22%	
2005	642.7	6,877,609	10,701	3.76%	58	8	8	N/A	642.7	617.7	5.12%	96.11%	
2006	667.7	7,421,196	11,115	3.86%	72.5	8	8	N/A	667.7	640.1	-3.89%	95.87%	
2007	665.3	8,087,173	12,156	9.37%	72.5	8	8	N/A	665.3	640.1	-0.36%	96.21%	
2008	693.4	8,474,157	12,220	.52%	72.5	8	8	N/A	693.4	668.7	4.22%	96.44%	
2009	693.5	8,400,679	12,113	-0.87%	70.0	8	8	N/A	693.5	670.7	0.01%	96.71%	
2010	711.8	8,847,912	12,430	2.62%	74.0	8	8	N/A	711.8	683.8	2.64%	96.07%	
2011	702.0	9,250,902	13,178	6.02%	74.4	8	8	N/A	702.0	676.9	-1.38%	96.42%	
2012	714.0	9,258,036	12,966	-1.61%	65.0	11	11	N/A	702.2	677.8	0.03%	96.53%	

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 HALEDON 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>High Mountain Middle School</u>										
Square Feet	41,000	41,000	41,000	41,000	61,025	61,025	61,025	61,025	61,025	61,025
Capacity (students)	355	355	355	355	369	369	369	369	369	369
Enrollment	239	280	279	281	279	286	286	299	324	324
<u>Memorial Elementary School</u>										
Square Feet	34,935	34,935	34,935	34,935	60,480	60,480	60,480	60,480	60,480	60,480
Capacity (students)	430	430	430	430	450	450	450	450	450	450
Enrollment	332	335	358	395	383	401	399	410	387	383

Number of Schools at June 30, 2012
 Elementary = 2

Source: District Records

NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)

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

School Facilities	Project #(s)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
High Mountain School	N/A	\$ 24,754	\$ 30,318	\$ 34,737	\$ 34,424	\$ 36,949	\$ 31,109	\$ 40,164	\$ 47,398	\$ 47,902	\$ 58,784
Memorial School	N/A	32,150	46,578	33,457	32,085	34,439	33,430	36,733	44,434	46,010	49,670
Total Facilities		<u>56,904</u>	<u>76,896</u>	<u>68,194</u>	<u>66,509</u>	<u>71,388</u>	<u>64,539</u>	<u>76,897</u>	<u>91,832</u>	<u>93,912</u>	<u>108,454</u>
Grand Total		<u>\$ 56,904</u>	<u>\$ 76,896</u>	<u>\$ 68,194</u>	<u>\$ 66,509</u>	<u>\$ 71,388</u>	<u>\$ 64,539</u>	<u>\$ 76,897</u>	<u>\$ 91,832</u>	<u>\$ 93,912</u>	<u>\$ 108,454</u>

Source: 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 HALEDON BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2012
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - General Security Property - Blanket Building & Contents	\$55,311,000	\$5,000
Comprehensive General Liability	1,000,000	
Comprehensive Automobile	1,000,000	1,000
Liability Comprehensive Crime Coverage	550,000	6,000
Boiler and Machinery	100,000,000	1,000
Umbrella Liability Umbrella Policy	9,000,000	10,000
School Board Legal Liability	1,000,000	7,500
Public Employees' Faithful Performance Blanket Position Bond - Western Surety Treasurer	200,000	
Business Administrator	100,000	
Student Accident	100,000	

Source School District's records

SINGLE AUDIT SECTION

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
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EDWARD N. KERE, CPA

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 Haledon Board of Education
North Haledon, 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 Haledon Board of Education as of and for the fiscal year ended June 30, 2012, which collectively comprise the North Haledon Board of Education's basic financial statements and have issued our report thereon dated October 3, 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 Haledon 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 Haledon 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 Haledon Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Haledon 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 Haledon 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.

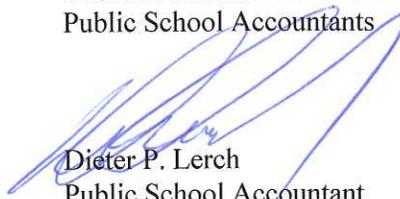
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Haledon 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.

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 pass-through entities 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



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
October 3, 2012

LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

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REGISTERED MUNICIPAL ACCOUNTANTS

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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 Haledon Board of Education
North Haledon, New Jersey

Compliance

We have audited the North Haledon 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 Haledon Board of Education's major state programs for the fiscal year ended June 30, 2012. North Haledon 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 Haledon Board of Education's management. Our responsibility is to express an opinion on North Haledon 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 state program occurred. An audit includes examining, on a test basis, evidence about North Haledon 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 Haledon Board of Education's compliance with those requirements.

In our opinion, North Haledon 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 Haledon 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 Haledon 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 state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


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

 Dieter P. Lerch
 Public School Accountant
 PSA Number CS00756

Fair Lawn, New Jersey
 October 3, 2012

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

Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2011	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Due to Grantor
Federal Grantor/Pass-Through Grantor/ Program Title			\$		\$	\$	\$	\$	\$
									Balance, June 30, 2012
U.S. Department of Education									
General Fund									
84.410A	ARRA3640-12	9/1/11-8/31/12	\$ 18,369	-	-	\$ 18,369	\$ 18,369	-	-
Education Jobs Fund									
U.S. Department of Agriculture									
Passed-Through State Department of Education									
Enterprise Fund									
10.555	N/A	7/1/11-6/30/12	11,584			11,584	11,584		
	N/A	7/1/10-6/30/11	41,411	\$ (3,438)		3,438			
	N/A	7/1/11-6/30/12	42,876			39,287	42,876	\$ (3,589)	
10.556	N/A	7/1/10-6/30/11	69	(6)		6			
10.556	N/A	7/1/11-6/30/12	71			71	71		
Total Enterprise Fund						54,386	54,331	(3,589)	
U.S. Department of Education									
Passed-Through State Department of Education									
Special Revenue Fund									
84.01	NCLB364011	9/1/10-8/31/11	39,030	(1,200)		1,200			
84.01	NCLB364012	9/1/11-8/31/12	40,572			37,009	40,572	(3,563)	
84.281A	NCLB364011	9/1/10-8/31/11	21,424	(13,849)		13,849			
84.281A	NCLB364012	9/1/11-8/31/12	19,202			16,922	19,202	(2,280)	
84.281D	NCLB364011	9/1/10-8/31/11	81	(81)		81			
	NCLB364012	9/1/11-8/31/12	1,262			1,257	1,257		
84.027A	IDEA364012	9/1/11-8/31/12	162,572			114,200	162,572	(48,372)	
84.173A	IDEA364012	9/1/11-8/31/12	8,415			7,486	8,415	(929)	
84.027A	IDEA364011	9/1/10-8/31/11	149,818	(11,483)		11,483			
84.173A	IDEA364011	9/1/10-8/31/11	8,287	(535)		535			
Total Special Revenue Fund						204,022	232,018	(55,144)	
Total Federal Awards						\$ 276,777	\$ 304,918	\$ (58,733)	

Note - The District was not subject to an audit in accordance with OMB Circular A-133.

**NORTH HALEDON 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, July 1, 2011	Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balance	Balance, June 30, 2012		Cumulative Total Expenditures
									(Accounts Receivable)	Deferred Revenue/	
MEMO											
State Department of Education											
General Fund											
Special Education Categorical Aid	12-495-034-5120-011	7/1/11-6/30/12	\$ 287,395			\$ 269,503	\$ 287,395		\$ (17,892)		\$ 287,395
Special Education Categorical Aid	11-495-034-5120-089	7/1/10-6/30/11	120,364	(95)	95						
Extraordinary Aid	12-495-034-5120-044	7/1/11-6/30/12	87,159				87,159		(87,159)		87,159
Extraordinary Aid	11-100-034-5120-473	7/1/10-6/30/11	90,963	(90,963)		90,963			(9,358)		9,358
Additional NonPublic Transportation Aid	N/A	7/1/11-6/30/12	9,358				9,358				
Additional NonPublic Transportation Aid	N/A	7/1/10-6/30/11	20,614	(20,614)		20,614					
On-Behalf TPAF Normal Cost	12-495-034-5095-007	7/1/11-6/30/12	122,763			122,763					122,763
On-Behalf NCGI Premium	12-495-034-5095-006	7/1/11-6/30/12	13,174			13,174					13,174
On-Behalf Post Retirement Medical	12-495-034-5095-001	7/1/11-6/30/12	273,271			273,271					273,271
Reimbursed TPAF Soc. Sec. Contr.	12-100-034-5095-051	7/1/11-6/30/12	332,612			332,612					332,612
Total General Fund				(111,672)		1,122,995	1,125,732		(114,409)		1,125,732
Special Revenue Fund											
NJ Nonpublic Aid											
Home Instruction, C/O	N/A	7/1/10-6/30/11	37	37						\$ 37	
Auxiliary Services						17,752	14,311				14,311
Compensatory Education	12-100-034-5120-067	7/1/11-6/30/12	17,752							\$ 3,441	
Compensatory Education, C/O	11-100-034-5120-067	7/1/10-6/30/11	33,072	8,959				\$ 8,959			
Handicapped Services											
Examination & Classification	12-100-034-5120-066	7/1/11-6/30/12	4,993			4,993					4,347
Examination & Classification, C/O	11-100-034-5120-066	7/1/10-6/30/11	10,523	5,102			4,347			646	
Corrective Speech	12-100-034-5120-066	7/1/11-6/30/12	3,792			3,792					790
Corrective Speech, C/O	11-100-034-5120-066	7/1/10-6/30/11	3,912	3,599			790			3,002	
Supplemental Instruction	12-100-034-5120-066	7/1/11-6/30/12	6,314			6,314					2,105
Supplemental Instruction, C/O	11-100-034-5120-066	7/1/10-6/30/11	9,380	5,419							
Total Special Revenue Fund			23,116			32,851	21,553	23,079		37	11,298
State Department of Agriculture											
State School Lunch Program	12-100-010-3360-067	7/1/11-6/30/12	2,401			2,198	2,401		(203)		2,401
State School Lunch Program	11-100-010-3360-067	7/1/10-6/30/11	2,514	(238)		238					
Total Enterprise Fund				(238)		2,436	2,401		(203)		2,401
Capital Projects											
Educational Facilities Construction and Financing Act	SP#3640-050-05-1000	7/1/05-6/30/06	3,211,640			144,524	144,524				144,524
Total State Financial Assistance				(88,794)		1,302,806	1,294,210	23,079	(114,612)	37	11,298
State Financial Assistance Not Subject to Single Audit Determination											
General Fund						(409,208)	(409,208)				(409,208)
On-Behalf TPAF											
Total State Financial Assistance Subject to Single Audit						893,598	885,002				885,002

**NORTH HALEDON 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 Haledon 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.

**NORTH HALEDON 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 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$(13,993) for the general fund and a decrease of \$(6,220) 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	\$ 18,369	\$ 1,111,739	\$ 1,130,108
Special Revenue Fund	226,753	20,598	247,351
Capital Projects Fund		144,524	144,524
Food Service Fund	<u>54,531</u>	<u>2,401</u>	<u>56,932</u>
Total Financial Assistance	<u>\$ 299,653</u>	<u>\$ 1,279,262</u>	<u>\$ 1,578,915</u>

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

Revenues and expenditures reported under the National School Lunch Program as non-cash assistance represent current year value received and current year distributions, respectively of the Federal Food Distribution Program. TPAF Social Security contributions in the amount of \$332,612 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 NCGI Premium Contributions in the amount of \$135,937 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$273,271 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2012. The School Development Authority's ("SDA") Educational Facilities Construction and Financing Act on-behalf payments totaling \$144,524 represent the amounts paid by SDA on behalf of the District for the facility project expenditures of the District for the year ended June 30, 2012.

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

On-behalf State Programs for TPAF Pension NCGI Premiums 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 HALEDON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Part I – Summary of Auditor’s Results

Financial Statement Section

- A) Type of auditors' report issued: Unqualified Opinion
- B) Internal control over financial reporting:
 - 1) Material weakness(es) identified? yes X no
 - 2) Were significant deficiencies identified that were not considered to be material weaknesses? yes X none reported
- C) Noncompliance material to the basic financial statements noted? yes X no

Federal Awards Section

Not Applicable

**NORTH HALEDON BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Part I – Summary of Auditor’s Results

State Awards Section

- J) Dollar threshold used to distinguish Type A and Type B programs: \$ 300,000
- K) Auditee qualified as low-risk auditee? X yes no
- L) Type of auditors' report on compliance for major programs: Unqualified opinion
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? yes X no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? yes X no
- N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04, as amended? yes X no
- O) Identification of major programs:

GMIS Number(s)	Name of State Program
<u>12-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>12-495-034-5095-002</u>	<u>TPAF Social Security</u>
<u> </u>	<u> </u>

**NORTH HALEDON 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, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

**NORTH HALEDON 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 HALEDON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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.