

**SCHOOL DISTRICT  
OF  
SOUTH HACKENSACK**

**South Hackensack School District  
South Hackensack, New Jersey**

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

**Comprehensive Annual  
Financial Report**

**of the**

**South Hackensack School District**

**South Hackensack, New Jersey**

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

**Prepared by**

**South Hackensack School District  
Board of Education**

SOUTH HACKENSACK SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012

INTRODUCTORY SECTION

Letter of Transmittal .....	1
Organizational Chart.....	5
Roster of Officials.....	6
Consultants and Advisors.....	7

FINANCIAL SECTION..... 8

Independent Auditors' Report.....	9
-----------------------------------	---

Required Supplementary Information.....	11
---	----

Management's Discussion and Analysis.....	12
---	----

Basic Financial Statements (Sections A. and B.).....	22
--	----

A. District-Wide Financial Statements.....	23
--	----

A-1 Statement of Net Assets.....	24
----------------------------------	----

A-2 Statement of Activities.....	25
----------------------------------	----

B. Fund Financial Statements.....	27
-----------------------------------	----

B-1 Balance Sheet – Governmental Funds.....	28
---	----

B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds .....	29
--	----

B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	31
--	----

B-4 Statement of Net Assets – Proprietary Funds .....	32
---	----

B-5 Statement of Revenue, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	33
---	----

B-6 Statement of Cash Flows – Proprietary Funds.....	34
--	----

B-7 Statement of Fiduciary Net Assets – Fiduciary Funds.....	35
--	----

B-8 Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	36
---	----

Notes to the Basic Financial Statements.....	37
--	----

C. Budgetary Comparison Schedules.....	57
--	----

C-1 Budgetary Comparison Schedule – General Fund (Unaudited).....	58
---	----

C-2 Combining Budgetary Schedule – Special Revenue Fund (Unaudited).....	70
--	----

C-3 Budgetary Comparison Schedule- Note to Required Supplementary Information (Unaudited)	71
---	----

D. School Level Schedules (Not Applicable).....	72
---	----

E. Special Revenue Fund.....	73
------------------------------	----

E-1 Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	74
---	----

E-2 Preschool Education Aid Schedule of Expenditures Special Revenue Fund – Budgetary Basis (Not Applicable)	
---	--

SOUTH HACKENSACK SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

FINANCIAL SECTION (Cont'd)

F. Capital Projects Fund.....	76
F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance.....	77
F-1a Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Construction of an Addition to and Upgrading of Existing Facilities .....	78
G. Proprietary Funds .....	79
Enterprise Fund:	
G-1 Statement of Net Assets.....	80
G-2 Statement of Revenue, Expenses and Changes in Fund Net Assets .....	81
G-3 Statement of Cash Flows .....	82
H. Fiduciary Funds .....	83
H-1 Combining Statement of Fiduciary Net Assets.....	84
H-2 Statement of Changes in Fiduciary Net Assets.....	85
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements .....	86
H-4 Student Activity Agency Fund Statement of Activity .....	87
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements .....	88
I. Long-Term Debt.....	89
I-1 Schedule of Serial Bonds.....	90
I-2 Schedule of Obligations Under Capital Leases (Not Applicable) .....	91
I-3 Debt Service Fund Budgetary Comparison Schedule.....	92

STATISTICAL SECTION

J. Statistical Section (Unaudited).....	93
J-1 Net Assets by Component.....	94
J-2 Changes in Net Assets .....	95
J-3 Fund Balances – Governmental Funds .....	98
J-4 Changes in Fund Balances – Governmental Funds .....	99
J-5 General Fund Other Local Revenue by Source .....	101
J-6 Assessed Value and Actual Value of Taxable Property .....	102
J-7 Direct and Overlapping Property Tax Rates.....	103
J-8 Principal Property Tax Payers .....	104
J-9 Property Tax Levies and Collections.....	105
J-10 Ratios of Outstanding Debt by Type .....	106
J-11 Ratios of Net General Bonded Debt Outstanding.....	107
J-12 Ratios of Overlapping Governmental Activities Debt.....	108

SOUTH HACKENSACK SCHOOL DISTRICT  
TABLE OF CONTENTS  
FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)

STATISTICAL SECTION (Cont'd)

J-13	Legal Debt Margin Information.....	109
J-14	Demographic and Economic Statistics .....	110
J-15	Principal Employers.....	111
J-16	Full-Time Equivalent District Employees by Function/Program .....	112
J-17	Operating Statistics.....	113
J-18	School Building Information .....	114
J-19	Schedule of Required Maintenance for School Facilities.....	115
J-20	Insurance Schedule .....	116

K. SINGLE AUDIT SECTION..... 118

K-1	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	119
K-2	Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04 (Not Applicable)	
	Schedule of Expenditures of Federal Awards.....	121
	Schedule of Expenditures of State Awards.....	123
	Notes to the Schedules of Expenditures of Federal and State Awards .....	124
	Schedule of Findings and Questioned Costs.....	126
	Summary Schedule of Prior Audit Findings.....	127

**INTRODUCTORY SECTION**

**SOUTH HACKENSACK BOARD OF EDUCATION  
MEMORIAL SCHOOL  
DYER AVENUE  
SOUTH HACKENSACK, NJ 07606**

William DeFabiis, Ed.D.  
Business Administrator

201-440-1817 phone  
201-440-9156 fax

September 14, 2012

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

Dear Board Members:

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

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

**1) REPORTING ENTITY AND ITS SERVICES:** The South Hackensack School District is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The South Hackensack School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-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 average daily enrollment of 255 students, which is a increase of 38 students from the previous year's enrollment. The decrease in enrollment for 2009-2010 to 2010-2011 is due to the cancellation of the District's Pre-Kindergarten program for the 2010-2011 school year. The following on the next page details the changes in the average daily student enrollment of the District over the last ten years.

The Honorable President and Members of  
the Board of Education  
South Hackensack School District  
Page 2  
September 14, 2012

Fiscal Year	Average Daily Enrollment	
	Student Enrollment	Percent Change
2011-2012	255	17.51 %
2010-2011	217	-8.44 %
2009-2010	237	4.41 %
2008-2009	227	3.65 %
2007-2008	219	-10.98 %
2006-2007	246	0.00 %
2005-2006	246	3.80 %
2004-2005	237	-3.27 %
2003-2004	245	1.24 %
2002-2003	242	0.83 %

**2) ECONOMIC CONDITION AND OUTLOOK:** The Township of South Hackensack is almost fully developed and has not experienced and does not expect to experience any significant growth in the immediate future. The South Hackensack School District is continuing to work diligently, aggressively and prudently in its efforts to provide a thorough and efficient education. Striking an acceptable balance between being thorough while at the same time being efficient has been particularly challenging because of several factors which include but are not limited to the following: greater state demands for a variety of programs and services which the state is unable to fund or to fully fund; a sagging economy and a reduction in state aid.

State legislation has fixed the maximum allowable fund balance at \$250,000. Though this is a welcome increase in the maximum allowable fund balance, it is still well below the desired amount. Unanticipated, emergency expenses and/or an unanticipated increase in out-of-district special education placements could still place a serious burden on the district and still requires administration to monitor the activity of the district very closely.

The last two years the citizens of South Hackensack have passed two school budgets which had no tax increase to the citizenry. Despite the lack of a tax increase, no one lost their jobs, and all our programs and services have not been compromised. As long as there are no large unanticipated expenses, the economic outlook for the District is good

**3) MAJOR INITIATIVES:** During the 2011-2012 school year efforts were focused on aligning our District curriculum with the state identified core course proficiencies and with the Common Core State Standards. Pre K to 8 curriculums in the areas of Language Arts Literacy, Mathematics, World Language and Science were updated and presented for approval by the Board of Education. Curriculum updating is a continuous cycle. In addition, an emphasis in professional development initiatives was placed on strategies/techniques for integrating technology into the teaching/learning process.

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

The Honorable President and Members of  
the Board of Education  
South Hackensack School District  
Page 3  
September 14, 2012

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2012.

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

**7) DEBT ADMINISTRATION:** At June 30, 2012, the District had \$6,300,000 in outstanding bonded debt. Bond referendums were approved by the affirmative vote of a majority of the legal voters present and voting at the School District elections, which authorized the issuance of the school bonds. The proceeds of these bond issues were placed in the District's capital projects fund for use to provide funds for various capital improvements to the District's buildings and grounds.

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

**8) CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**9) RISK MANAGEMENT:** The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

The Board is a member of the School Alliance Insurance Group (the "Group"). The Group is a risk-sharing public entity risk fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage to its members. Additional information on the Group is included in Note 10 to the Basic Financial Statements.

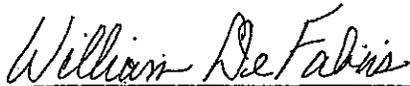
Honorable President and Members of  
the Board of Education  
South Hackensack School District  
Page 4  
September 14, 2012

10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

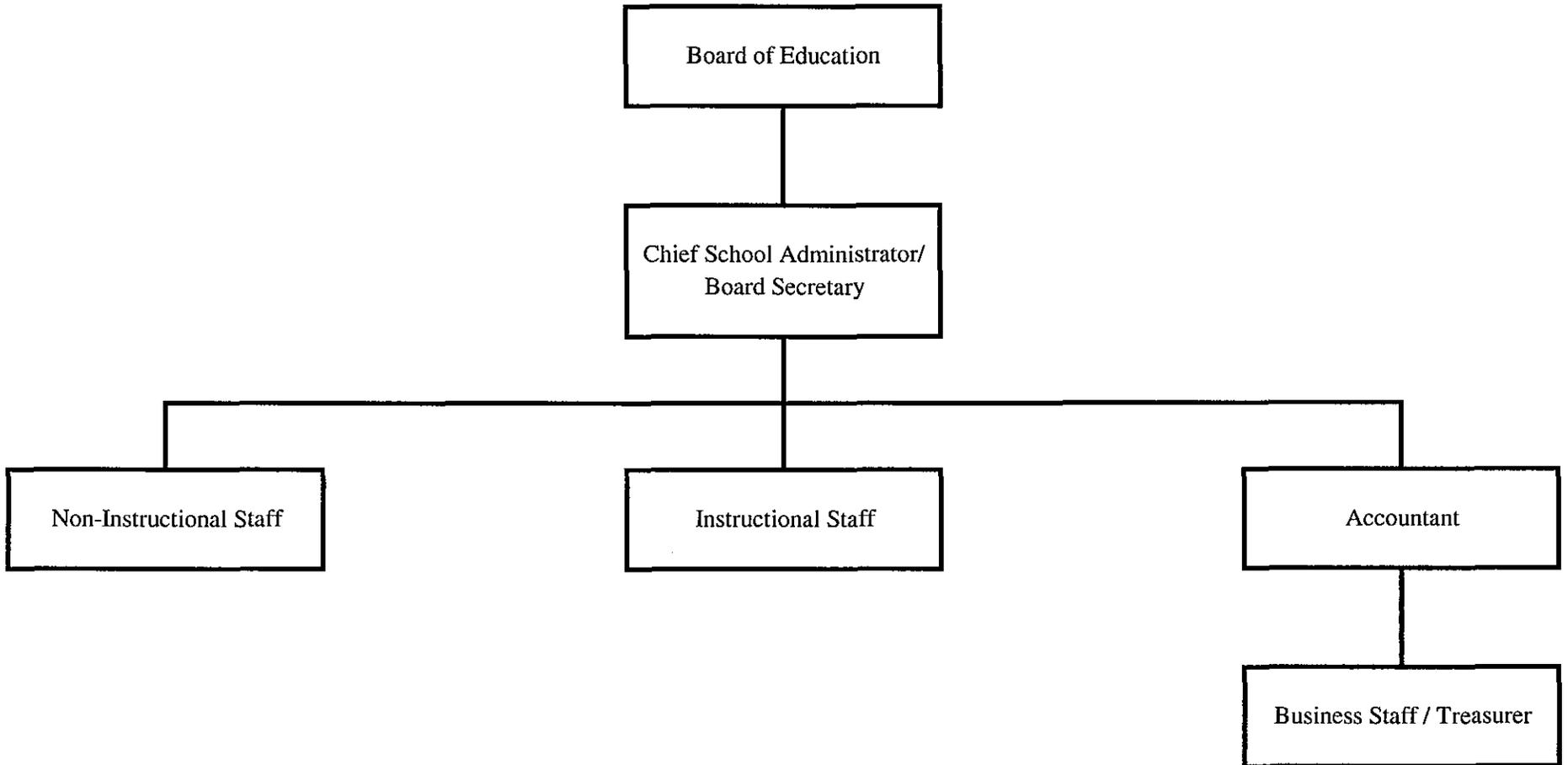
11) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the South Hackensack School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of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

Respectfully submitted,



William DeFabiis, Ed.D.  
Chief School Administrator/Business Administrator/Board Secretary

SOUTH HACKENSACK BOARD OF EDUCATION  
Organizational Chart  
(Unit Control)



**SOUTH HACKENSACK SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Patricia Nasta, President	2014
Maria Regan, Vice President	2015
Teresa Lofaro	2013
Kelly Maher	2014
Jennifer Obando	2015
Luis Perdomo	2015
Thomas Yannetti	2013

Other Officials

Title

Dr. William De Fabiis  
Deborah Carpino

Chief School Administrator/Board Secretary  
Treasurer of School Monies

**SOUTH HACKENSACK SCHOOL DISTRICT  
Consultants and Advisors**

**Attorney**

Ralph J. Padovano, Esq.  
50 Chestnut Ridge Road  
Montvale, NJ 07645

**Audit Firm**

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

**Official Depositories**

PNC Bank  
85 Washington Avenue  
Little Ferry, NJ 07643

TD Banknorth, N.A.  
225 Main Street  
Little Ferry, NJ 07643

Wells Fargo  
250 Huyler Street  
South Hackensack, NJ 07606

**FINANCIAL SECTION**



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

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

### Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the South Hackensack School District in the County of Bergen, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2012, on our consideration of the Board of Education of the South Hackensack School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Honorable President and Members  
of the Board of Education  
South Hackensack School District  
Page 2

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

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

Mount Arlington, New Jersey  
September 14, 2012

NISIVOCIA LLP



Raymond G. Sarinelli  
Licensed Public School Accountant #864  
Certified Public Accountant

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

**SOUTH HACKENSACK SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

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

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* adopted in June, 1999. Certain comparative information between the current year (2011-2012) and the prior year (2010-2011) is required to be presented in the MD&A.

### **Financial Highlights**

- The District's net assets increased \$299,385 during the fiscal year.
- Overall revenue was \$7,943,378.
- Overall expenditures were \$7,643,993.
- Actual local revenue was \$16,684 higher than expected, primarily facilities rental income.
- Enrollment in the District increased in the current year due to the District's reinstatement of the Pre-Kindergarten program for the 2011-2012 school year.
- The District's outstanding long-term debt decreased due to the paydown of \$465,000 of general obligation bonds.
- The South Hackensack School District is continuing to work diligently, aggressively and prudently in its efforts to provide a thorough and efficient education. Striking an acceptable balance between being thorough while at the same time being efficient has been particularly challenging because of several factors which include but are not limited to the following: greater state demands for a variety of programs and services which the state is unable to fund or to fully fund and severe reduction in state aid.

### **Overview of the Financial Statements**

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

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

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

**Figure A-1**

**Organization of the Board of Education of the Township of South Hackensack's Financial Report**

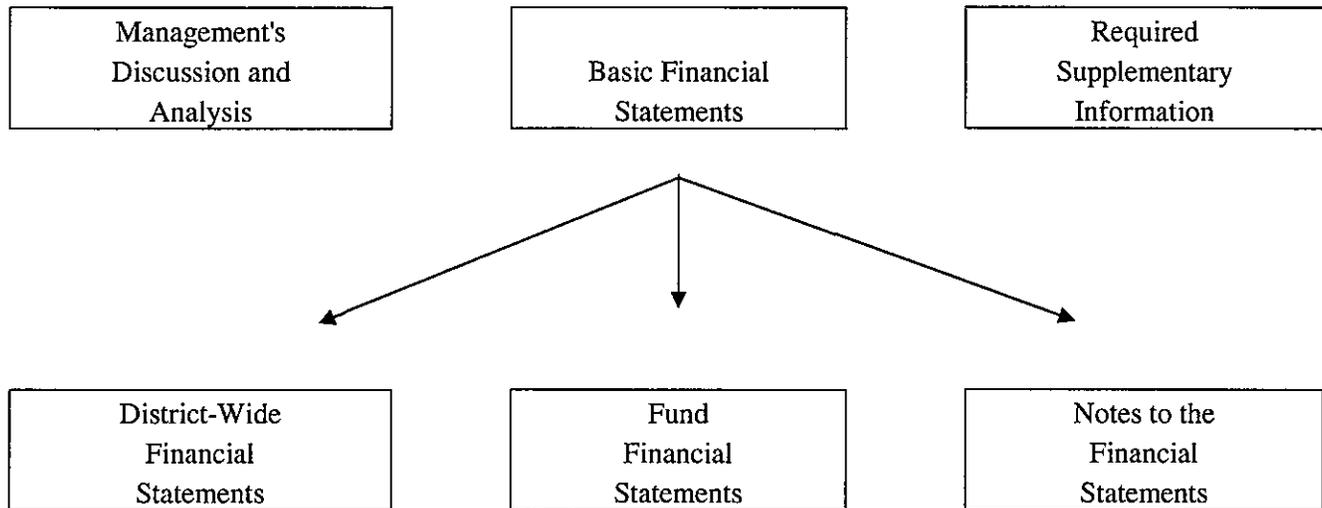


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

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

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

## District-wide Statements

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

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

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

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

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

## Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

## Notes to Financial Statements

Provide additional information essential to full understanding of District-wide and fund financial statements.

### Financial Analysis of the District as a Whole

*Net Assets.* The District's net assets are shown in Figure A-3. It is important to note here that depreciation of the District's capital assets is computed into the totals. The depreciation factored into the District's net assets for 2011/2012 is \$357,473. This same amount is also factored in as an expense in the current year's financial statements. A second factor affecting the net assets was the paydown of long-term debt in the amount of \$465,000 which decreased debt and increased net assets. The restricted net assets increased in the current year primarily due to the Board establishing a maintenance reserve account in the General Fund in the current year. The Board had the funds to establish this account primarily due to tuition and transportation costs being less than expected in the current year. As a result of the decrease in tuition and transportation costs and other costs savings by the District, the unrestricted net assets also increased.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011/12
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
Current and							
Other Assets	\$ 1,382,525	\$ 1,153,166	\$ 5,627	\$ 2,736	\$ 1,388,152	\$ 1,155,902	20.09%
Capital Assets, Net	15,096,658	15,431,773	1,921	2,074	15,098,579	15,433,847	-2.17%
Total Assets	<u>16,479,183</u>	<u>16,584,939</u>	<u>7,548</u>	<u>4,810</u>	<u>16,486,731</u>	<u>16,589,749</u>	-0.62%
Long-Term Debt							
Outstanding	6,694,253	7,176,515			6,694,253	7,176,515	-6.72%
Other Liabilities	306,716	226,857			306,716	226,857	35.20%
Total Liabilities	<u>7,000,969</u>	<u>7,403,372</u>			<u>7,000,969</u>	<u>7,403,372</u>	-5.44%
Net Assets:							
Invested in Capital							
Assets, Net of							
Related Debt	8,796,658	8,666,773	1,921	2,074	8,798,579	8,668,847	1.50%
Restricted	725,815	577,062			725,815	577,062	25.78%
Unrestricted (Deficit)	(44,259)	(62,268)	5,627	2,736	(38,632)	(59,532)	35.11%
Total Net Assets	<u>\$ 9,478,214</u>	<u>\$ 9,181,567</u>	<u>\$ 7,548</u>	<u>\$ 4,810</u>	<u>\$ 9,485,762</u>	<u>\$ 9,186,377</u>	3.26%

*Changes in Net Assets.* The District's *combined* net assets were \$9,485,762 on June 30, 2012, \$299,385 or 3.26% more than they were the year before (See Figure A-3). Again, depreciation of District capital assets has been included which reduces net assets and increases the expenses of the District. The restricted net assets increased \$148,753 primarily due to a net increase in the Maintenance Reserve account of \$54,726, and an increase in Excess Surplus of \$194,211. The net assets of the business-type activities increased by \$2,738 (See Figure A-4) primarily due to the District participating in the Federal Special Milk Program.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011/12
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services	\$ 13,919	\$ 59,433	\$ 3,749	\$ 1,284	\$ 17,668	\$ 60,717	-70.90%
Grants and Contributions:							
Operating	662,110	604,598	18,004	15,459	680,114	620,057	9.69%
<b>General Revenue:</b>							
Property Taxes	7,032,462	7,032,462			7,032,462	7,032,462	0.00%
Federal and State Aid Not Restricted	71,084				71,084		
Other	130,759	209,429	11,291	10,837	142,050	220,266	-35.51%
<b>Total Revenue</b>	<b>7,910,334</b>	<b>7,905,922</b>	<b>33,044</b>	<b>27,580</b>	<b>7,943,378</b>	<b>7,933,502</b>	<b>0.12%</b>
<b>Expenses:</b>							
Instruction	2,725,804	2,488,313			2,725,804	2,488,313	9.54%
Pupil and Instruction Services	2,924,233	2,893,897			2,924,233	2,893,897	1.05%
Administrative and Business	471,280	459,506			471,280	459,506	2.56%
Maintenance and Operations	671,602	672,489			671,602	672,489	-0.13%
Transportation	227,670	212,006			227,670	212,006	7.39%
Other	593,098	608,668	30,306	28,505	623,404	637,173	-2.16%
<b>Total Expenses</b>	<b>7,613,687</b>	<b>7,334,879</b>	<b>30,306</b>	<b>28,505</b>	<b>7,643,993</b>	<b>7,363,384</b>	<b>3.81%</b>
Increase/(Decrease) in Net Assets	\$ 296,647	\$ 571,043	\$ 2,738	\$ (925)	\$ 299,385	\$ 570,118	-47.49%

*Revenue Sources.* The District's total revenue for the 2011/2012 school year was \$7,943,378 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$7,032,462 of the total, or 88.53% (See Figure A-5). Another 9.46% came from state and federal aid for specific programs and state formula aid and the remainder from miscellaneous sources and charges for services.

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

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 205,438	2.59%
Property Taxes	7,032,462	88.53%
Federal and State Categorical Grants	545,760	6.87%
Charges for Services	17,668	0.22%
Other	142,050	1.79%
	<b>\$ 7,943,378</b>	<b>100.00%</b>

The total cost of all programs and services was \$7,643,993. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (76.91%) (See Figure A-6). The District's administrative and business activities accounted for 6.17% of total costs. The most significant contributors to the cost of maintenance and operations were energy costs (including fuel), and salaries.

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

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 2,725,804	35.66%
Pupil and Instruction Services	2,924,233	38.26%
Administrative and Business	471,280	6.17%
Maintenance and Operations	671,602	8.79%
Transportation	227,670	2.98%
Other	623,404	8.16%
	<u>\$ 7,643,993</u>	<u>100.00%</u>

### *Governmental Activities*

As discussed elsewhere in this commentary, greater state demands for a variety of programs and services which the state is unable to fund or to fully fund and a severe reduction in state aid has significantly affected the Board's continuing efforts to work diligently, aggressively and prudently to provide a thorough and efficient education.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- the District has utilized aides to assist the special education students and provide more support for those students;
- standard practice has been to maintain lower costs by seeking competitive proposals for services even if they are below the established quote threshold.

It is crucial that the District examine its expenditures carefully. District resources are at their tightest level in a decade.

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

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

	Total Cost of Services		Net Cost of Services	
	2011/2012	2010/2011	2011/2012	2010/2011
Instruction	\$ 2,725,804	\$ 2,488,313	\$ 2,050,297	\$ 1,833,379
Pupil and Instruction Services	2,924,233	2,893,897	2,924,233	2,893,897
Administrative and Business	471,280	459,506	471,280	459,506
Maintenance and Operations	671,602	672,489	671,602	672,489
Transportation	227,670	212,006	227,148	202,909
Other	593,098	608,668	593,098	597,833
	<u>\$ 7,613,687</u>	<u>\$ 7,334,879</u>	<u>\$ 6,937,658</u>	<u>\$ 6,660,013</u>

- The cost of all governmental activities this year was \$7,613,687.
- The federal and state governments subsidized certain programs with grants and contributions of \$751,198.
- Most of the District's costs, \$7,032,462, were financed by District taxpayers.

#### ***Business-Type Activities***

Net assets from the District's business-type activity increased \$2,738 (Refer to Figure A-4). Factors contributing to these results included:

- The District participating in the Federal Special Milk Program.

#### **Financial Analysis of the District's Funds**

Difficult economic times have had a direct impact upon the District's revenue sources. Interest from General Fund investments remained unfavorable as compared to years past. Ratables in the municipality remain more or less stable, thus generating concern for the local tax levy in the future.

These factors are likely to continue for the next few years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

## General Fund Budgetary Highlights

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- The preparation of the 2012/2013 budget was difficult as a result of rising costs and the severe reduction in state aid.
- Allowable appropriations of fund balance.

## Capital Asset and Debt Administration

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2011/12
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
Land	\$ 4,870,146	\$ 4,870,146			\$ 4,870,146	\$ 4,870,146	0.00%
Site Improvements	2,801	3,065			2,801	3,065	-8.61%
Buildings and Building Improvements	10,128,069	10,424,972			10,128,069	10,424,972	-2.85%
Machinery and Equipment	95,642	133,590	\$ 1,921	\$ 2,074	97,563	135,664	-28.08%
<b>Total Capital Assets (Net)</b>	<b>\$ 15,096,658</b>	<b>\$ 15,431,773</b>	<b>\$ 1,921</b>	<b>\$ 2,074</b>	<b>\$ 15,098,579</b>	<b>\$ 15,433,847</b>	<b>-2.17%</b>

The District acquired additional capital assets of \$22,358 in the current year and depreciation was \$357,626 during the fiscal year. More detailed information about the District's capital assets is presented in Note 5 to the Basic Financial Statements.

## Long-term Debt

At year-end, the District had \$6,300,000 in general obligation bonds – a decrease of \$465,000 from last year – as shown in Figure A-9. More detailed information about the District's long-term liabilities is presented in Note 7 to the Basic Financial Statements.

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

	Total School District		Total Percentage Change 2011/12
	2011/12	2010/11	
General Obligation Bonds	\$ 6,300,000	\$ 6,765,000	-6.87%
Other Long Term Liabilities	394,253	411,515	-4.19%
	<b>\$ 6,694,253</b>	<b>\$ 7,176,515</b>	<b>-6.72%</b>

- The District continued to pay down its existing debt, retiring \$465,000 of bonded debt.
- The District accrued a net decrease of \$17,262 with regard to compensated absences payable.

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

Several factors which impact the District's future revenue/expense changes include but are not limited to the following: the amount of state aid allocated to our District; unanticipated costs associated with special education; the negotiation of individual and group contracts; health care premiums and voter approval/disapproval of the District's budget.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 1 Dyer Avenue, South Hackensack, New Jersey 07606.

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

SOUTH HACKENSACK SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 923,711	\$ 4,740	\$ 928,451
Receivables from Federal Government	26,266	872	27,138
Receivables from State Government	77,502	15	77,517
Receivables - Other	320		320
Restricted Assets:			
Maintenance Reserve Account - Cash	354,726		354,726
Capital Assets, Net:			
Sites (Land)	4,870,146		4,870,146
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	10,226,512	1,921	10,228,433
Total Assets	<u>16,479,183</u>	<u>7,548</u>	<u>16,486,731</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	213,541		213,541
Accrued Interest Payable	89,075		89,075
Deferred Revenue	4,100		4,100
Noncurrent Liabilities:			
Due Within One Year	485,000		485,000
Due Beyond One Year	6,209,253		6,209,253
Total Liabilities	<u>7,000,969</u>		<u>7,000,969</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	8,796,658	1,921	8,798,579
Restricted for:			
Capital Projects	77,425		77,425
Debt Service	1,375		1,375
Other Purposes	647,015		647,015
Unrestricted/(Deficit)	(44,259)	5,627	(38,632)
Total Net Assets	<u>\$ 9,478,214</u>	<u>\$ 7,548</u>	<u>\$ 9,485,762</u>

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

SOUTH HACKENSACK SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 2,047,118	\$ 13,919	\$ 286,969	\$ (1,746,230)		\$ (1,746,230)
Special Education	419,549		345,114	(74,435)		(74,435)
Other Special Instruction	153,476		19,794	(133,682)		(133,682)
Other Instruction	105,661		9,711	(95,950)		(95,950)
Support Services:						
Tuition	2,292,339			(2,292,339)		(2,292,339)
Student & Instruction Related Services	631,894			(631,894)		(631,894)
General Administrative Services	192,387			(192,387)		(192,387)
School Administrative Services	136,583			(136,583)		(136,583)
Central Services	142,310			(142,310)		(142,310)
Plant Operations and Maintenance	671,602			(671,602)		(671,602)
Pupil Transportation	227,670		522	(227,148)		(227,148)
Capital Outlay	36,718			(36,718)		(36,718)
Interest on Long-Term Debt	259,213			(259,213)		(259,213)
Unallocated Depreciation	297,167			(297,167)		(297,167)
Total Governmental Activities	7,613,687	13,919	662,110	(6,937,658)		(6,937,658)

SOUTH HACKENSACK SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Proprietary Funds	\$ 30,306	\$ 3,749	\$ 18,004		\$ (8,553)	\$ (8,553)
Total Business-Type Activities	30,306	3,749	18,004		(8,553)	(8,553)
Total Primary Government	\$ 7,643,993	\$ 17,668	\$ 680,114	\$ (6,937,658)	(8,553)	(6,946,211)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				6,370,952		6,370,952
Taxes Levied for Debt Service				661,510		661,510
Federal and State Aid not Restricted				71,084		71,084
Interest and Miscellaneous Income				142,049	1	142,050
Transfers				(11,290)	11,290	
Total General Revenues, Special Items and Transfers				7,234,305	11,291	7,245,596
Change in Net Assets				296,647	2,738	299,385
Net Assets - Beginning				9,181,567	4,810	9,186,377
Net Assets - Ending				\$ 9,478,214	\$ 7,548	\$ 9,485,762

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

**FUND FINANCIAL STATEMENTS**

Exhibit B-1

SOUTH HACKENSACK SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 861,166		\$ 61,366	\$ 1,179	\$ 923,711
Interfund Receivables	6,075		16,255	196	22,526
Receivables from Federal Government	14,171	\$ 12,095			26,266
Receivables from State Government	77,502				77,502
Other Receivables	320				320
Restricted Cash and Cash Equivalents:					
Maintenance Reserve	354,726				354,726
<b>Total Assets</b>	<b>\$ 1,313,960</b>	<b>\$ 12,095</b>	<b>\$ 77,621</b>	<b>\$ 1,375</b>	<b>\$ 1,405,051</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 207,521	\$ 6,020			\$ 213,541
Interfund Payable	16,255	6,075	\$ 196		22,526
Deferred Revenue	4,100				4,100
<b>Total Liabilities</b>	<b>227,876</b>	<b>12,095</b>	<b>196</b>		<b>240,167</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Maintenance Reserve	354,726				354,726
Excess Surplus	194,211				194,211
Excess Surplus - Designated for Subsequent Year's Expenditures	70,763				70,763
Capital Projects Fund			77,425		77,425
Debt Service Fund				\$ 1,375	1,375
<b>Assigned:</b>					
Year-End Encumbrances	27,315				27,315
Designated for Subsequent Year's Expenditures	188,547				188,547
<b>Unassigned:</b>					
General Fund	250,522				250,522
<b>Total Fund Balances</b>	<b>1,086,084</b>		<b>77,425</b>	<b>1,375</b>	<b>1,164,884</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,313,960</b>	<b>\$ 12,095</b>	<b>\$ 77,621</b>	<b>\$ 1,375</b>	<b>\$ 1,405,051</b>

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

Total Fund Balances From Above	\$ 1,164,884
Capital Assets Used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$17,953,059 and the accumulated depreciation is \$2,856,401.	15,096,658
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but rather is recognized as an expenditure when due.	(89,075)
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the Funds (see Note 7).	(6,694,253)
<b>Net Assets of Governmental Activities</b>	<b>\$ 9,478,214</b>

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

SOUTH HACKENSACK SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE 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>
<b>REVENUES</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 6,370,952			\$ 661,510	\$ 7,032,462
Tuition	13,919				13,919
Miscellaneous	141,853		\$ 196		142,049
<b>Total - Local Sources</b>	<b>6,526,724</b>		<b>196</b>	<b>661,510</b>	<b>7,188,430</b>
State Sources	576,936				576,936
Federal Sources	14,336	\$ 141,922			156,258
<b>Total Revenues</b>	<b>7,117,996</b>	<b>141,922</b>	<b>196</b>	<b>661,510</b>	<b>7,921,624</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	1,374,478	45,313	(596)		1,419,195
Special Education Instruction	220,136	77,358			297,494
Other Special Instruction	102,275				102,275
Other Instruction	80,542				80,542
<b>Support Services and Undistributed Costs:</b>					
Tuition	2,292,339				2,292,339
Student & Instruction Related Services	567,567				567,567
General Administrative Services	164,182				164,182
School Administrative Services	108,104				108,104
Central Services	120,227				120,227
Plant Operations and Maintenance	568,767				568,767
Pupil Transportation	227,670				227,670

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Unallocated Benefits	\$ 1,029,183				\$ 1,029,183
Debt Service:					
Principal				\$ 465,000	465,000
Interest and Other Charges				272,220	272,220
Capital Outlay	39,825	\$ 19,251			59,076
Total Expenditures	6,895,295	141,922	\$ (596)	737,220	7,773,841
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	222,701		792	(75,710)	147,783
OTHER FINANCING SOURCES/(USES)					
Transfers In				196	196
Transfers Out	(11,290)		(196)		(11,486)
Total Other Financing Sources/(Uses)	(11,290)		(196)	196	(11,290)
Net Change in Fund Balances	211,411		596	(75,514)	136,493
Fund Balance—July 1	874,673		76,829	76,889	1,028,391
Fund Balance—June 30	\$ 1,086,084	\$ -0-	\$ 77,425	\$ 1,375	\$ 1,164,884

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

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

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 136,493
Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation in the period.		
	Depreciation expense	\$ (357,473)
	Capital outlays	<u>22,358</u>
		(335,115)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		465,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		13,007
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>17,262</u>
Change in Net Assets of Governmental Activities (Exhibit A-2)		<u>\$ 296,647</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,740
Accounts Receivable:	
Federal	872
State	15
	5,627
Total Current Assets	5,627
Capital Assets:	
Machinery and Equipment	2,305
Less: Accumulated Depreciation	(384)
	1,921
Total Capital Assets	1,921
Total Assets	7,548
<b>NET ASSETS:</b>	
Investment in Capital Assets, Net of Related Debt	1,921
Unrestricted	5,627
	7,548
Total Net Assets	\$ 7,548

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

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

	<u>Business-type Activities - Enterprise Funds</u>
Operating Revenue:	
Charges for Services:	
Daily Sales:	
Breakfast Program	\$ 163
Lunch Program	1,187
Special Milk Program	2,399
Total Operating Revenue	<u>3,749</u>
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	11,290
Depreciation	153
Miscellaneous Expenses	18,863
Total Operating Expenses	<u>30,306</u>
Operating Loss	(26,557)
Non-Operating Revenue:	
Federal Sources:	
National School Breakfast Program	1,807
National School Lunch Program	15,577
Special Milk Program	295
State Sources:	
School Lunch Program	325
Local Sources:	
Interest Revenue	1
Total Non-Operating Revenue	<u>18,005</u>
Net Loss before Operating Transfers	(8,552)
Operating Transfers In:	
General Fund - Budget Appropriation	11,290
Change in Net Assets	2,738
Net Assets - Beginning of Year	<u>4,810</u>
Net Assets - End of Year	<u>\$ 7,548</u>

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

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

	<u>Business-type Activities - Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 3,749
Payments to Employees	(11,290)
Payments to Suppliers	(18,863)
	(26,404)
Net Cash Used for Operating Activities	(26,404)
Cash Flows from Investing Activities:	
Interest Revenue	1
	1
Net Cash Provided by Investing Activities	1
Cash Flows from Noncapital Financing Activities:	
Board Contribution	11,290
Federal Sources	17,904
State Sources	329
	29,523
Net Cash Provided by Noncapital Financing Activities	29,523
Net Increase in Cash and Cash Equivalents	3,120
Cash and Cash Equivalents, July 1	1,620
Cash and Cash Equivalents, June 30	\$ 4,740
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (26,557)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	153
	153
Net Cash Used for Operating Activities	\$ (26,404)

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

SOUTH HACKENSACK SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 45,019	\$ 5,722	\$ 2,189
Total Assets	<u>45,019</u>	<u>5,722</u>	<u>2,189</u>
<b>LIABILITIES:</b>			
Payroll Deductions and Withholdings	20,158		
Due to Student Groups	<u>24,861</u>		
Total Liabilities	<u>45,019</u>		
<b>NET ASSETS:</b>			
Held in Trust for:			
Flexible Spending Claims			2,189
Unemployment Claims		<u>5,722</u>	
Total Net Assets	<u>\$ -0-</u>	<u>\$ 5,722</u>	<u>\$ 2,189</u>

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

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

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:		
Contributions:		
Employee Contributions	\$ 1,541	\$ 2,400
Board Contribution	16,000	
Total Contributions	<u>17,541</u>	<u>2,400</u>
Investment Earnings:		
Interest	5	
Net Investment Earnings	<u>5</u>	
Total Additions	<u>17,546</u>	<u>2,400</u>
DEDUCTIONS:		
Flexible Spending Claims		211
State of New Jersey Unemployment Claims	13,815	
Total Deductions	<u>13,815</u>	<u>211</u>
Change in Net Assets	3,731	2,189
Net Assets - Beginning of the Year	<u>1,991</u>	
Net Assets - End of the Year	<u>\$ 5,722</u>	<u>\$ 2,189</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

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

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

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

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Budgets/Budgetary Control:

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 7,117,996	\$ 141,922
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 7,117,996</u>	<u>\$ 141,922</u>

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

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 6,895,295	\$ 141,922
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 6,895,295	\$ 141,922
		Capital Projects Fund
Fund Balance per Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis)		\$ 77,425
Fund Balance per Governmental Funds (GAAP)		\$ 77,425

E. Cash and Cash Equivalents and Investments:

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

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

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

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

K. Capital Assets:

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

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

	<u>Estimated Useful Life</u>
Buildings	30 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

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

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

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

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

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

O. Deferred Revenue:

Deferred revenue in the general fund and special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$1,086,084 General Fund fund balance at June 30, 2012, \$27,315 is assigned for encumbrances; \$354,726 is restricted in the maintenance reserve account; \$194,211 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, c.73 (S1701) and will be appropriated and included as anticipated revenue for the year ended June 30, 2014; \$70,763 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the year ended June 30, 2013; \$188,547 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2013, and \$250,522 is unassigned fund balance.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2012 of \$77,425 is restricted.

Debt Service Fund: Of the total Debt Service Fund fund balance of \$1,375 at June 30, 2012, all of which is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school Districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus in the fiscal year ending June 30, 2012 as noted above.

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

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

Q. Fund Balance Reserves:

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

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

Fund balance restrictions have been established for excess surplus, a capital reserve, a tuition reserve, a maintenance reserve, the capital projects fund and the debt service fund.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources for year-end encumbrances at June 30, 2012.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2012.

R. Deficit Net Assets

The \$44,259 deficit in unrestricted net assets for the governmental activities at June 30, 2012 primarily resulted from the accrual of \$89,075 interest payable and \$394,253 compensated absences payable offset by unassigned General Fund fund balance of \$250,522 and assigned general fund fund \$188,547 balance designated for the use in the June 30, 2012 budget. The deficit does not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

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

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

S. Net Assets:

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

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for milk and lunch sales. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

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

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Deposits:

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

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

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

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

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

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

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

Investments

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

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

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

	Cash and Cash Equivalents
Checking Accounts	\$ 1,336,107

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2012 was \$1,336,107 and the bank balance was \$1,602,809.

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

NOTE 4: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2012, the District did not make any transfers to Capital Outlay.

NOTE 5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 4,870,146			\$ 4,870,146
Total Capital Assets Not Being Depreciated	<u>4,870,146</u>			<u>4,870,146</u>
Capital Assets Being Depreciated:				
Site Improvements	47,338			47,338
Buildings and Building Improvements	12,391,405			12,391,405
Machinery and Equipment	621,812	\$ 22,358		644,170
Total Capital Assets Being Depreciated	<u>13,060,555</u>	<u>22,358</u>		<u>13,082,913</u>
Governmental Activities Capital Assets	<u>17,930,701</u>	<u>22,358</u>		<u>17,953,059</u>
Less Accumulated Depreciation for:				
Site Improvements	(44,273)	(264)		(44,537)
Buildings and Building Improvements	(1,966,433)	(296,903)		(2,263,336)
Machinery and Equipment	(488,222)	(60,306)		(548,528)
	<u>(2,498,928)</u>	<u>(357,473)</u>		<u>(2,856,401)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,431,773</u>	<u>\$ (335,115)</u>	<u>\$ -0-</u>	<u>\$ 15,096,658</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 2,305			\$ 2,305
Less Accumulated Depreciation	(231)	\$ (153)		(384)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,074</u>	<u>\$ (153)</u>	<u>\$ -0-</u>	<u>\$ 1,921</u>
Total Governmental & Business-Type Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,433,847</u>	<u>\$ (335,268)</u>	<u>\$ -0-</u>	<u>\$ 15,098,579</u>

The District purchased capital assets totaling \$22,358 and had depreciation of \$357,473 resulting in a net decrease of \$335,268.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 23,447
Student and Instruction Related Services	27,130
Administrative and Business	1,685
Plant Operations and Maintenance	8,044
Unallocated	297,167
	<u>\$ 357,473</u>

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

(Continued)

NOTE 6. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$300,000 was established by the South Hackensack School District by board resolution on June 28, 2011. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be reserved and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Balance at June 30, 2011	\$	300,000
Decreased by Board Approved Withdrawals on October 17, 2011 and November 14, 2011		(10,550)
Increased by Board Resolution on June 7, 2012		65,276
		354,726
Balance at June 30, 2012		354,726

NOTE 7. LONG-TERM LIABILITIES

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

	Balance 6/30/2011	Added	Retired	Balance 6/30/2012
Serial Bonds Payable	\$ 6,765,000		\$ 465,000	\$ 6,300,000
Compensated Absences Payable	411,515	\$ 33,063	50,325	394,253
	\$ 7,176,515	\$ 33,063	\$ 515,325	\$ 6,694,253

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and are liquidated through the debt service fund.

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

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

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

<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
02/15/23	4.000%	\$ 3,445,000
02/15/26	4.000% - 4.150%	2,445,000
02/15/17	4.125% - 4.250%	410,000
		<u>\$ 6,300,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 485,000	\$ 253,532	\$ 738,532
2014	515,000	234,045	749,045
2015	530,000	213,245	743,245
2016	560,000	191,845	751,845
2017	585,000	169,220	754,220
Thereafter:			
2018-2022	2,515,000	528,375	3,043,375
2023-2026	1,110,000	93,990	1,203,990
	<u>\$ 6,300,000</u>	<u>\$ 1,684,252</u>	<u>\$ 7,984,252</u>

B. Bonds Authorized But Not Issued:

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

C. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the long-term liabilities and will be liquidated by the General Fund. . There is no current portion of the liability for compensated absences. The entire \$394,253 is a long-term liability.

There was no liability for compensated absences payable in the District's Enterprise Fund at June 30, 2012.

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

(Continued)

NOTE 8. PENSION PLANS

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

Employees who are members of PERS and retire at a specified age 55 according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS and TPAF went from 5.5% to 6.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

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

District Contributions to PERS amounted to \$90,278, \$66,135 and \$45,052 for the fiscal years ended June 30, 2012, 2011 and 2010, respectively.

During the fiscal years ended June 30, 2012, 2011 and 2010 the State of New Jersey contributed \$56,600, \$-0- and \$-0-, respectively, to the TPAF for pension benefits on-behalf of the District.

P.L. 2009, c.29, provides regular school districts the option of deferring 50 percent of the District's 2008/2009 regular PERS pension liability. Districts that elect to defer the pension liability must begin repaying the deferred amount over fifteen years starting in April 2012.

The District elected to defer \$22,281 of their \$40,126 regular pension liability for the year ended June 30, 2009 and must start repaying this during the 2011/2012 budget year.

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

NOTE 9. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of the 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 attributed to P.L. 1992, c.126 which provides free health benefits to members of PERS, TPAF and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members for Fiscal Year 2011.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$113,782, \$107,784 and \$110,453 for 2012, 2011 and 2010 respectively.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are provided to the employees through the State of New Jersey Health Benefit Plan.

Property and Liability Insurance

The District maintains commercial insurance coverage for surety bonds. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The Board is a member of the School Alliance Insurance Fund ("SAIF"). The SAIF provides its members with Workers' Compensation, Comprehensive General Liability and Automobile Liability, Property, Boiler and Machinery, and School Board Legal Liability Insurance. The SAIF is a risk-sharing fund that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the SAIF are elected.

As a member of the SAIF, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the SAIF were to be exhausted, members would become responsible for their respective shares of the SAIF's liabilities.

The SAIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

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

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

The audit report for the fiscal year ended June 30, 2012 was not available as of the date of this report. Selected financial information for the SAIF as of June 30, 2011 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 36,488,099
Net Assets	\$ 12,502,179
Total Revenue	\$ 29,577,140
Total Expenses	\$ 28,589,235
Change in Net Assets	\$ 987,905
Net Assets Distribution to Participating Members	\$ 1,223,485

Financial Statements for SAIF are available at SAIF's Executive Director's Office:

Public Entity Group Administrative Services  
51 Everett Drive, Suite B-40  
West Windsor, NJ 08550  
(609) 275-1155

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 16,000	\$ 5	\$ 1,541	\$ 13,815	\$ 5,722
2010-2011	2,000	46	3,889	36,933	1,991
2009-2010	-0-	66	5,332	4,700	32,989

NOTE 11. ECONOMIC DEPENDENCY

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

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

(Continued)

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 6,075	\$ 16,255
Capital Projects Fund	16,255	196
Debt Service Fund	196	6,075
	<u>\$ 22,526</u>	<u>\$ 22,526</u>

The interfund receivable in General Fund is comprised of interfund loans to the Debt Service Fund for cash flow purposes. The interfund receivable in Debt Service Fund is comprised of interest earnings in the Capital Projects Fund. The interfund receivable in Capital Projects is the result of expenditures paid for by the Capital Projects on behalf of the Current Fund.

NOTE 13. DEFERRED COMPENSATION

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

Lincoln Investment Planning Inc.  
Fidelity Investments

NOTE 14. TAX CALENDAR

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

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

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

NOTE 15. ACCOUNTS PAYABLE

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

	Governmental Activities		
	General Fund	Special Revenue Fund	Total Governmental Funds
Vendors	\$ 207,521		\$ 207,521
Due to State of New Jersey		\$ 6,020	6,020
	\$ 207,521	\$ 6,020	\$ 213,541

NOTE 16. COMMITMENTS AND CONTINGENCIES

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

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

Encumbrances

At June 30, 2012, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 27,315	\$ -0-	\$ -0-	\$ 27,315

**BUDGETARY COMPARISON SCHEDULES**

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 6,370,952		\$ 6,370,952	\$ 6,370,952	
Tuition	19,500		19,500	13,919	\$ (5,581)
Miscellaneous	119,588		119,588	141,853	22,265
Total - Local Sources	<u>6,510,040</u>		<u>6,510,040</u>	<u>6,526,724</u>	<u>16,684</u>
State Sources:					
Special Education Categorical Aid	138,484		138,484	205,438	66,954
Extraordinary Aid	85,000		85,000	71,084	(13,916)
Nonpublic Transportation				522	522
On-Behalf TPAF Pension Contributions (Non-Budgeted)				56,600	56,600
TPAF Post-Retirement Medical Benefits (On-Behalf - Non-Budgeted)				113,782	113,782
TPAF Social Security (Reimbursed - Non-Budgeted)				129,510	129,510
Total State Sources	<u>223,484</u>		<u>223,484</u>	<u>576,936</u>	<u>353,452</u>
Federal Sources:					
Special Education Medicaid Initiative				463	463
Education Jobs Fund	13,452	\$ 421	13,873	13,873	
Total Federal Sources	<u>13,452</u>	<u>421</u>	<u>13,873</u>	<u>14,336</u>	<u>463</u>
TOTAL REVENUES	<u>6,746,976</u>	<u>421</u>	<u>6,747,397</u>	<u>7,117,996</u>	<u>370,599</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction:</b>					
Preschool - Salaries of Teachers	\$ 44,518	\$ 45,954	\$ 90,472	\$ 90,468	\$ 4
Kindergarten - Salaries of Teachers	97,963	(721)	97,242	76,489	20,753
Grades 1-5 - Salaries of Teachers	601,557	(86,954)	514,603	510,733	3,870
Grades 6-8 - Salaries of Teachers	424,875	48,676	473,551	473,551	
<b>Regular Programs - Undistributed Instruction:</b>					
Other Salaries for Instruction	115,952	(90,231)	25,721	25,721	
Purchased Professional-Educational Services	62,329	(325)	62,004	62,004	
Purchased Technical Services	12,000	(6,035)	5,965	5,564	401
Other Purchased Services (400-500 series)	25,000	(552)	24,448	24,448	
General Supplies	46,925	65,390	112,315	96,132	16,183
Textbooks	21,218	(12,626)	8,592	7,672	920
Other Objects	4,500	(2,804)	1,696	1,696	
<b>Total Regular Programs - Instruction</b>	<u>1,456,837</u>	<u>(40,228)</u>	<u>1,416,609</u>	<u>1,374,478</u>	<u>42,131</u>
<b>Special Education - Instruction:</b>					
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	138,798	81,338	220,136	220,136	
<b>Total Resource Room/Resource Center</b>	<u>138,798</u>	<u>81,338</u>	<u>220,136</u>	<u>220,136</u>	
<b>Total Special Education - Instruction</b>	<u>138,798</u>	<u>81,338</u>	<u>220,136</u>	<u>220,136</u>	

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	\$ 68,640	\$ (23,350)	\$ 45,290	\$ 38,966	\$ 6,324
<b>Total Basic Skills/Remedial - Instruction</b>	<b>68,640</b>	<b>(23,350)</b>	<b>45,290</b>	<b>38,966</b>	<b>6,324</b>
<b>Bilingual Education - Instruction:</b>					
Salaries of Teachers	59,659	3,650	63,309	63,309	
General Supplies	350		350		350
<b>Total Bilingual Education - Instruction</b>	<b>60,009</b>	<b>3,650</b>	<b>63,659</b>	<b>63,309</b>	<b>350</b>
<b>School-Sponsored Cocurricular Activities - Instruction:</b>					
Salaries	28,865	(3,342)	25,523	25,523	
Purchased Services (300-500 series)	13,500	(3,766)	9,734	9,483	251
Supplies and Materials	4,200	12,936	17,136	17,122	14
Transfer to Cover Deficit (Agency Funds)	5,000	(300)	4,700	3,760	940
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>51,565</b>	<b>5,528</b>	<b>57,093</b>	<b>55,888</b>	<b>1,205</b>
<b>Summer School:</b>					
Salaries of Teachers	28,500	(10,099)	18,401	14,716	3,685
<b>Total Summer School</b>	<b>28,500</b>	<b>(10,099)</b>	<b>18,401</b>	<b>14,716</b>	<b>3,685</b>

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Salaries	\$ 5,367	\$ 4,571	\$ 9,938	\$ 9,938	
Total Community Services Programs/Operations	5,367	4,571	9,938	9,938	
 Total Instruction	 1,809,716	 21,410	 1,831,126	 1,777,431	 \$ 53,695
 Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	1,160,601	(48,135)	1,112,466	1,064,721	47,745
Tuition to Other LEAs Within the State - Special	440,625	35,015	475,640	438,455	37,185
Tuition to County Vocational School District - Regular	64,560	8,070	72,630	72,630	
Tuition to County Vocational School District - Special	340,780	(65,990)	274,790	274,790	
Tuition to CSSD & Reg. Day Schools	226,400	115,956	342,356	341,356	1,000
Tuition to Private Schools for the Handicapped - Within State	183,028	(80,039)	102,989	100,387	2,602
Total Undistributed Expenditures - Instruction	2,415,994	(35,123)	2,380,871	2,292,339	88,532
 Attendance & Social Work:					
Salaries	7,348	161	7,509	7,509	
Total Attendance and Social Work	7,348	161	7,509	7,509	

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Undistributed Expenditures:</b>					
<b>Health Services:</b>					
Salaries	\$ 64,356	\$ 884	\$ 65,240	\$ 64,408	\$ 832
Purchased Professional and Technical Services	11,000	(1,045)	9,955	7,334	2,621
Other Purchased Services (400-500 series)	100	58	158	158	
Supplies and Materials	5,750	(58)	5,692	1,474	4,218
<b>Total Health Services</b>	<u>81,206</u>	<u>(161)</u>	<u>81,045</u>	<u>73,374</u>	<u>7,671</u>
<b>Speech, OT, PT and Related Services:</b>					
Salaries	57,830	(52,954)	4,876		4,876
Purchased Professional - Educational Services	100,000		100,000	73,947	26,053
Supplies and Materials	500	500	1,000	729	271
<b>Total Speech, OT, PT and Related Services</b>	<u>158,330</u>	<u>(52,454)</u>	<u>105,876</u>	<u>74,676</u>	<u>31,200</u>
<b>Other Support Services - Students - Extraordinary Services:</b>					
Salaries	160,000		160,000	113,465	46,535
<b>Total Other Support Services - Students - Extraordinary Services</b>	<u>160,000</u>		<u>160,000</u>	<u>113,465</u>	<u>46,535</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Child Study Teams:</b>					
Salaries of Other Professional Staff		\$ 47,185	\$ 47,185	\$ 47,185	
Salaries of Secretarial and Clerical Assistants	\$ 3,862	585	4,447	4,447	
Purchased Professional - Educational Services	191,037	6,349	197,386	197,087	\$ 299
Supplies and Materials	3,000		3,000	1,097	1,903
<b>Total Child Study Teams</b>	<u>197,899</u>	<u>54,119</u>	<u>252,018</u>	<u>249,816</u>	<u>2,202</u>
<b>Improvement of Instruction Services:</b>					
Salaries of Secretarial and Clerical Assistants	44,405	558	44,963	44,963	
<b>Total Improvement of Instruction Services</b>	<u>44,405</u>	<u>558</u>	<u>44,963</u>	<u>44,963</u>	
<b>Educational Media Services/School Library:</b>					
Supplies and Materials	1,000	547	1,547	887	660
<b>Total Educational Media Services/School Library</b>	<u>1,000</u>	<u>547</u>	<u>1,547</u>	<u>887</u>	<u>660</u>
<b>Instructional Staff Training Services:</b>					
Purchased Professional - Educational Services	2,500	377	2,877	2,877	
<b>Total Instructional Staff Training Services</b>	<u>2,500</u>	<u>377</u>	<u>2,877</u>	<u>2,877</u>	

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 76,727	\$ 386	\$ 77,113	\$ 77,112	\$ 1
Legal Services	10,000	22,300	32,300	31,555	745
Audit Fees	23,000		23,000	23,000	
Other Purchased Professional Services	6,490	3,103	9,593	9,593	
Communications/Telephone	12,000	(279)	11,721	11,686	35
Miscellaneous Purchase Service (400-500) (O/T 530 & 585)	3,000	196	3,196	3,190	6
General Supplies	500	(379)	121	121	
Miscellaneous Expenditures	2,400	1,018	3,418	3,418	
BOE Membership Dues and Fees	4,100	407	4,507	4,507	
Total Support Services - General Administration	<u>138,217</u>	<u>26,752</u>	<u>164,969</u>	<u>164,182</u>	<u>787</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	95,636	4	95,640	95,640	
Other Purchased Services (400-500 series)	7,750	1,200	8,950	8,271	679
Supplies and Materials	1,000	3,300	4,300	4,193	107
Total Support Services - School Administration	<u>104,386</u>	<u>4,504</u>	<u>108,890</u>	<u>108,104</u>	<u>786</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 85,956	\$ 153	\$ 86,109	\$ 86,109	
Purchased Professional Services	750	(455)	295	295	
Purchased Technical Services	2,000	37,950	39,950	31,346	\$ 8,604
Miscellaneous Purchased Services (400-500)	3,300	(1,793)	1,507	1,507	
Supplies and Materials	800	87	887	887	
Miscellaneous Expenditures	750	(667)	83	83	
Total Central Services	<u>93,556</u>	<u>35,275</u>	<u>128,831</u>	<u>120,227</u>	<u>8,604</u>
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	48,000	14,843	62,843	59,321	3,522
General Supplies	500	(500)			
Total Required Maintenance for School Facilities	<u>48,500</u>	<u>14,343</u>	<u>62,843</u>	<u>59,321</u>	<u>3,522</u>
Custodial Services:					
Salaries	322,103	(4,600)	317,503	310,335	7,168
Purchased Professional and Technical Services	5,000	(2,490)	2,510	2,510	
Cleaning, Repair and Maintenance Services	15,000	(1,836)	13,164	12,673	491
Other Purchased Property Services	12,500	(1,364)	11,136	11,136	
Insurance	25,000	(3,000)	22,000	21,988	12

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
Current Expense:					
Undistributed Expenditures:					
Custodial Services: (Cont'd)					
Miscellaneous Purchased Services	\$ 7,000	\$ (200)	\$ 6,800	\$ 5,902	\$ 898
General Supplies	13,000	10,891	23,891	23,146	745
Energy (Electricity)	160,000	(2,500)	157,500	121,756	35,744
Total Custodial Services	<u>559,603</u>	<u>(5,099)</u>	<u>554,504</u>	<u>509,446</u>	<u>45,058</u>
Student Transportation Services:					
Salaries (Between Home & School) - Regular	13,367	(13,367)			
Salaries (Between Home & School) - Special Education	13,367	(13,367)			
Contracted Services:					
Between Home & School - Vendors	35,000		35,000	33,739	1,261
Other Than Between Home & School - Vendors	20,000	(2,500)	17,500	9,631	7,869
Regular Students - ESCs & CTSAs	13,900		13,900	10,456	3,444
Special Ed Students - ESCs & CTSAs	172,735	1,616	174,351	171,192	3,159
Aid in Lieu of Payments - Non Public School	1,768	884	2,652	2,652	
Total Student Transportation Services	<u>270,137</u>	<u>(26,734)</u>	<u>243,403</u>	<u>227,670</u>	<u>15,733</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Unallocated Benefits:					
Social Security Contributions	\$ 65,000	\$ (10,602)	\$ 54,398	\$ 51,512	\$ 2,886
Other Retirement Contributions - PERS	167,387	(28,323)	139,064	90,278	48,786
Unemployment Compensation	2,551	13,449	16,000	16,000	
Workmen's Compensation	24,000		24,000	20,444	3,556
Health Benefits	605,522	(51,788)	553,734	511,448	42,286
Tuition Reimbursement	12,000	2,432	14,432	14,432	
Other Employee Benefits	5,000	20,210	25,210	25,177	33
Total Unallocated Benefits	<u>881,460</u>	<u>(54,622)</u>	<u>826,838</u>	<u>729,291</u>	<u>97,547</u>
TPAF Contributions:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				56,600	(56,600)
TPAF Post-Retirement Medical Benefits (On-Behalf - Non-Budgeted)				113,782	(113,782)
TPAF Social Security (Reimbursed - Non-Budgeted)				129,510	(129,510)
Total On-Behalf Contributions				<u>299,892</u>	<u>(299,892)</u>
Total Personal Services - Employee Benefits	<u>881,460</u>	<u>(54,622)</u>	<u>826,838</u>	<u>1,029,183</u>	<u>(202,345)</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Total Undistributed Expenses	\$ 5,164,541	\$ (37,557)	\$ 5,126,984	\$ 5,078,039	\$ 48,945
 TOTAL CURRENT EXPENDITURES	 6,974,257	 (16,147)	 6,958,110	 6,855,470	 102,640
 CAPITAL OUTLAY:					
Equipment:					
General Administration		27,118	27,118	27,118	
Total Equipment		27,118	27,118	27,118	
 Facilities Acquisition and Construction Services:					
Other Objects	12,707		12,707	12,707	
Total Facilities Acquisition and Construction Services	12,707		12,707	12,707	
 TOTAL CAPITAL OUTLAY	 12,707	 27,118	 39,825	 39,825	
 TOTAL EXPENDITURES	 6,986,964	 10,971	 6,997,935	 6,895,295	 102,640
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 (239,988)	 (10,550)	 (250,538)	 222,701	 473,239
 Other Financing Sources/(Uses):					
Operating Transfer Out:					
Transfer to Food Service Fund	(13,400)		(13,400)	(11,290)	2,110
Total Other Financing Sources/(Uses)	(13,400)		(13,400)	(11,290)	2,110

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	\$ (253,388)	\$ (10,550)	\$ (263,938)	\$ 211,411	\$ 475,349
Fund Balance, July 1	<u>874,673</u>		<u>874,673</u>	<u>874,673</u>	
Fund Balance, June 30	<u>\$ 621,285</u>	<u>\$ (10,550)</u>	<u>\$ 610,735</u>	<u>\$ 1,086,084</u>	<u>\$ 475,349</u>
 <u>Recapitulation:</u>					
Restricted Fund Balance:					
Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 70,763	
Excess Surplus				194,211	
Maintenance Reserve				354,726	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				188,547	
Year-End Encumbrances				27,315	
Unassigned Fund Balance				<u>250,522</u>	
				1,086,084	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,086,084</u>	

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources					
Federal Sources	\$ 81,525	\$ 60,998	\$ 142,523	\$ 141,922	\$ (601)
<b>Total Revenues</b>	<u>81,525</u>	<u>60,998</u>	<u>142,523</u>	<u>141,922</u>	<u>(601)</u>
<b>EXPENDITURES:</b>					
Instruction					
Salaries	17,142	17,858	35,000	35,000	
Tuition	59,548	(17,638)	41,910	41,910	
General Supplies		6,365	6,365	6,365	
<b>Total Instruction</b>	<u>76,690</u>	<u>6,585</u>	<u>83,275</u>	<u>83,275</u>	
Support Services					
Personal Services - Employee Benefits	4,835	2,766	7,601	7,000	601
Purchased Professional/Educational Services		32,396	32,396	32,396	
<b>Total Support Services</b>	<u>4,835</u>	<u>35,162</u>	<u>39,997</u>	<u>39,396</u>	<u>601</u>
Equipment:					
Instructional Equipment		19,251	19,251	19,251	
<b>Total Equipment</b>		<u>19,251</u>	<u>19,251</u>	<u>19,251</u>	
<b>Total Expenditures</b>	<u>\$ 81,525</u>	<u>60,998</u>	<u>142,523</u>	<u>141,922</u>	<u>601</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	<u>\$ 7,117,996</u>	<u>\$ 141,922</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 7,117,996</u>	<u>\$ 141,922</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 6,895,295</u>	<u>\$ 141,922</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 6,895,295</u>	<u>\$ 141,922</u>

Budgets/Budgetary Control:

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

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

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

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

**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

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

	<u>IDEA</u>		<u>No Child Left Behind</u>	
	<u>Part B</u>	<u>Preschool</u>	<u>Title I</u>	<u>Title II, Part A</u>
REVENUE:				
Federal Sources	\$ 68,272	\$ 2,721	\$ 35,529	\$ 9,784
Total Revenue	<u>68,272</u>	<u>2,721</u>	<u>35,529</u>	<u>9,784</u>
EXPENDITURES:				
Instruction:				
Salaries			27,500	7,500
Tuition	39,189	2,721		
General Supplies				
Total Instruction	<u>39,189</u>	<u>2,721</u>	<u>27,500</u>	<u>7,500</u>
Support Services:				
Personal Services - Employee Benefits			5,500	1,500
Purchased Professional/Educational Services	29,083		2,529	784
Total Support Services	<u>29,083</u>		<u>8,029</u>	<u>2,284</u>
Equipment:				
Instructional Equipment				
Total Equipment				
Total Expenditures	<u>\$ 68,272</u>	<u>\$ 2,721</u>	<u>\$ 35,529</u>	<u>\$ 9,784</u>

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

	American Recovery and Reinvestment Act IDEA Part B	Totals
	<u>Basic</u> <u>Regular</u>	<u>June 30, 2012</u>
REVENUE:		
Federal Sources	\$ 25,616	\$ 141,922
Total Revenue	<u>25,616</u>	<u>141,922</u>
EXPENDITURES:		
Instruction:		
Salaries		35,000
Tuition		41,910
General Supplies	6,365	<u>6,365</u>
Total Instruction	<u>6,365</u>	<u>83,275</u>
Support Services:		
Personal Services - Employee Benefits		7,000
Purchased Professional/Educational Services		<u>32,396</u>
Total Support Services		<u>39,396</u>
Equipment:		
Instructional Equipment	19,251	<u>19,251</u>
Total Equipment	<u>19,251</u>	<u>19,251</u>
Total Expenditures	<u>\$ 25,616</u>	<u>\$ 141,922</u>

**CAPITAL PROJECTS FUND**

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

Revenue and Other Financing Sources:	
Interest Revenue	<u>\$        196</u>
Total Revenue and Other Financing Sources	<u>196</u>
Expenditures and Other Financing Uses:	
Legal Services	(596)
Transfer to Debt Service Fund	<u>196</u>
Total Expenditures and Other Financing Uses	<u>(400)</u>
Excess/(Deficiency) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Uses	596
Fund Balance - Beginning	<u>76,829</u>
Fund Balance - Ending	<u><u>\$    77,425</u></u>
Recapitulation:	
Restricted	<u>\$    77,425</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$    77,425</u></u>

SOUTH HACKENSACK SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
CONSTRUCTION OF AN ADDITION TO AND UPGRADING OF EXISTING FACILITIES  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 2,015,395		\$ 2,015,395	\$ 2,015,395
Local Sources - Port Authority of NJ and NY	2,751,774		2,751,774	2,751,774
Bond Proceeds	8,485,000		8,485,000	8,485,000
Transfer from General Fund	4,661		4,661	4,661
<b>Total Revenue and Other Financing Sources</b>	<b>13,256,830</b>		<b>13,256,830</b>	<b>13,256,830</b>
Expenditures and Other Financing Uses:				
Legal Services	124,303	\$ (596)	123,707	126,000
Purchased Professional and Technical Services	1,784,042		1,784,042	1,784,312
Construction Services	11,142,761		11,142,761	11,188,064
Other Objects	53,185		53,185	82,744
Transfer to Debt Service Fund	75,710		75,710	75,710
<b>Total Expenditures and Other Financing Uses</b>	<b>13,180,001</b>	<b>(596)</b>	<b>13,179,405</b>	<b>13,256,830</b>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses				
	<u>\$ 76,829</u>	<u>\$ 596</u>	<u>\$ 77,425</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	SP-4870-050-02-0448-00			
Grant Date	01/30/03			
Bond Authorization Date	09/24/02 & 12/14/04			
Bonds Authorized	\$ 8,485,000			
Bonds Issued	\$ 8,485,000			
Original Authorized Cost	\$ 8,306,877			
Change Orders/Additional Authorization	\$ 4,949,953			
Revised Authorized Cost	\$ 13,256,830			
Change Order Percentage	59.59%			
Percentage Completion	99.42%			
Original Target Completion Date	08/31/04			
Revised Target Completion Date	09/30/12			

**PROPRIETARY FUNDS**

SOUTH HACKENSACK SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 4,740
Accounts Receivable:	
Federal	872
State	15
	<hr/>

Total Current Assets	<hr/> 5,627
----------------------	-------------

## Capital Assets:

Machinery and Equipment	2,305
Less: Accumulated Depreciation	(384)
	<hr/>

Total Capital Assets	<hr/> 1,921
----------------------	-------------

Total Assets	<hr/> 7,548
--------------	-------------

## NET ASSETS:

Investment in Capital Assets Net of Related Debt	1,921
Unrestricted	5,627
	<hr/>

Total Net Assets	<hr/> \$ 7,548
------------------	----------------

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

Operating Revenue:	
Charges for Services:	
Daily Sales:	
Breakfast Program	\$ 163
Lunch Program	1,187
Special Milk Program	2,399
	<hr/>
Total Operating Revenue	3,749
	<hr/>
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	11,290
Depreciation	153
Miscellaneous Expenses	18,863
	<hr/>
Total Operating Expenses	30,306
	<hr/>
Operating (Loss)	(26,557)
Non-Operating Revenue:	
Federal Sources:	
National School Breakfast Program	1,807
National School Lunch Program	15,577
Special Milk Program	295
State Sources:	
School Lunch Program	325
Local Sources:	
Interest Revenue	1
	<hr/>
Total Non-Operating Revenue	18,005
	<hr/>
Net Loss before Operating Transfers	(8,552)
Operating Transfers In:	
General Fund - Budget Appropriation	11,290
	<hr/>
Change in Net Assets	2,738
Net Assets - Beginning of Year	4,810
	<hr/>
Net Assets - End of Year	\$ 7,548
	<hr/> <hr/>

## Exhibit G-3

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

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 3,749
Payments to Employees	(11,290)
Payments to Suppliers	<u>(18,863)</u>
Net Cash Used for Operating Activities	<u>(26,404)</u>
Cash Flows from Investing Activities:	
Interest Revenue	<u>1</u>
Net Cash Provided by Investing Activities	<u>1</u>
Cash Flows from Noncapital Financing Activities:	
Board Contribution	11,290
Federal Sources	17,904
State Sources	<u>329</u>
Net Cash Provided by Noncapital Financing Activities	<u>29,523</u>
Net Increase in Cash and Cash Equivalents	3,120
Cash and Cash Equivalents, July 1	<u>1,620</u>
Cash and Cash Equivalents, June 30	<u>\$ 4,740</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (26,557)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Depreciation	<u>153</u>
Net Cash Used for Operating Activities	<u>\$ (26,404)</u>

**FIDUCIARY FUNDS**

SOUTH HACKENSACK SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Total</u>
	<u>Student Activities</u>	<u>Payroll</u>			
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 24,861	\$ 20,158	\$ 5,722	\$ 2,189	\$ 52,930
Total Assets	<u>24,861</u>	<u>20,158</u>	<u>5,722</u>	<u>2,189</u>	<u>52,930</u>
<b>LIABILITIES:</b>					
Payroll Deductions and Withholdings		20,158			20,158
Due to Student Groups	24,861				24,861
Total Liabilities	<u>24,861</u>	<u>20,158</u>			<u>45,019</u>
<b>NET ASSETS:</b>					
Held in Trust for:					
Flexible Spending Claims				2,189	2,189
Unemployment Claims			5,722		5,722
Total Net Assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,722</u>	<u>\$ 2,189</u>	<u>\$ 7,911</u>

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

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
ADDITIONS:		
Contributions:		
Employee Contributions	\$ 1,541	\$ 2,400
Board Contribution	16,000	
Total Contributions	<u>17,541</u>	<u>2,400</u>
Investment Earnings:		
Interest	5	
Net Investment Earnings	<u>5</u>	
Total Additions	<u>17,546</u>	<u>2,400</u>
DEDUCTIONS:		
Flexible Spending Claims		211
State of New Jersey Unemployment Claims	13,815	
Total Deductions	<u>13,815</u>	<u>211</u>
Change in Net Assets	3,731	2,189
Net Assets - Beginning of the Year	<u>1,991</u>	
Net Assets - End of the Year	<u>\$ 5,722</u>	<u>\$ 2,189</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 27,018	\$ 84,942	\$ 87,099	\$ 24,861
Total Assets	<u>\$ 27,018</u>	<u>\$ 84,942</u>	<u>\$ 87,099</u>	<u>\$ 24,861</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 75		\$ 75	
Due to Student Groups	<u>26,943</u>	<u>\$ 84,942</u>	<u>87,024</u>	<u>\$ 24,861</u>
Total Liabilities	<u>\$ 27,018</u>	<u>\$ 84,942</u>	<u>\$ 87,099</u>	<u>\$ 24,861</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Memorial Elementary School	\$ 24,496	\$ 81,181	\$ 80,914	\$ 24,763
Student Athletics	2,447	3,761	6,110	98
Total	<u>\$ 26,943</u>	<u>\$ 84,942</u>	<u>\$ 87,024</u>	<u>\$ 24,861</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 1,712	\$ 3,478,744	\$ 3,460,298	\$ 20,158
Total Assets	<u>\$ 1,712</u>	<u>\$ 3,478,744</u>	<u>\$ 3,460,298</u>	<u>\$ 20,158</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 1,712	\$ 3,478,744	\$ 3,460,298	\$ 20,158
Total Liabilities	<u>\$ 1,712</u>	<u>\$ 3,478,744</u>	<u>\$ 3,460,298</u>	<u>\$ 20,158</u>

**LONG-TERM DEBT**

SOUTH HACKENSACK SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS  
FISCAL YEAR ENDED JUNE 30, 2012

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2012		Interest Rate	Balance June 30, 2011	Retired or Matured	Balance June 30, 2012
			Date	Amount				
Memorial Elementary School Addition	02/15/03	\$ 5,290,000	02/15/13	\$ 260,000	4.000 %	\$ 3,690,000	\$ 245,000	\$ 3,445,000
			02/15/14	275,000	4.000 %			
			02/15/15	290,000	4.000 %			
			02/15/16	310,000	4.000 %			
			02/15/17-23	330,000	4.000 %			
Memorial Elementary School Addition	02/15/06	3,195,000	02/15/13	155,000	4.000 %	2,595,000	150,000	2,445,000
			02/15/14-16	160,000	4.000 %			
			02/15/17-18	165,000	4.000 %			
			02/15/19-20	170,000	4.000 %			
			02/15/21-22	180,000	4.000 %			
			02/15/23	190,000	4.000 %			
			02/15/24	190,000	4.050 %			
			02/15/25	200,000	4.100 %			
			02/15/26	200,000	4.150 %			
			Memorial Elementary School Addition	11/21/06	700,000			
02/15/14-15	80,000	4.250 %						
02/15/16-17	90,000	4.250 %						
						<u>\$ 6,765,000</u>	<u>\$ 465,000</u>	<u>\$ 6,300,000</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FISCAL YEAR ENDED JUNE 30, 2012

NOT APPLICABLE

SOUTH HACKENSACK SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
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	\$ 661,510		\$ 661,510	\$ 661,510	
Total Revenues	<u>661,510</u>		<u>661,510</u>	<u>661,510</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	272,220		272,220	272,220	
Redemption of Principal	465,000		465,000	465,000	
Total Regular Debt Service	<u>737,220</u>		<u>737,220</u>	<u>737,220</u>	
Total Expenditures	<u>737,220</u>		<u>737,220</u>	<u>737,220</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(75,710)		(75,710)	(75,710)	
Other Financing Sources/(Uses):					
Operating Transfers In/(Out):					
Capital Projects Fund				196	\$ 196
Total Other Financing Sources/(Uses)				<u>196</u>	<u>196</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	(75,710)		(75,710)	(75,514)	196
Fund Balance, July 1	<u>76,889</u>		<u>76,889</u>	<u>76,889</u>	
Fund Balance, June 30	<u>\$ 1,179</u>	<u>\$ -0-</u>	<u>\$ 1,179</u>	<u>\$ 1,375</u>	<u>\$ 196</u>
Recapitulation:					
Restricted				<u>1,375</u>	
				<u>\$ 1,375</u>	

## STATISTICAL SECTION

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

### Contents

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

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

SOUTH HACKENSACK SCHOOL DISTRICT  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities:</b>								
Invested in Capital Assets, Net of Related Debt	\$ 5,005,091	\$ 8,595,747	\$ 8,429,901	\$ 8,414,250	\$ 8,415,239	\$ 8,453,480	\$ 8,666,773	\$ 8,796,658
Restricted	7,908,407	1,712,709	629,972	654,570	653,192	372,229	577,062	725,815
Unrestricted/(Deficit)	<u>(5,260,436)</u>	<u>66,732</u>	<u>(48,426)</u>	<u>3,008</u>	<u>(256,906)</u>	<u>(215,185)</u>	<u>(62,268)</u>	<u>(44,259)</u>
<b>Total Governmental Activities Net Assets</b>	<u>\$ 7,653,062</u>	<u>\$ 10,375,188</u>	<u>\$ 9,011,447</u>	<u>\$ 9,071,828</u>	<u>\$ 8,811,525</u>	<u>\$ 8,610,524</u>	<u>\$ 9,181,567</u>	<u>\$ 9,478,214</u>
<b>Business-Type Activities:</b>								
Invested in Capital Assets, Net of Related Debt						\$ 2,228	\$ 2,074	\$ 1,921
Unrestricted	\$ 1,954	\$ 2,692	\$ 3,345	\$ 2,697	\$ 3,092	3,507	2,736	5,627
<b>Total Business-Type Activities Net Assets</b>	<u>\$ 1,954</u>	<u>\$ 2,692</u>	<u>\$ 3,345</u>	<u>\$ 2,697</u>	<u>\$ 3,092</u>	<u>\$ 5,735</u>	<u>\$ 4,810</u>	<u>\$ 7,548</u>
<b>District-Wide:</b>								
Invested in Capital Assets, Net of Related Debt	\$ 5,005,091	\$ 8,595,747	\$ 8,429,901	\$ 8,414,250	\$ 8,415,239	\$ 8,455,708	\$ 8,668,847	\$ 8,798,579
Restricted	7,908,407	1,712,709	629,972	654,570	653,192	372,229	577,062	725,815
Unrestricted/(Deficit)	<u>(5,258,482)</u>	<u>69,424</u>	<u>(45,081)</u>	<u>5,705</u>	<u>(253,814)</u>	<u>(211,678)</u>	<u>(59,532)</u>	<u>(38,632)</u>
<b>Total District Net Assets</b>	<u>\$ 7,655,016</u>	<u>\$ 10,377,880</u>	<u>\$ 9,014,792</u>	<u>\$ 9,074,525</u>	<u>\$ 8,814,617</u>	<u>\$ 8,616,259</u>	<u>\$ 9,186,377</u>	<u>\$ 9,485,762</u>

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

Source: South Hackensack School District Financial Reports.

SOUTH HACKENSACK SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:								
Governmental Activities:								
Instruction:								
Regular	\$ 1,017,947	\$ 1,110,446	\$ 1,343,966	\$ 1,371,449	\$ 1,702,339	\$ 1,863,565	\$ 2,013,839	\$ 2,047,118
Special Education	235,074	201,636	294,249	212,332	354,946	417,710	281,136	419,549
Other Special Instruction	64,636	70,086	85,377	95,904	167,426	129,216	127,433	153,476
Other Instruction	47,263	43,294	56,038	74,156	120,058	124,974	65,905	105,661
Support Services:								
Tuition					1,922,455	2,287,849	2,212,743	2,292,339
Student & Instruction Related Services	1,711,815	1,928,562	2,077,506	2,327,428	723,192	750,989	681,154	631,894
General Administrative Services	158,362	203,266	185,795	190,420	186,119	147,270	174,658	192,387
School Administrative Services	163,064	109,019	115,179	122,594	163,419	164,730	137,901	136,583
Central Services	14,876	10,725	65,397	89,545	165,769	133,975	146,947	142,310
Plant Operations and Maintenance	505,499	610,965	444,848	570,265	649,888	658,812	672,489	671,602
Pupil Transportation	94,373		407,674	353,372	366,998	339,083	212,006	227,670
Unallocated Depreciation	774,503	523,260	1,123,170	1,003,196	292,060	292,058	292,060	36,718
Capital Outlay	109,522	(505,813)	1,224,157	342,160	68,306	210,965	22,850	259,213
Interest on Long-term Debt	203,832	197,269	316,170	341,174	435,194	299,563	282,923	297,167
Total Governmental Activities Expenses	<u>5,100,766</u>	<u>4,502,715</u>	<u>7,739,526</u>	<u>7,093,995</u>	<u>7,318,169</u>	<u>7,820,759</u>	<u>7,324,044</u>	<u>7,613,687</u>
Business-Type Activities:								
Proprietary Funds	22,037	25,238	33,378	36,455	38,347	41,077	28,505	30,306
Total Business-Type Activities Expenses	<u>22,037</u>	<u>25,238</u>	<u>33,378</u>	<u>36,455</u>	<u>38,347</u>	<u>41,077</u>	<u>28,505</u>	<u>30,306</u>
Total District Expenses	<u>5,122,803</u>	<u>4,527,953</u>	<u>7,772,904</u>	<u>7,130,450</u>	<u>7,356,516</u>	<u>7,861,836</u>	<u>7,352,549</u>	<u>7,643,993</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues:								
Governmental Activities:								
Charges for Services	\$ 151,928	\$ 139,016	\$ 73,470	\$ 113,365	\$ 91,507	\$ 92,335	\$ 59,433	\$ 13,919
Operating Grants and Contributions	709,906	753,925	962,833	875,073	650,426	725,453	604,598	662,110
Capital Grants and Contributions		1,571,530						
Total Governmental Activities Program Revenues	<u>861,834</u>	<u>2,464,471</u>	<u>1,036,303</u>	<u>988,438</u>	<u>741,933</u>	<u>817,788</u>	<u>664,031</u>	<u>676,029</u>
Business-Type Activities:								
Charges for Services	4,178	3,467	5,139	5,349	5,375	4,469	1,284	3,749
Operating Grants and Contributions	3,553	3,249	6,695	7,946	11,030	14,982	15,459	18,004
Total Business-Type Activities Revenues	<u>7,731</u>	<u>6,716</u>	<u>11,834</u>	<u>13,295</u>	<u>16,405</u>	<u>19,451</u>	<u>16,743</u>	<u>21,753</u>
Total District Program Revenues	<u>869,565</u>	<u>2,471,187</u>	<u>1,048,137</u>	<u>1,001,733</u>	<u>758,338</u>	<u>837,239</u>	<u>680,774</u>	<u>697,782</u>
Net (Expense)/Revenue								
Governmental Activities	(4,238,932)	(2,038,244)	(6,703,223)	(6,105,557)	(6,576,236)	(7,002,971)	(6,660,013)	(6,937,658)
Business-Type Activities	(14,306)	(18,522)	(21,544)	(23,160)	(21,942)	(21,626)	(11,762)	(8,553)
Total District Net (Expense)/Revenue	<u>(4,253,238)</u>	<u>(2,056,766)</u>	<u>(6,724,767)</u>	<u>(6,128,717)</u>	<u>(6,598,178)</u>	<u>(7,024,597)</u>	<u>(6,671,775)</u>	<u>(6,946,211)</u>

SOUTH HACKENSACK SCHOOL DISTRICT  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets:								
Governmental Activities:								
Property Taxes Levied for General Purposes, Net	\$ 3,807,606	\$ 4,627,976	\$ 5,619,765	\$ 6,009,252	\$ 5,413,270	\$ 5,956,267	\$ 6,312,727	\$ 6,370,952
Taxes Levied for Debt Service					464,970	681,481	719,735	661,510
Federal and State Aid not Restricted	47,878	43,732	47,051	59,355	148,912	73,099		71,084
Interest and Miscellaneous Income	100,838	142,437	392,505		311,113	115,387	209,429	142,049
Other Financing Sources			(700,000)	119,837				
Fixed Asset Adjustments		(17,597)						
Other Adjustments		(11,771)						
Transfers	(15,749)	(22,056)	(22,190)	(22,506)	(22,332)	(24,264)	(10,835)	(11,290)
<b>Total Governmental Activities</b>	<b>3,940,573</b>	<b>4,762,721</b>	<b>5,337,131</b>	<b>6,165,938</b>	<b>6,315,933</b>	<b>6,801,970</b>	<b>7,231,056</b>	<b>7,234,305</b>
Business-Type Activities:								
Miscellaneous Income	5	4	7	6	5	5	2	1
Transfers	12,949	19,256	22,190	22,506	22,332	24,264	10,835	11,290
<b>Total Business-Type Activities</b>	<b>12,954</b>	<b>19,260</b>	<b>22,197</b>	<b>22,512</b>	<b>22,337</b>	<b>24,269</b>	<b>10,837</b>	<b>11,291</b>
<b>Total District</b>	<b>3,953,527</b>	<b>4,781,981</b>	<b>5,359,328</b>	<b>6,188,450</b>	<b>6,338,270</b>	<b>6,826,239</b>	<b>7,241,893</b>	<b>7,245,596</b>
Change in Net Assets:								
Governmental Activities	(298,359)	2,724,477	(1,366,092)	60,381	(260,303)	(201,001)	571,043	296,647
Business-Type Activities	(1,352)	738	653	(648)	395	2,643	(925)	2,738
<b>Total District</b>	<b>\$ (299,711)</b>	<b>\$ 2,725,215</b>	<b>\$ (1,365,439)</b>	<b>\$ 59,733</b>	<b>\$ (259,908)</b>	<b>\$ (198,358)</b>	<b>\$ 570,118</b>	<b>\$ 299,385</b>

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

Source: South Hackensack School District Financial Reports.

SOUTH HACKENSACK SCHOOL DISTRICT  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST EIGHT FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:								
Reserved/Restricted	\$ 23,173	\$ 100,282			\$ 120,162	\$ 88,668	\$ 370,763	\$ 619,700
Assigned							253,388	215,862
Unassigned							250,522	250,522
Unreserved	105,671	200,526	\$ 382,159	\$ 457,611	346,760	303,059		
<b>Total General Fund</b>	<b>\$ 128,844</b>	<b>\$ 300,808</b>	<b>\$ 382,159</b>	<b>\$ 457,611</b>	<b>\$ 466,922</b>	<b>\$ 391,727</b>	<b>\$ 874,673</b>	<b>\$ 1,086,084</b>
All Other Governmental Funds:								
Reserved/Restricted							\$ 153,718	\$ 78,800
Unreserved, Reported in:								
Capital Projects Fund	\$ 7,694,004	\$ 1,551,178	\$ 311,193	\$ 374,768	\$ 489,206	\$ 278,241		
Debt Service Fund	191,454	161,531	318,779	279,802	43,824	5,320		
<b>Total All Other Governmental Funds</b>	<b>\$ 7,885,458</b>	<b>\$ 1,712,709</b>	<b>\$ 629,972</b>	<b>\$ 654,570</b>	<b>\$ 533,030</b>	<b>\$ 283,561</b>	<b>\$ 153,718</b>	<b>\$ 78,800</b>
<b>Total Governmental Funds:</b>								
Reserved/Restricted	\$ 23,173	\$ 100,282			\$ 120,162	\$ 88,668	\$ 524,481	\$ 698,500
Assigned							253,388	215,862
Unassigned							250,522	250,522
Unreserved	7,991,129	1,913,235	\$ 1,012,131	\$ 1,112,181	879,790	586,620		
<b>Total Governmental Funds</b>	<b>\$ 8,014,302</b>	<b>\$ 2,013,517</b>	<b>\$ 1,012,131</b>	<b>\$ 1,112,181</b>	<b>\$ 999,952</b>	<b>\$ 675,288</b>	<b>\$ 1,028,391</b>	<b>\$ 1,164,884</b>

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

Source: South Hackensack School District Financial Reports.

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>								
Tax Levy	\$ 3,807,606	\$ 4,627,976	\$ 5,619,765	\$ 6,009,252	\$ 5,878,240	\$ 6,637,748	\$ 7,032,462	\$ 7,032,462
Tuition Charges	151,928	139,016	73,470	113,365	91,507	92,355	59,433	13,919
Interest Earnings	168	227						
Miscellaneous	100,670	142,210	392,505	119,837	312,113	115,387	210,429	142,049
State Sources	651,885	697,733	810,186	836,470	695,818	636,538	446,055	576,936
Federal Sources	105,899	99,923	199,698	97,958	102,520	161,994	157,543	156,258
<b>Total Revenues</b>	<b>4,818,156</b>	<b>5,707,085</b>	<b>7,095,624</b>	<b>7,176,882</b>	<b>7,080,198</b>	<b>7,644,022</b>	<b>7,905,922</b>	<b>7,921,624</b>
<b>Expenditures:</b>								
<b>Instruction:</b>								
Regular Instruction	1,013,585	1,106,816	1,343,966	1,371,449	1,262,080	1,395,253	1,421,816	1,419,195
Special Education Instruction	234,067	200,977	294,249	212,332	266,440	321,801	212,200	297,494
Other Special Instruction	64,359	69,856	85,377	95,904	118,986	89,589	86,894	102,275
Other Instruction	47,060	43,152	56,038	74,156	100,200	96,479	53,218	80,542
<b>Support Services:</b>								
Tuition	1,276,767	1,457,408	1,588,318	1,782,483	1,922,455	2,287,849	2,212,743	2,292,339
Student & Instruction Related Services	427,712	464,847	489,188	544,945	584,017	590,053	545,363	567,567
General Administrative Services	157,683	202,601	185,795	190,420	134,715	135,817	148,137	164,182
School Administrative Services	162,365	108,662	115,179	122,594	134,633	137,697	111,752	108,104
Central Services	93,969	54,024	65,397	89,545	121,682	121,002	121,146	120,227
Plant Operations and Maintenance	264,767	283,846	444,848	570,265	562,802	567,214	579,063	568,767
Pupil Transportation	253,378	335,811	407,674	353,372	364,314	334,494	205,647	227,670
Unallocated Benefits	660,243	706,364	925,010	978,478	823,907	931,234	938,608	1,029,183
Capital Outlay	119,130	11,042,771	1,462,611	(37,791)	68,306	215,245	181,052	59,076
<b>Debt Service:</b>								
Principal	175,000	185,000	295,000	365,000	385,000	415,000	435,000	465,000
Interest and Other Charges	203,832	197,269	316,170	341,174	320,558	305,695	289,345	272,220
<b>Total Expenditures</b>	<b>5,153,917</b>	<b>16,459,404</b>	<b>8,074,820</b>	<b>7,054,326</b>	<b>7,170,095</b>	<b>7,944,422</b>	<b>7,541,984</b>	<b>7,773,841</b>

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

	Fiscal Year Ending June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (335,761)	\$ (10,752,319)	\$ (979,196)	\$ 122,556	\$ (89,897)	\$ (300,400)	\$ 363,938	\$ 147,783
Other Financing Sources (Uses)								
Serial Bonds		3,195,000						
Port Authority of NJ and NY Grant		1,569,030						
Miscellaneous		2,500						
Transfers In					4,610	710	76,179	196
Transfers Out	(15,749)	(22,056)	(22,190)	(22,506)	(26,942)	(24,974)	(87,014)	(11,486)
Total Other Financing Sources (Uses)	(15,749)	4,744,474	(22,190)	(22,506)	(22,332)	(24,264)	(10,835)	(11,290)
Net Change in Fund Balances	<u>\$ (351,510)</u>	<u>\$ (6,007,845)</u>	<u>\$ (1,001,386)</u>	<u>\$ 100,050</u>	<u>\$ (112,229)</u>	<u>\$ (324,664)</u>	<u>\$ 353,103</u>	<u>\$ 136,493</u>
Debt Service as a Percentage of Noncapital Expenditures	8.1 %	7.6 %	10.2 %	11.1 %	11.0 %	10.3 %	10.9 %	10.6 %

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

Source: South Hackensack School District Financial Reports.

SOUTH HACKENSACK SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refunds</u>	<u>Rentals</u>	<u>Tuition</u>	<u>Other</u>	<u>Total</u>
2003	\$ 30,205	\$ 5,599	\$ 1,100	\$ 135,527		\$ 172,431
2004	6,016	7,132	1,250	131,568	\$ 23,930	169,896
2005	71,167	5,358	1,300	151,928	33,755	263,508
2006	99,168	1,884	1,250	139,016	40,135	281,453
2007	282,692	115,164	1,200	73,470	1,650	474,176
2008	64,400	7,587	47,850	113,365		233,202
2009	10,776	3,934	99,460	91,507	9,589	215,266
2010	3,312	7,315	104,050	92,355		207,032
2011	1,773	26,871	163,765	59,433	16,551	268,393
2012	1,462	21,287	117,140	13,919	1,964	155,772

Source: South Hackensack School District Financial Reports.

SOUTH HACKENSACK SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST NINE YEARS  
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Commercial	Industrial	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2003	\$ 9,218,000	\$ 113,685,300	\$ 45,077,600	\$ 216,678,700	\$ 384,659,600	\$ 532,011	\$ 385,191,611	\$ 35,337,500	\$ 0.96	\$ 407,497,785
2004	9,465,700	113,570,200	45,145,200	215,780,500	383,961,600	438,729	384,400,329	35,606,200	1.01	464,731,783
2005	8,995,400	115,105,700	45,104,600	215,311,400	384,517,100	419,598	384,936,698	35,606,200	1.08	469,614,400
2006	5,357,400	116,651,200	44,726,300	214,006,000	380,740,900	357,013	381,097,913	39,114,200	1.35	510,182,010
2007	5,227,400	117,567,400	44,689,700	214,258,700	381,743,200	314,148	382,057,348	39,114,200	1.52	577,246,806
2008	5,227,400	118,039,900	44,447,700	212,519,100	380,234,100	278,020	380,512,120	39,114,200	1.56	678,983,474
2009	4,254,900	118,021,100	43,825,900	216,848,100	382,950,000	268,118	383,218,118	39,006,700	1.63	750,993,782
2010	* 4,085,400	198,705,100	74,445,100	374,085,600	651,321,200	786,602	652,107,802	58,707,700	1.05	740,497,681
2011	4,085,400	198,320,300	74,427,800	372,509,100	649,342,600	549,928	649,892,528	58,707,700	1.08	740,497,682

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when ordered by the County Board of Taxation.

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

<sup>b</sup> Tax rates are per \$100 of assessed value.

\* Revaluation Year

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

Source: Township of South Hackensack Tax Assessor.

Exhibit J-7

SOUTH HACKENSACK SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST NINE YEARS  
UNAUDITED  
*(Rate per \$100 of Assessed Value)*

Year Ended December 31,	South Hackensack School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct School Tax Rate	Township of South Hackensack	Bergen County	
2003	**	**	\$ 0.96	\$ 1.14	\$ 0.22	\$ 2.33
2004	**	**	1.01	1.23	0.25	2.49
2005	\$ 1.02	\$ 0.06	1.08	1.29	0.24	2.61
2006	1.22	0.13	1.35	1.36	0.25	2.95
2007	1.36	0.16	1.52	1.33	0.27	3.12
2008	1.44	0.12	1.56	1.39	0.33	3.28
2009	1.46	0.17	1.63	1.45	0.38	3.46
2010	* 0.94	0.11	1.05	0.89	0.22	2.16
2011	0.98	0.10	1.08	0.89	0.22	2.19

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

<sup>a</sup> The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

<sup>b</sup> Rates for debt service are based on each year's requirements.

\*\* Not Available during the time of the Audit

\* Revaluation Year

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

Source: Township of South Hackensack Tax Collector and School Business Administrator.

SOUTH HACKENSACK SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Taxpayer	2011		Taxpayer	2002	
	Taxable Assessed Value	% of Total District Net Valuation Taxable		Taxable Assessed Value	% of Total District Net Valuation Taxable
Alsan Realty Company L.P.	\$ 27,651,100	4.24 %	Spinnerin, Inc.	\$ 7,000,000	2.33 %
Forsgate Ventures IX LLC	17,109,300	2.62 %	Marschall Warehouse Co.	5,900,000	1.96 %
30 Wesley St LLC	1,807,100	0.28 %	Treco Enterprises	5,700,000	1.90 %
Marschall Warehouse Co	13,034,800	2.00 %	Wesley Investments, LLC	5,500,000	1.83 %
Bldg Phillips LLC	12,600,200	1.93 %	IVM	5,372,200	1.79 %
Treco Enterprises	11,460,500	1.76 %	Goldman L Et Al	4,510,000	1.50 %
Forsgate Ventures IV LLC	10,917,900	1.67 %	Alfred Sanzari Enterprises	4,364,700	1.45 %
Mahopac Partners LLC	9,300,000	1.43 %	Forsgate Venture IV	4,000,000	1.33 %
Mt. Laurel LLC	9,207,600	1.41 %	Mahopac Partners, LLC	3,526,300	1.17 %
I.V.M. - V. Madis	9,030,600	1.38 %	CWED Empire Boulevard, Inc.	3,470,000	1.15 %
Total	<u>\$ 122,119,100</u>	<u>18.73 %</u>	Total	<u>\$ 49,343,200</u>	<u>16.41 %</u>

Source: Township of South Hackensack Tax Assessor.

## Exhibit J-9

SOUTH HACKENSACK SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST NINE FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2004	\$ 3,889,441	\$ 3,889,441	100.00 %	- 0 -
2005	3,807,606	3,807,606	100.00 %	- 0 -
2006	4,627,976	4,627,976	100.00 %	- 0 -
2007	5,619,765	5,619,765	100.00 %	- 0 -
2008	6,009,252	6,009,252	100.00 %	- 0 -
2009	5,878,240	5,878,240	100.00 %	- 0 -
2010	6,637,748	6,637,748	100.00 %	- 0 -
2011	7,032,462	7,032,462	100.00 %	- 0 -
2012	7,032,462	7,032,462	100.00 %	- 0 -

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

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

Source: South Hackensack School District records, including the Certificate and Report of School Taxes (A4F Form)

## Exhibit J-10

SOUTH HACKENSACK SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities General Obligation Bonds	Business -Type Activities Capital Leases	Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
2003	\$ 5,290,000	\$ - 0 -	\$ 5,290,000	4.48 %	\$ 2,327.32
2004	5,125,000	- 0 -	5,125,000	4.38 %	2,244.85
2005	4,950,000	- 0 -	4,950,000	3.95 %	2,158.74
2006	7,960,000	- 0 -	7,960,000	6.12 %	3,486.64
2007	8,365,000	- 0 -	8,365,000	5.86 %	3,693.16
2008	8,000,000	- 0 -	8,000,000	5.28 %	3,544.53
2009	7,615,000	- 0 -	7,615,000	4.93 %	3,381.44
2010	7,200,000	- 0 -	7,200,000	4.62 %	3,023.94
2011	6,765,000	- 0 -	6,765,000	4.32 %	2,827.00
2012	6,300,000	- 0 -	6,300,000	4.02 %	2,632.68

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

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

Source: South Hackensack School District Financial Reports.

SOUTH HACKENSACK SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2003	\$ 5,290,000	\$ - 0 -	\$ 5,290,000	1.37 %	\$ 2,327.32
2004	5,125,000	- 0 -	5,125,000	1.33 %	2,244.85
2005	4,950,000	- 0 -	4,950,000	1.29 %	2,158.74
2006	7,960,000	- 0 -	7,960,000	2.07 %	3,486.64
2007	8,365,000	- 0 -	8,365,000	2.19 %	3,693.16
2008	8,000,000	- 0 -	8,000,000	2.09 %	3,544.53
2009	7,615,000	- 0 -	7,615,000	2.00 %	3,381.44
2010	7,200,000	- 0 -	7,200,000	1.88 %	3,023.94
2011	6,765,000	- 0 -	6,765,000	1.04 %	2,827.00
2012	6,300,000	- 0 -	6,300,000	0.97 %	2,632.68

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

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

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

Exhibit J-12

SOUTH HACKENSACK SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2011  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Township of South Hackensack	\$ 3,262,264	100.00 %	\$ 3,262,264
Bergen County General Obligation Debt	698,412,830	0.41 %	<u>2,882,716</u>
Subtotal, Overlapping Debt			6,144,980
South Hackensack School District Direct Debt			<u>6,300,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 12,444,980</u></u>

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

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

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

Exhibit J-13

SOUTH HACKENSACK SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2012

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2009	\$ 719,966,159
2010	701,401,249
2011	682,225,888
	<u>\$ 2,103,593,296</u>
Average Equalized Valuation of Taxable Property	<u>\$ 701,197,765</u>
Debt Limit (3% of Average Equalization Value) <sup>a</sup>	\$ 21,035,933
Net Bonded School Debt at June 30, 2012	<u>6,300,000</u>
Legal Debt Margin	<u>\$ 14,735,933</u>

	<u>Fiscal Year</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 12,224,934	\$ 12,960,493	\$ 14,078,759	\$ 15,180,719	\$ 17,308,385
Total Net Debt Applicable to Limit	<u>5,290,000</u>	<u>5,125,000</u>	<u>4,950,000</u>	<u>8,660,000</u>	<u>8,365,000</u>
Legal Debt Margin	<u>\$ 6,934,934</u>	<u>\$ 7,835,493</u>	<u>\$ 9,128,759</u>	<u>\$ 6,520,719</u>	<u>\$ 8,943,385</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	43.27 %	39.54 %	35.16 %	57.05 %	48.33 %

	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 19,592,536	\$ 19,592,536	\$ 21,025,786	\$ 21,510,433	\$ 21,035,933
Total Net Debt Applicable to Limit	<u>8,000,000</u>	<u>7,615,000</u>	<u>7,200,000</u>	<u>6,765,000</u>	<u>6,300,000</u>
Legal Debt Margin	<u>\$ 11,592,536</u>	<u>\$ 11,977,536</u>	<u>\$ 13,825,786</u>	<u>\$ 14,745,433</u>	<u>\$ 14,735,933</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	40.83 %	38.87 %	34.24 %	31.45 %	29.95 %

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

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

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

SOUTH HACKENSACK SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Year</u>	<u>Township Population<sup>a</sup></u>	<u>Bergen County Per Capita Personal Income<sup>b</sup></u>	<u>Township Personal Income<sup>c</sup></u>	<u>Township Unemployment Rate<sup>d</sup></u>
2003	2,283	51,291	117,097,353	7.10 %
2004	2,293	54,669	125,356,017	5.50 %
2005	2,283	56,963	130,046,529	4.80 %
2006	2,265	63,021	142,742,565	5.20 %
2007	2,257	67,113	151,474,041	4.60 %
2008	2,252	68,541	154,354,332	6.00 %
2009	2,258	64,388	145,388,104	10.60 %
2010	2,381	65,486	155,922,166	10.90 %
2011	2,393	65,486 **	156,707,998	10.70 %
2012	2,393 *	65,486 **	156,707,998	N/A

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

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

Sources:

- <sup>a</sup> Population information provided by the US Department of Census - Population Division.
- <sup>b</sup> Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- <sup>c</sup> Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.
- <sup>d</sup> Unemployment data provided by the NJ Department of Labor and Workforce Development.

SOUTH HACKENSACK SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Employer	2012		Employer	2003	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>Total</b>	<b>N/A</b>	<b>N/A</b>

N/A - Information is not available.

NOTE: The District was unsuccessful in its attempt to obtain information regarding the principal employers of the Township.

Exhibit J-16

SOUTH HACKENSACK SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST FIVE FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction:					
Regular	22.00	22.00	22.00	22.00	22.00
Special Education	3.00	3.00	3.00	2.00	3.00
Other Instruction	8.00	8.00	8.00	8.00	8.00
Support Services:					
General Administrative Services	4.00	4.00	4.00	4.00	4.00
Central Services	2.00	2.00	2.00	2.00	2.00
Plant Operations and Maintenance	4.00	4.00	4.00	4.00	4.00
Total	<u>43.00</u>	<u>43.00</u>	<u>43.00</u>	<u>42.00</u>	<u>43.00</u>

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

Source: South Hackensack School District Personnel Records.

SOUTH HACKENSACK SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST NINE FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>b</sup>	Percentage Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2004	245	\$ 4,333,119	\$ 17,686	N/A	22	1:10.5	245	237	N/A	96.73 %
2005	237	4,655,955	19,645	11.08 %	22	1:10.8	237	228	-3.27 %	96.20 %
2006	246	5,034,364	20,465	4.17 %	22	1:10.9	246	236	3.80 %	95.93 %
2007	246	6,001,039	24,394	19.20 %	22	1:10.7	230	230	-6.50 %	100.00 %
2008	219	6,385,943	29,160	19.53 %	22	1:10.6	219	210	-4.78 %	95.89 %
2009	227	6,396,231	28,177	-3.37 %	22	1:10.5	227	217	3.65 %	95.59 %
2010	237	7,008,482	29,572	4.95 %	25	1:10.5	236	226	3.96 %	95.76 %
2011	217	6,636,587	30,583	3.42 %	23	1:10.6	219	211	-7.20 %	96.35 %
2012	255	6,977,545	27,363	-10.53 %	25	1:10.1	255	243	16.44 %	95.29 %

Note: Enrollment based on annual October District count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Cost per pupil is calculated based upon the enrollment and operating expenditures presented above which may not be the same as other cost per pupil calculations.

<sup>c</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>d</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

N/A - Information is was not available at time of audit.

Source: South Hackensack School District Records.

SOUTH HACKENSACK SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST NINE FISCAL YEARS  
UNAUDITED

<u>District Building</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Memorial School (2004):									
Square Feet	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Capacity (Students)	295	295	295	295	295	295	295	295	295
Enrollment	245	237	246	230	219	227	237	217	255
<u>Number of Schools at June 30, 2012:</u>									
Elementary = 1									

NOTE: Enrollment is based on the annual October District count.

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

Source: South Hackensack School District Facilities Office.

SOUTH HACKENSACK SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST NINE FISCAL YEARS  
UNAUDITED

Undistributed Expenditures - Required Maintenance  
 For School Facilities - Account #11-000-261-XXX:

School Facilities*	Project # (s)	Fiscal Year Ending June 30,								
		2004	2005	2006	2007	2008	2009	2010	2011	2012
Memorial Elementary School	N/A	\$ 16,195	\$ 14,812	\$ 10,690	\$ 15,500	\$ 42,919	\$ 59,857	\$ 58,760	\$ 53,008	\$ 59,321

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

This schedule does not include ten years' information as "Schedule of Required Maintenance for School Facilities" was not mandatory for fiscal years prior to June 30, 2001.

Source: South Hackensack School District Records.

SOUTH HACKENSACK SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2012  
UNAUDITED

	Coverage	Deductible
School Alliance Insurance Fund:		
General Liability:		
General Aggregate	\$ 5,000,000	
Each Occurrence	5,000,000	
Production/Completed Operations	5,000,000	
Personal Injury	5,000,000	
Fire Damage	100,000	
Medical Expense	5,000	
Employee Benefits Liability	5,000,000	\$ 1,000
Aggregate	5,000,000	
Sexual Molestation Limit	3,000,000	
Commercial Property Coverage:		
Property Building & Contents Replacement		
Cost Values	12,334,146	1,000
Earthquake	25,000,000	
Flood (Zones A or V)	10,000,000	
Boiler and Machinery	100,000,000	1,000
Crime:		1,000
Employee Dishonesty with Faithful Performance	500,000	
Forgery & Alteration	50,000	
Theft - Inside & Outside	50,000	
Computer Fraud	50,000	
Automobile Coverage:		1,000
Combined Single Limit	5,000,000	
Hired/Non-Owned	5,000,000	
Uninsured/Underinsured	15/30/5,000	
Comprehensive	500	
Collision	500	
Per Occurrence	Included in Limit	
Excess Liability:		
Each Occurrence	5,000,000	
E & O/Each Loss	5,000,000	
Each Policy Year	5,000,000	

SOUTH HACKENSACK SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2012  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Leaders - Ace American Insurance:		
Practices Liability:		
Each Claim/Each Insured	\$ 5,000,000	
Aggregate/Each Insured	5,000,000	
Each Claim/All Insureds	10,000,000	
Maximum Policy Aggregate	20,000,000	
Retention - SLLL	25,000	
Retention - EPL	25,000	
Environmental - Ace/Illinois Union Insurance Company		
Each Claim Limit	1,000,000	
Legal defense Expense Limit	25,000,000	
SIR - Per Pollution Condition	10,000	
Excess Liability (CAP) - Fireman's Fund		
Each Occurance	50,000,000	
Aggregate	50,000,000	
AD & D - Gerber Life Insurance		
Principal Sum	100,000	
Aggregate Limit/per Accident	500,000	
Fidelity Bonds - Hartford Fire Insurance Company:		
Business Administrator	225,000	
Fidelity Bonds - RLI Insurance Company:		
Treasurer of School Monies	225,000	

**SINGLE AUDIT SECTION**



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

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

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the South Hackensack School District, in the County of Bergen (the "Board") as of, and for the fiscal year ended, June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

The Honorable President and Members  
of the Board of Education  
South Hackensack School District  
Page 2

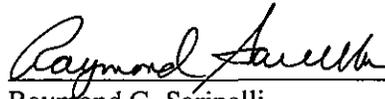
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of Finance, Department of Education, State of New Jersey. However, we noted certain matters that we have reported to the Board in the *Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance* dated September 14, 2012.

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

September 14, 2012  
Mount Arlington, New Jersey

NISIVOCCIA LLP



Raymond G. Sarinelli  
Licensed Public School Accountant #864  
Certified Public Accountant

SOUTH HACKENSACK SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at	Cash Received	Budgetary Expenditures	Balance at
			From	To		June 30, 2011 (Accounts Receivable)			June 30, 2012 (Accounts Receivable)
U.S. Department of Agriculture -									
Passed-through State Department of Education:									
Enterprise Fund:									
Child Nutrition Cluster:									
National School Breakfast Program	10.553	N/A	7/1/10	6/30/11	\$ 2,231	\$ (170)	\$ 170		
National School Lunch Program	10.555	N/A	7/1/10	6/30/11	12,969	(927)	927		
National School Breakfast Program	10.553	N/A	7/1/11	6/30/12	1,807		1,723	\$ (1,807)	\$ (84)
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	15,577		14,811	(15,577)	(766)
Special Milk Program	10.556	N/A	7/1/11	6/30/12	295		273	(295)	(22)
Total Child Nutrition Cluster						(1,097)	17,904	(17,679)	(872)
Total Enterprise Fund						(1,097)	17,904	(17,679)	(872)
Total U.S. Department of Agriculture						(1,097)	17,904	(17,679)	(872)
U.S. Department of Education:									
General Fund:									
Educational Jobs	84.410A	N/A	7/1/11	6/30/12	13,873			(13,873)	(13,873)
Special Education Medicaid Initiative	93.778	N/A	7/1/10	6/30/11	1,967	(1,030)	1,030		
Special Education Medicaid Initiative	93.778	N/A	7/1/11	6/30/12	463		165	(463)	(298)
Total General Fund						(1,030)	1,195	(14,336)	(14,171)
Passed-through State Department of Education:									
Special Revenue:									
No Child Left Behind:									
Title I	84.010A	NCLB-4870-11	9/1/10	8/31/11	38,139	(8,610)	8,610		
Title II Part A	84.278A	NCLB-4870-11	9/1/10	8/31/11	9,960	(2,472)	2,472		
Title II Part D	84.318A	NCLB-4870-11	9/1/10	8/31/11	77	(56)	56		
Title I	84.010A	NCLB-4870-10	9/1/11	8/31/12	35,529		32,229	(35,529)	(3,300)
Title II Part A	84.278A	NCLB-4870-10	9/1/11	8/31/12	9,784		8,100	(9,784)	(1,684)
						(11,138)	51,467	(45,313)	(4,984)

SOUTH HACKENSACK SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at	Cash	Budgetary	Balance at
			From	To		June 30, 2011			June 30, 2012
						(Accounts Receivable)	Received	Expenditures	(Accounts Receivable)
U.S. Department of Education -									
Passed-through State Department of Education:									
Special Revenue:									
Special Education Cluster:									
I.D.E.A. Part B, Basic	84.027	IDEA-4870-11	9/1/10	8/31/11	\$ 70,396	\$ (14,092)	\$ 14,092		
I.D.E.A. Part B, Preschool	84.173	IDEA-4870-11	9/1/10	8/31/11	2,356	(474)	474		
I.D.E.A. Part B, Basic	84.027	IDEA-4870-12	9/1/11	8/31/12	68,272		61,434	\$ (68,272)	\$ (6,838)
I.D.E.A. Part B, Preschool	84.173	IDEA-4870-12	9/1/11	8/31/12	2,721		2,448	(2,721)	(273)
American Recovery and Reinvestment Act:									
I.D.E.A. Part B, Basic	84.391	IDEA-4870-11	7/1/09	8/31/11	65,607	(726)	26,342	(25,616)	
Total Special Education Cluster						<u>(15,292)</u>	<u>104,790</u>	<u>(96,609)</u>	<u>(7,111)</u>
Total U.S. Department of Education						<u>(27,460)</u>	<u>157,452</u>	<u>(156,258)</u>	<u>(26,266)</u>
Total Special Revenue Fund						<u>(26,430)</u>	<u>156,257</u>	<u>(141,922)</u>	<u>(12,095)</u>
TOTAL FEDERAL AWARDS						<u>\$ (28,557)</u>	<u>\$ 175,356</u>	<u>\$ (173,937)</u>	<u>\$ (27,138)</u>

N/A - Not Available/Applicable

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

SOUTH HACKENSACK SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at	Cash Received	Budgetary Expenditures	Balance at	MEMO	
		From	To		June 30, 2011 (Accounts Receivable)			June 30, 2012 GAAP (Accounts Receivable)	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:										
General Fund:										
Extraordinary Aid	11-100-034-5120-473	7/1/10	6/30/11	\$ 98,113	\$ (98,113)	\$ 98,113				
Nonpublic School Transportation Costs	11-495-034-5120-014	7/1/10	6/30/11	522	(522)	522				
Homeless Tuition Reimbursement	N/A	7/1/10	6/30/11	22,480	(22,480)	22,480				
Special Education Categorical Aid	12-495-034-5120-089	7/1/11	6/30/12	\$ 205,438		205,438	\$ (205,438)			\$ 205,438
Extraordinary Aid	12-100-034-5120-473	7/1/11	6/30/12	71,084			(71,084)	\$ (71,084)		71,084
Nonpublic School Transportation Costs	12-495-034-5120-014	7/1/11	6/30/12	522			(522)	(522)		522
Reimbursed TPAF Social Security Aid	12-495-034-5095-002	7/1/11	6/30/12	129,510		123,614	(129,510)	(5,896)		129,510
Total General Fund State Aid					(121,115)	450,167	(406,554)	(77,502)		406,554
Enterprise Fund:										
State School Lunch Program	11-100-010-3350-023	7/1/10	6/30/11	259	(19)	19				
State School Lunch Program	12-100-010-3350-023	7/1/11	6/30/12	325		310	(325)	(15)	\$ 15	325
Total Enterprise Fund					(19)	329	(325)	(15)	15	325
Total State Department of Education					(121,134)	450,496	(406,879)	(77,517)	15	406,879
TOTAL STATE AWARDS					\$ (121,134)	\$ 450,496	\$ (406,879)	\$ (77,517)	\$ 15	\$ 406,879

N/A - Not Available

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

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

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments for the prior year, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, the current year payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year and the final payments for the prior year are recognized in the current year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

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

(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$56,600 and \$113,782 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 14,336	\$ 576,936	\$ 591,272
Special Revenue Fund	141,922		141,922
Proprietary Fund	<u>17,679</u>	<u>325</u>	<u>18,004</u>
Total Financial Assistance	<u>\$ 173,937</u>	<u>\$ 577,261</u>	<u>\$ 751,198</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

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

Summary of Auditors' Results:

- An unqualified report was issued on the District's financial statements.
- The audit did not disclose any material weaknesses in the internal controls of the District.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the District.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04 for fiscal year end June 30, 2012 as federal and state grant expenditures were less than the single audit thresholds of \$500,000 identified in the Circulars.

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

- Not applicable as state expenditures were below the single audit threshold.

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

Status of Prior Year Findings:

The prior year finding regarding segregation of duties was reviewed and cleared during the current year.